Annual PRSP Progress Report
FY 2014/15

Table of Contents

Executive Summary

The Annual PRSP Progress Report for FY 2014/15 is the 15th report, since the establishment of the PRSP mechanism for tracking pro-poor expenditures in 2000. The report is based on the nine pillars identified under PRSP-II document, namely Macroeconomic Stability and Real Sector growth, Protecting the Poor and the Vulnerable, Increasing Productivity and Value Addition in Agriculture, Integrated Energy Development Programme, Making Industry Internationally Competitive, Human Development for the 21st Century, Removing Infrastructure Bottlenecks through Public Private Partnerships (PPPs), Capital and Finance for Development, Governance for a Just and Fair System.

During FY14/15, Pakistan's economy witnessed higher and broad based economic growth of 4.24 percent on the basis of significant recovery in services sector and moderate growth in agriculture sector. During FY14/15, growth in agriculture, industrial and services sector was recorded at 3.2 percent, 3.6 percent and 5.0 percent, respectively.

The average inflation came down sharply in FY 14/15 to 4.5 percent from 8.6 percent in FY 2013/14; this was well below the target of 8 percent for the year. According to State Bank Report the factors responsible for lower inflation were: *Stability in Pak Rupee and prudent fiscal policies, Price monitoring mechanism at both Federal and Provincial level, Control on money supply, Fall in commodity prices which moderated the headline inflation CPI and other inflationary indicators ,i.e., Core, Food, Non-food, SPI and WPI.*

Government made hectic efforts for fiscal consolidation by controlling current expenditures and substantially increasing the development expenditures. Reduction in current expenditure was imposed through 40% cut in expenses of P.M office; 30% cut in all ministries/division's current expenditures; discontinuation of discretionary funds of P.M and ministers; effective resource mobilization strategy which helped in increasing FBR taxes; and reduction in subsidies.

Public expenditures in selected seventeen pro-poor sectors have been discussed. These include Roads, Highways, & Bridges, Environment/Water Supply & Sanitation, education, health, population planning, agriculture, land reclamation, subsidies, social security and welfare, BISP, *Pakistan Bait-ul-Maal, Natural Calamities & Other Disasters, Low Cost Housing, Justice and Administration. Data is collected, compiled and analyzed for these sectors. The Report also monitors the key output and outcome indicators.*

Pro-poor expenditure as percentage of GDP has been continuously rising during the last few years. The overall PRSP expenditures in terms of GDP increased to 7.95 percent during FY2014/15. The PRSP development expenditures as percentage of GDP increased to 2.87 percent from 2.46 percentage of GDP during the previous year. PRSP current expenditures however declined to 5.08 percent from 5.26 percentage of GDP.

Expenditures made in the area of Human Development and Safety Nets sectors, in terms of GDP share were the highest at 3.08 percent and 2.31 percent respectively in FY14/15. Share of Governance sector was recorded at 1.08 percent of GDP followed by Rural Development and Market Access.

The overall PRSP expenditures have shown a significant growth of 12.6 percent in FY14/15. Strong positive trends were observed in all subsectors which contributed to an overall increase in expenditures. The expenditures in Human Development recorded an encouraging trend. Education and Health sectors exhibited substantial growth in expenditures of 11.29 percent and 14.45 percent, respectively. Similarly, a positive growth of 10.58 percent was observed in Population Planning during the comparison period.

Social safety net expenditures recorded a mixed trend. The total amount disbursed under different programmes including budgetary and non-budgetary transfers increased by 30.15 percent from Rs. 114,041 million in FY13/14 to Rs. 148,421 million in FY14/15. The total number of beneficiaries under all these programmes observed an increase of 1.9 percent during FY14/15.

In aggregate terms, Pakistan Bait-ul-Maal disbursements increased by 14.14 percent from Rs. 1,911.40 million to Rs. 2,182 million while the number of beneficiaries recorded a slight decline of 1.48 percent during the comparison period.

The total cash amount disbursed recorded a significant increase of 35.2 percent from Rs. 67,761 million in FY13/14 to Rs. 91,589 million in FY14/15. The number of beneficiaries also registered a positive growth of 9.4 percent during the comparison period. Zakat Programmes observed a mixed trend among provinces. A significant increase of 7.35 percent was recorded under EOBI Programmes.

During FY14/15, growth of the agricultural sector was not up to mark as it achieved a growth rate of 2.9 percent compared with the target of 3.3 percent. Growth rate of crop sector recorded a reduction. However, livestock, fisheries and forestry sectors performed well. Keeping in view the present pace of growth and development of the sector, a growth rate of 3.9 percent has been set for the year 2015/16.

According to Pakistan Economic Survey 2014/15, during July to March FY 2015, primary energy supplies increased to 50.9 million TOE compared to 48.8 million TOE showing a growth of 4.4 percent.

Pakistan’s 2014 HDI of 0.538 is above the average of 0.505 for countries in the low human development group and below the average of 0.607 for countries in South Asia. From South Asia, countries which are close to Pakistan in 2014 HDI rank are India and Bangladesh, which have HDIs ranked 130 and 142 respectively while Pakistan was ranked at 147.

The population of Pakistan increased by 2 percent from 188 million in 2014 to 191.71 million in 2015 according to figures released by the Planning Commission. The urban population increased by 3.7 percent while the rural population increased by 0.9 percent during the comparison period. The reason behind a comparatively higher growth in urban localities can be attributed to migration of rural population to urban areas for better jobs and accessibility to basic needs such as food, social services, shelter and clothing.

The composition of urban and rural population has been changing over time. The ratio of rural-urban population was 62.1:37.9 in 2013, which changed to 60.8:39.2 in 2015. The life expectancy has been increasing while women exhibited a higher life expectancy than men.

A total of 131,402 schools were functional in FY 2014/15 against 131,477 in FY 2013/14 registering a decrease of 0.06 percent. During the same period, the number of primary functional schools decreased marginally by less than 1 percentage point whereas middle level functional schools witnessed a growth of 0.58 percent.

During FY 2014/15 the percentage of trained teachers dropped by 0.3 percent at the primary level, and by 1 percent at the middle level. The decline in the percentage of teachers trained in certain areas of Pakistan was due to recruitment of new teachers and retirement of old ones. Along with this since the private sectors offers better salaries, trained teachers have also shifted to private educational institutions.

The overall expenditures of health sector recorded an increase of 14 percent from Rs. 202 billion last year to Rs. 231 billion this year. The bulk of the health expenditures were spent under the category of General Hospitals & Clinics constituting a share of 72 percent in total health expenditures. The smallest share was spent under the category of Mother & Child Health Care.

The Lady Health worker program is a broadly targeted scheme designed in the early 1990s with its objective of basic community services to all rural and urban areas in Pakistan. A Lady Health Worker registers approximately 200 household or 1000 individuals in her community to whom she offers a range of preventive and promotive services, including family planning. The total Strength of Lady Health Workers observed decline in provinces due to regularization ordered by the Supreme Court. The population covered by Lady Health Workers increased in rural areas and declined in urban areas in the province of Punjab. Both TT-I and TT-2 Immunization coverage exhibited a declining trend in all districts of Pakistan because the Strength of LHWs declined in all areas after regularization in March 2013.

The infrastructure needs of a growing population in a developing economy like Pakistan exceed the fiscal resources available to fulfill them. For developing countries, public-private partnerships (PPP) are a well-accepted procurement and financing modality to address an important portion of these infrastructure gaps. In this context a significant increase of 23 percent was recorded in PRSP expenditures on Roads, Highways and Bridges from FY2013/14 to FY2014/15. Recent constitutional reforms have devolved to provincial governments the main responsibility for most forms of infrastructure development. But this devolution still has to be matched with financial and technical capacity development at each provincial Government.

Pakistan’s efforts for provision of microfinance services to the poor have been recognized internationally. In 2011 and 2012, Pakistan’s microfinance regulations were ranked best in the world by the Global Microscope report, and Pakistan was ranked in the top-ten internationally for its enabling environment for financial inclusion in the most recent Global Microscope 2014.

Microfinance has been widely recognized as effective financial services, especially credit to the poor to allow them to become economically active. The credit programs offer a small loan to the beneficiaries for self employment purposes that can start or enhance their income streams, and eventually making them self-reliant and move out of poverty. Although micro credit has been the main thrust in the past, today microfinance is seen as encompassing a wide range of financial services such as credit, saving and Insurance. The Access to Finance Survey (A2FS) 2015 which is a nationally representative demand side survey indicates that access to formal financial services has increased to 23% compared to 12% in 2008 and adult banked population has increased to 16% from 11% in 2008. Particularly, women access to financial services has expanded considerably, as 11% are now banked, compared with merely 4% in 2008.

In summation the PRSP Annual Progress Report attempts to highlight the progress made under the nine pillars during FY 2014/15. The PRSP expenditures have exhibited a positive trend in majority of sectors. In absolute terms the education sector expenditures increased by Rs. 60.7 billion. Government's commitment to reduce poverty and invest in human development was evident from the distribution of expenditures in pro-poor sectors.

Introduction

Growth has historically been pro-poor in Pakistan. According to Asian Development Bank's report on Pakistan's Country Partnership Strategy, poverty headcount declined to 12.4 percent (9.9 percentage points) during FY 2006 to FY 2011 when average growth was 3.8 percent. During past few years growth has been buoyant, people centered and broad based, which has impacted poverty reduction positively.

The Poverty Reduction Strategy Paper (PRSP) Annual Progress Report for FY14/15 attempts to highlight the government's poverty reduction efforts in the context of the nine pillars identified under PRSP-II document. For this purpose the report has been divided into nine chapters. The PRSP Secretariat has prepared this report by monitoring the budgeted and non-budgeted expenditures in selected pro-poor sectors and taking stock of key output and outcome indicators identified under education, health, environment and employment generation.

Chapter 1 reports the progress made under macroeconomic indicators. In FY14/15, Pakistan's economy witnessed higher and broad based economic growth of 4.24 percent on the basis of significant recovery in services sector and moderate growth in agriculture sector. During FY14/15, growth in agriculture, industrial and services sector was recorded at 3.2 percent, 3.6 percent and 5.0 percent, respectively. The GDP growth accelerated to 4.24 percent in 2014-15 against the growth of 4.0 percent recorded in the same period last year. The GDP growth of 4.24 percent achieved in fiscal year FY14/15 is the highest since 2008-09. The average inflation rate declined to 4.5 percent while fiscal deficit came down to 5 percent of GDP.

Chapter 2 evaluates the government's efforts to reduce poverty by investing in human capital and increasing pro-poor expenditures during FY14/15. The overall PRSP expenditures in terms of GDP increased to 7.95 percent in FY14/15 from 7.7 percent in FY13/14. The total growth in pro-poor expenditures significantly improved to 12.6 percent in FY 2014/15 as compared to a growth rate of 1.09 percent in FY 2013/14. Among the seventeen pro-poor sectors, the highest share in total PRSP expenditures was held by Education followed by Subsidies, Law & Order and Health sector. Expenditures incurred on Human Development and Safety Nets sectors, in terms of GDP share, was the highest at 3.08 percent and 2.31 percent respectively in FY14/15. Under Social

Safety Nets Programme the total amount disbursed under budgetary and non-budgetary transfers increased by 30.15 percent from Rs. 114,041 million in FY13/14 to Rs. 148,421 million in FY14/15. The total number of beneficiaries under all these programmes observed an increase of 1.9 percent during FY14/15.

Chapter 3 of the PRSP Progress report focuses on the third pillar of PRSP-II document, i.e., ‘Increasing Productivity and Value Addition in Agriculture’. Pakistan’s arable land was recorded at 24.4 percent, which is much lower in comparison to India and Bangladesh. Agricultural employment stood at 44.7 percent in Pakistan while it was recorded at 78.6 percent in Afghanistan. Highest agricultural contribution to GDP was recorded at 38.1 percent in Nepal. In Pakistan agricultural contribution to GDP stood at 21.6 percent. During FY14/15, growth of the agricultural sector was not up to mark as it achieved a growth rate of 2.9 per cent compared with the target of 3.3 percent.

Chapter 4 deals with initiatives taken for Energy Development. Energy Sector reform is a key component of the structural reforms agenda of the current government. The Government developed a National Power Policy 2013-18 in consultation with all stake holders and it was approved by Council of Common Interests (CCI). National Power Policy 2013-18 focuses on improved governance structure, supportive legal framework, financial sustainability, supply-demand side management and promoting private sector participation in the sector. Implementation of this policy will help improve the governance and financial viability of power sector.

Chapter 5 focuses on government strategies to make Industries Internationally Competitive. The government is following a two-pronged strategy of the Vision 2025 and 11th Five year Plan. The Vision calls to invoke export-oriented policy led by the private sector, and 11th Five year plan gives a policy framework based on consistency and continuity for sustainable balance of payments situation. The role of private sector is central to an export competitive environment. Pakistan has exhibited a positive trend in the area of exports when compared with her regional partners. Data of last four years shows that Bangladesh has performed better than Pakistan in increasing the volume of exports. Sri Lanka has recouped well from negative growth in 2012 to double digit growth in 2014 but the growth rate is projected to be halved in 2015. China has shown persistent growth in exports of goods and is likely to maintain this trend.

Chapter 6 of the Progress report deals with Human development which is also the sixth pillar of PRSP-II document. Human Development is an essential prerequisite and a driver of improving all aspects of the quality of life of citizens, and is, therefore, an important pillar of the government's Poverty Reduction Strategy. According to Human Development Report 2015, Pakistan's HDI value for 2014 is 0.538— which puts the country in the low human development category— positioning it at 147 out of 188 countries and territories. Education sector expenditures increased by 11 percent from Rs. 537 billion recorded last year to Rs. 598 billion recorded in FY 2014/15. The overall expenditures of health sector recorded an increase of 14 percent from Rs. 202 billion last year to Rs. 231 billion this year. After the 18^{th} Amendment The federal National Commission on the Status of Women and provincial women development departments (WDDs) are responsible for reviewing gender polices and plans. The government has launched the Youth Business Loan Scheme, with 50% of loans reserved for women. Women will be trained in vocational skills through the Prime Minister's Youth Skill Development Scheme. Through the Benazir Income Support Program (BISP) 5 million families are receiving cash grants, with direct payments to women. Under the category of employment generation the total labor force increased to 57 million in FY 2014/15 from 56 million in FY2013/14.

Chapter 7 of the report is entitled "Removing Infrastructure Bottlenecks through Public Private Partnerships (PPPs)". The infrastructure needs of a growing population in a developing economy like Pakistan exceed the fiscal resources available to fulfill them. For developing countries, public-private partnerships (PPP) are a well-accepted procurement and financing modality to address an important portion of these infrastructure gaps. A significant increase of 23 percent was recorded in PRSP expenditures on Roads, Highways and Bridges from FY2013/14 to FY2014/15. In this regard the government's Infrastructure Project Development Facilitates (IPDF) facilitates line ministries by conducting feasibilities studies, develops optimal project structure, and provides support in bid evaluation and contract negotiations for the projects that are executed on PPP modality.

The focus of Chapter 8 is on Capital and Finance for Development. Financial Inclusion plays a pivotal role in promoting inclusive economic growth through enhancing livelihoods and enterprise activities. In 2011 and 2012, Pakistan's microfinance regulations were ranked best in the world by the Global Microscope report, and Pakistan was ranked in the top-ten internationally for its enabling environment for financial inclusion in the most recent Global Microscope 2014. The Access to Finance Survey (A2FS) 2015 which is a nationally representative demand-side survey indicates that access to formal financial services has increased to 23% compared to 12% in 2008 and adult banked population has increased to 16% from 11% in 2008. Particularly, women access to financial services has expanded considerably, as 11% are now banked, compared with merely 4% in 2008. SBP has been managing a number of programmes funded by GoP and other donors including DFID, ADB. These include: Credit Guarantee Scheme for small farmers, Livestock Loan Insurance Scheme for Borrowers, Prime Minister Youth Business Loans Scheme, Microfinance Credit Guarantee Facility, Establishment of Nationwide Microfinance Credit Information Bureau, Framework for Warehouse Receipt Financing, Nationwide Financial Literacy Program (NFLP), Farmers' Financial Literacy Programs, Financial Innovation Challenge Fund (FICF).

Chapter 9 of PRSP progress report sheds light on 'Governance' the 9^{th} and last pillar of PRSP-II document. Reforms after the 18th Constitutional Amendment encompasses all tiers of government and span over medium to long term frames. In addition to policy and reform, the government has been earmarking increased resources for Governance Sector to fulfill its objectives of accelerating growth and poverty reduction. The government's concern in dealing with security is evident from decision of launching a successful initiative of the Zarb-e-Azb operation and empowering the security forces with resources. The law & order related expenditures increased by a significant 13.48 percent while the Justice Administration spending increased by 5.98 percent from FY 2013/14 to FY 2014/15. Expenditures made under Justice Administration increased in both Federal and Provincial areas. However, minor reduction was recorded in Justice Administration expenditure in Sindh and Balochistan.

Chapter 10 of the PRSP Progress Report analyzes the 'PRSP Synergy with Sustainable Development Goals'. The SDG goals and Targets are closely associated with the PRSP initiative. These goals will help accelerate the pace of development in PRSP sectors which is going to witness higher allocations and expenditures and reforms to facilitate achievement of output and outcome indicators. The most important factor behind success of the forthcoming initiatives is the bipartisan support at all tiers of governments, supplemented by wide raging reforms and improved governance.

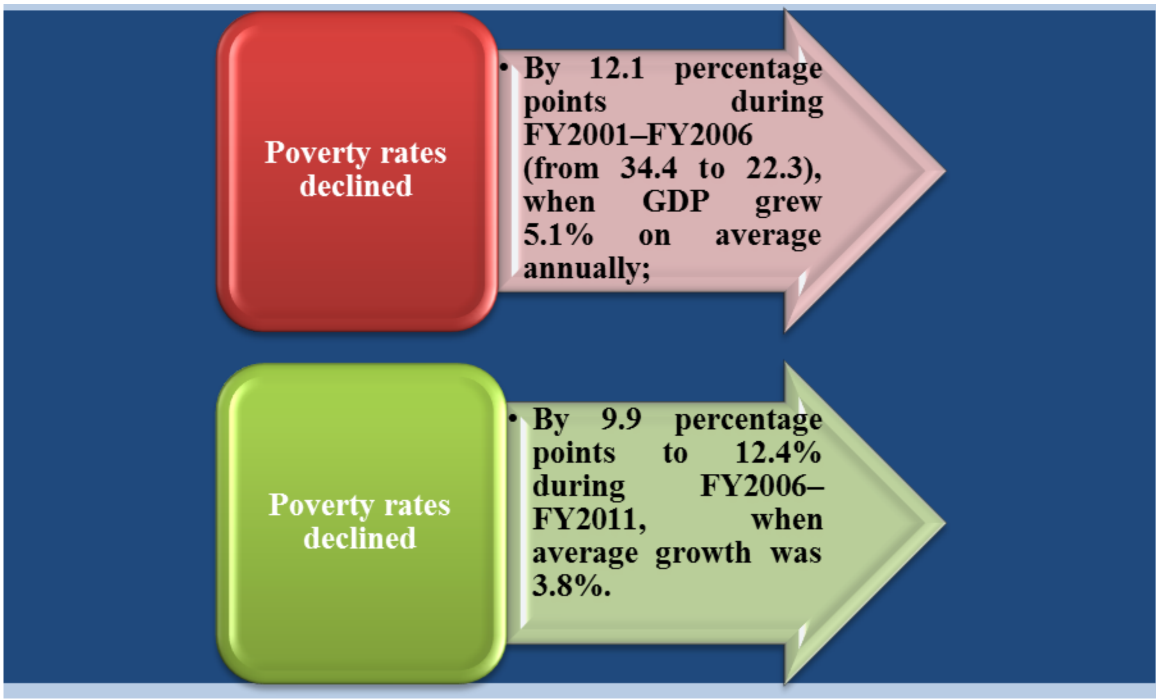
Chapter no. 1

Macroeconomic Stability and Real Sector Growth

Pakistan is located in southern Asia, and borders Afghanistan, the People's Republic of China, India and Iran, with about 1,000 kilometers of coastline along the Gulf of Oman and the Arabian Sea. It has substantial natural resources (e.g. natural gas, coal, hydropower, and minerals); fertile land in a variety of climatic zones; rich biodiversity; and a young population, with the potential for rapid and sustained development.

The country is a major exporter of rice and cotton. It has significant potential to produce and export other agricultural products (such as fruit, vegetables, and livestock); minerals (including copper, gold, lead, zinc, coal, industrial stones and quality gemstones); manufactured goods (including agro-processing, higher-value textiles, sporting goods, and surgical instruments); and services (such as information technology). The country is heavily dependent on hydrocarbon imports—oil accounts for over one third of total imports—exposing the country to periodic oil price spikes. Workers' remittances went up to $18.45 billion (6.84% of GDP) in FY14/15 depicting an increase of 16.5 percent over the last year.

Growth has historically been pro-poor in Pakistan. According to Asian Development Bank's report on Pakistan's Country Partnership Strategy:



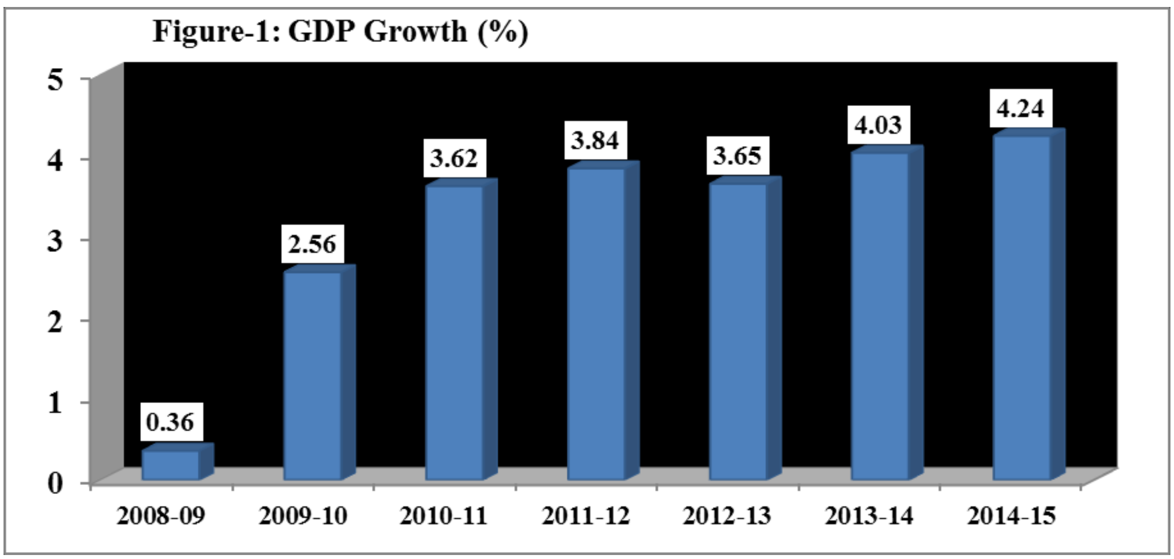
The significant decline in poverty in the latter period also reflects a faster rise in workers' remittances, higher support prices for key agricultural commodities, and the initiation (in FY08/09) of the Benazir Income Support Program, a nationwide targeted cash transfer program.

The present government that took office in June 2013 signaled that restoring macroeconomic stability and growth was a high priority for the next 5 years. The government entered into a $6.7 billion 3-year International Monetary Fund Extended Fund Facility arrangement in September 2013. This has helped strengthen our foreign exchange reserves and reduced pressure on the exchange rate.

1. Real GDP Growth Rate

The economy of Pakistan continues to remain under the stress of internal and external challenges. However in the outgoing FY14/15, Pakistan's economy witnessed higher and broad based economic growth of 4.24 percent on the basis of significant recovery in services sector and moderate growth in agriculture sector. During FY14/15, growth in agriculture, industrial and services sector was recorded at 3.2 percent, 3.6 percent and 5.0 percent, respectively.

The GDP growth accelerated to 4.24 percent in 2014-15 against the growth of 4.0 percent recorded in the same period last year. The GDP growth of 4.24 percent achieved in fiscal year FY14/15 is the highest since 2008-09. Fig-1 shows an overview of GDP growth over the previous years:



Source: Pakistan Economic Survey 2014-15

Commodity producing and services sectors constitute the Gross Domestic Product (GDP). Commodity producing sector, comprising agriculture and industry, plays a central role in economic growth. It accounted for 41.2 percent of GDP during the outgoing fiscal year as compared to 41.6 percent last year. Its contribution was 44 percent in GDP in fiscal year 2005-06, which is decreasing over time as the share of services sector has increased. The commodity producing sector has performed slightly lower in outgoing fiscal year as compared to last year. It grew at 3.24 percent during outgoing year as compared to 3.55 percent last year. Main reasons are: damages to major crops due to flood, energy and gas shortages etc.

A. Agriculture Sector:

The government is making multiple efforts to improve performance of the Agriculture sector by introducing modern techniques and scientific methods to improve the quality and quantity of the yield.

Agriculture accounts for 20.88 percent of GDP and 43.5 percent of employment. The sector has direct and indirect linkages with other sectors of the economy, i.e. industry and services, thus playing significant role in socio-economic development of the country.

During fiscal year 2014-15, the overall performance of agriculture sector recorded a growth of 2.9 percent compared to the growth of 2.7 percent during FY 2013-14 due to positive growth in all agriculture related sub sectors.

The agriculture sector has four sub sectors, namely: crops, livestock, fisheries and forestry. Crops witnessed a growth of 1.0 percent, Livestock 4.1 percent, Forestry 3.2 percent and Fishing 5.8 percent. The crop subsector which includes important crops, other crops and cotton ginning, showed growth of 0.3 percent, 1.1 percent and 7.4 percent, respectively. Important crops, which carry great significance by having a share of 25.6 percent in agricultural value addition, have experienced a meager growth of 0.3 percent in FY14/15 against growth of 8.0 percent during the same period of FY13/14. The performance of important crops during FY14/15 remained weak, as only cotton and rice production recorded positive growth of 9.5 percent and 3.0 percent, respectively, while sugarcane, maize and wheat production recorded a negative growth of 7.1 percent, 5.0 percent and 1.9 percent, respectively.

Other crops which contribute 11.1 percent in value addition of agriculture, recorded an increase of 1.1 percent during 2014-15 against negative growth of 5.4 percent during FY 2013/14. This is due to increase in production of pulses, vegetables and fruits which recorded positive growth of 13.0 percent, 2.5 percent and 0.9 percent, respectively on account of better water availability, more fertilizer off-take, relief in the prices of agriculture inputs and enhanced availability of agriculture credit.

Table 1.1 : Growth Rates in Agriculture Sector

Sectors/Sub-Sectors	2013-14	2014-15
Agriculture	**2.7**	**2.9**
1.Crops	3.2	1.0
Important Crops	8.0	0.3
Other Crops	-5.4	1.1
Cotton Ginning	-1.3	7.4
1.-Livestock	2.8	4.1
2.-Foresty	-6.7	3.2
3.Fishery	1.0	5.8

Source: Pakistan Economic Survey FY 2014/15

The Livestock sector which contributes 56.3 percent in agriculture value addition, recorded a positive growth of 4.1 percent in 2014-15 against 2.8 percent growth during the same period of FY13/14. The Fishing sector, which is contributing 2.1 percent in agriculture value addition, recorded a growth of 5.8 percent as against last year’s growth of 1.0 percent. Forestry sector posted a growth of 3.2 percent this year as compared to the negative growth of 6.7 percent last year.

B. Manufacturing Sector:

The Manufacturing Sector accounted 13.3 percent of GDP and 14.2 percent of total employed labor force. Large Scale Manufacturing (LSM), having 10.6 percent of share in GDP, dominates the overall manufacturing sector by accounting for 80 percent of its share. During July-March 2014-15, Large Scale Manufacturing (LSM) registered a growth of 2.4 percent as compared to 4.5 percent in the same period last year. However nominal uptick in utilities, witnessed during last quarter of FY14/15, correspondingly stimulated overall LSM growth to 3.3 percent for complete FY14/15. The import of machinery witnessed a growth of 11 percent during FY14/15 especially in power related and other manufacturing sectors. This has exerted positive impact on the growth of LSM.

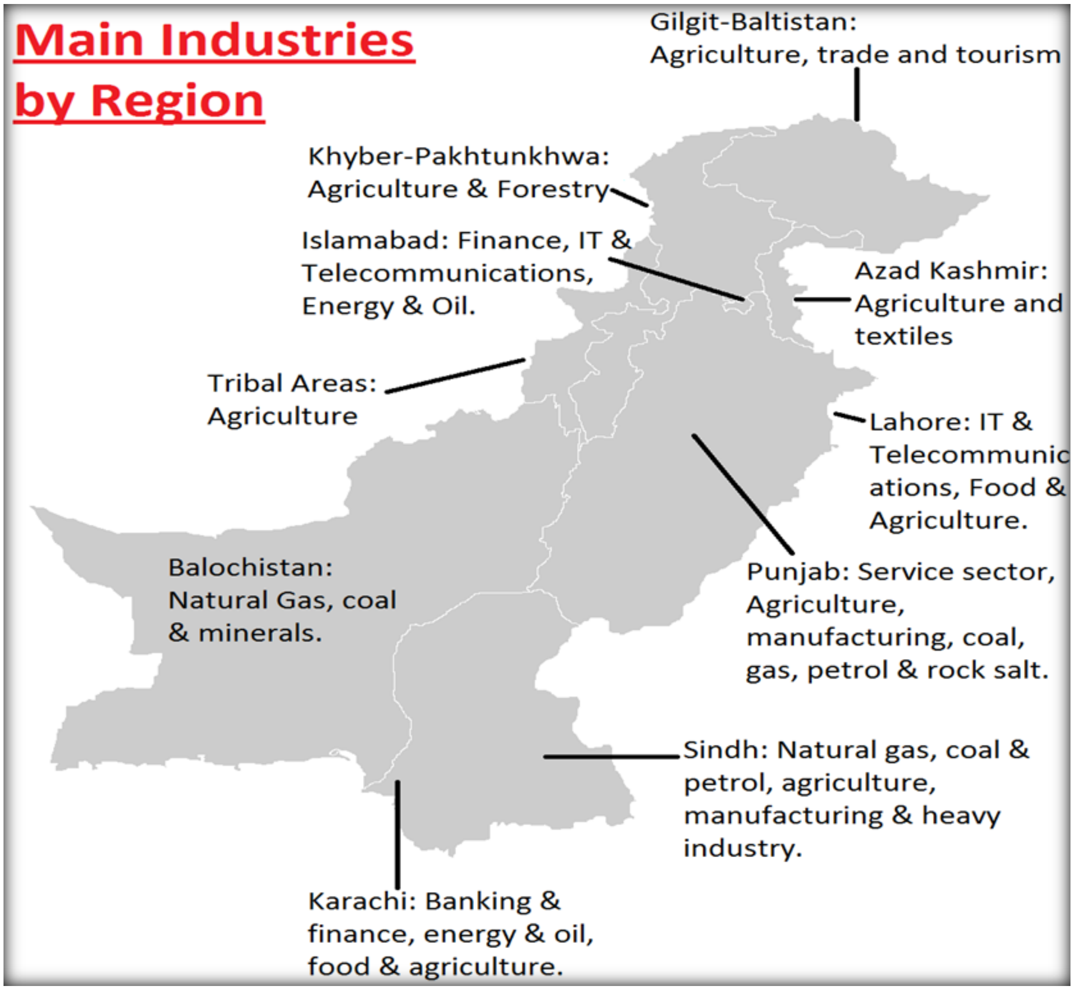
Table 1.2 : Growth Rates in Industrial Sector

Sectors/Sub-Sectors	2013-14	2014-15P
Industrial Sector	**4.5**	**3.6**
1.Mining & Quarrying	1.6	3.8
2.Manufacturing	4.5	3.2
Large Scale	4.0	2.4
Small Scale	8.3	8.2
Slaughtering	3.4	3.3
3. Electricity Generation &Distribution &Gas Distt	5.6	1.9
4. Construction	7.2	7.0

Source: Pakistan Economic Survey FY 2014/15

For industry to grow at 6.4 percent, the growth of LSM for FY15/16 is projected as 6.0 percent. It is expected that LSM growth will continue to gain momentum in FY15/16 as reduction in custom duty, sales tax and with-holding tax on agriculture machinery from 45% to 9% will stimulate both agriculture and industrial sectors.

The following figure gives the list of main industries in different regions of Pakistan:



C. Services Sector:

Services sector contains six sub-sectors, including: Transport, Storage and Communication; Wholesale and Retail Trade; Finance and Insurance; Housing Services (Ownership of Dwellings); General Government Services (Public Administration and Defense); and Other Private Services (Social Services). Services sector has recorded a growth of 5 percent in outgoing fiscal year as compared to 4.4 percent last year.

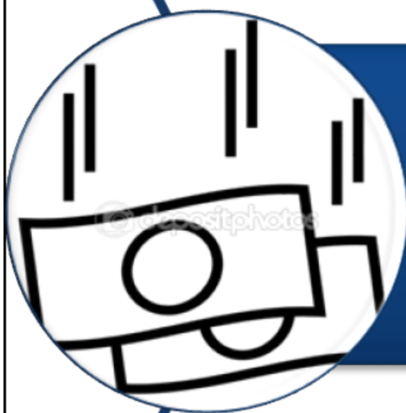
The contribution of the services sector has increased from 56.0 percent of GDP in 2008-09 to 58.82 percent in 2014-15.

The growth performance of services sector is broad based -- all components of sector contributed positively in growth. Wholesale and Retail Trade registered a growth of 3.38 percent, Transport, Storage and Communication 4.21 percent, Finance and Insurance 6.18 percent, Housing Services 4.0 percent, General Government Services 9.44 percent while Other Private Services registered a growth of 5.94 percent.

Table 1.3 : Growth Rates in Services Sector		
Sectors/Sub-Sectors	**2013-14**	**2014-15P**
Service Sector	**4.4**	**5.0**
1.Wholesale & Retail Trade	4.0	3.4
2.Transport, Storage and Communication	4.6	4.2
3.Finance & Insurance	4.2	6.2
4.Housing Services (Ownership of Dwellings	4.0	4.0
5.General Government Services	2.9	9.4
6.Other Private Services	6.3	5.9
Source: Pakistan Economic Survey FY 2014/15		

On a positive note, the falling interest rate increases flow of credit to the private sector. The services sector was estimated at 5.7 percent with wholesale & retail trade and transport & communication growing in line with the expected performance of agriculture and industrial sectors.

2. Inflation



Fiscal year 2014-15 saw a significant ease in inflationary pressure. The average inflation came down sharply in FY 2014/15 to 4.5 percent from 8.6 percent in FY 2013/14; this was well below the target of 8 percent for the year.

According to Staten Bank Report the factors responsible for lower inflation were:

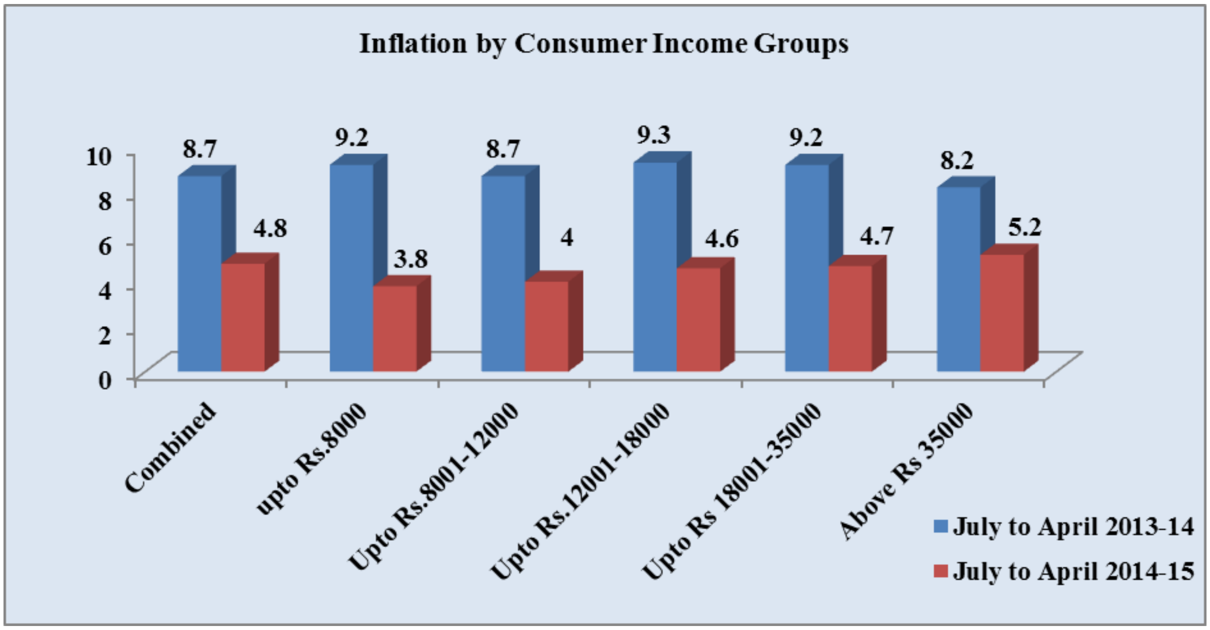
1. *Stability in Pak Rupee and prudent fiscal policies,*
2. *Price monitoring mechanism at both Federal and Provincial level*
3. *Control on money supply*
4. *Fall in commodity prices which moderated the headline inflation CPI and other inflationary indicators, i.e., Core, Food, Non-food, SPI and WPI.*

The government largely passed on the benefit of lower oil prices to domestic consumers. The spillover effect of low POL prices also effected related commodities in the CPI basket. During FY14/15, food inflation came down sharply to 3.5 percent from 9.0 percent during the previous year. The food group constituted 37.47 percent of the CPI basket and contributed 1.31 percentage points in the overall average annual inflation level during FY14/15.

Table 1.4: Inflation by Consumer Income Groups (Base Year 2007-08=100)	**July to April**	
Year	**2013-14**	**2014-15**
Combined	8.7	4.8
Up to Rs.8000	9.2	3.8
Up to Rs.8001-12000	8.7	4
Up to Rs.12001-18000	9.3	4.6

Up to Rs 18001-35000	9.2	4.7
Above Rs 35000	8.2	5.2
Source: Pakistan Economic Survey FY 2014/15		

The above table gives inflation rate by income groups during July to April of FY13/14 and FY14/15.



The above figure shows that Inflation rate has declined significantly during July to April of FY2014/15 when compared with the same period last year.

3. Fiscal Balance

Government made hectic efforts for fiscal consolidation by controlling current expenditures and substantially increasing the development expenditures. Reduction in current expenditure was imposed through 40% cut in expenses of P.M office; 30% cut in all ministries/division's current expenditures; discontinuation of discretionary funds of P.M and ministers; effective resource mobilization strategy which helped in increasing FBR taxes; and reduction in subsidies.

Due to above mentioned efforts; government has successfully brought down the fiscal deficit from 8.2 percent of GDP in 2012-13 to 5.5 percent in 2013-14 and 5.0 percent of GDP in 2014-15. Government has set 4.3 percent fiscal deficit target for FY2015-16 which will be further brought down to 3.5 percent of GDP by 2017-18. Similarly, tax-to-GDP ratio which was 10.2 percent of GDP in FY 2013/14 has been increased to 11.5 percent of GDP during 2014-15.

Following the fiscal discipline in the last three quarters, overall fiscal deficit is expected to remain at 5.0 percent of GDP for the entire fiscal year FY14/15.This shows that consolidation efforts of present government are focused on containing expenditure along with broadening the tax base, improving tax collection and strengthening tax administration.

Table:1.5 Fiscal Indicators as percent of GDP		
	FY 2013/14	FY 2014/15
Overall Fiscal Deficit	5.5	5
Total Expenditure	20	19.4
Current	16	16.2
Development	4.5	4.1
Total Revenue	14.5	14.5
Tax	10.2	11.5
Non-Tax	4.3	3
Source: Pakistan Economic Survey FY 2014/15		

On the expenditure side total expenditures declined due to significant decline in current expenditures during FY14/15 (see table 1.5).

Fiscal decentralization under the 18th amendment of the constitution in 2010 raised the prospect of better public service delivery, but also brought following challenges:

1. Coordination among federal and provincial entities
2. Inadequate capacity at local levels, and
3. The need to match devolution of functions with revenues

4. External Balance

External sector, in particular, has become much more stable on the back of a robust growth in worker remittances; continued support from IFIs: and a sharp decline in global oil prices. The country's FX reserves have reached on all time high level of above US$ 18.45 billion during FY14/15 with a capacity to finance over 5 months of the country's import bill. This improvement in the external sector was crucial in maintaining exchange rate stability during the year, and also in mitigating global risk perception for Pakistan.

During last two years, Pakistan's overall external balance posted a surplus of US$ 2.64 billion during FY14/15 and US$ 3.86 billion in FY13/14. The current account deficit remained at US$ 2.6 billion (-1 percent of GDP) during FY14/15 from US$ 3.13 billion in FY 2013/14 (-1.3 percent of GDP).

A combination of factors helped this marked improvement, including declining oil prices, larger inflows under Coalition Support Fund (CSF), lower freight charges on imports and steady growth in workers' remittances.

Table 1.6 : Summary Balance of Payments		**USD billion**
	FY 2013-14	**FY 2014-15**
Current Account Balance	-3.1	-2.6
Trade Balance	16.6	17.2
Goods:Exports	25.1	24.1
Goods:Imports	41.7	41.1
Service Balance	-2.7	-2.5
CSF	1.1	1.5
Repatriations on FDI	2.9	3.2
Interest Payment	1.1	1.1
Workers Remittances	15.8	18.5
Source: Pakistan Economic Survey FY2014/15		

The most significant development on external account is the continuing increase in remittances inflows. Following the impressive growth of 13.7 percent during 2013-14, inflows under worker's remittances gained further momentum and recorded an increase of 16.5 percent during FY14/15 when compared with corresponding period last year.

Economic Prospects

In the short-term, economic growth will likely remain in the range of 4% to 5%, as the government continues fiscal consolidation and seeks to increase foreign exchange reserves. According to ADB Report, net oil imports account for 5% of GDP, and the fall in global oil prices that began in mid-2014 should provide significant benefits in the form of improved terms of trade, lower imports, contained inflation, and greater policy flexibility (e.g., on electricity tariffs and subsidies). Over the medium to longer term, achieving 7% growth will require:

Progress required on:

- Reforms to raise tax revenues;
- Strengthen the energy sector and PSEs;
- Rationalize import tariffs;
- Improve the business climate;
- Increase the quality and quantity of much-needed investment in education, health, and infrastructure.

Risks include:

- The failure to implement reforms
- Domestic security concerns
- Political uncertainty
- The effects of natural hazard-related disasters

Chapter no. 2

Protecting the Poor and the Vulnerable

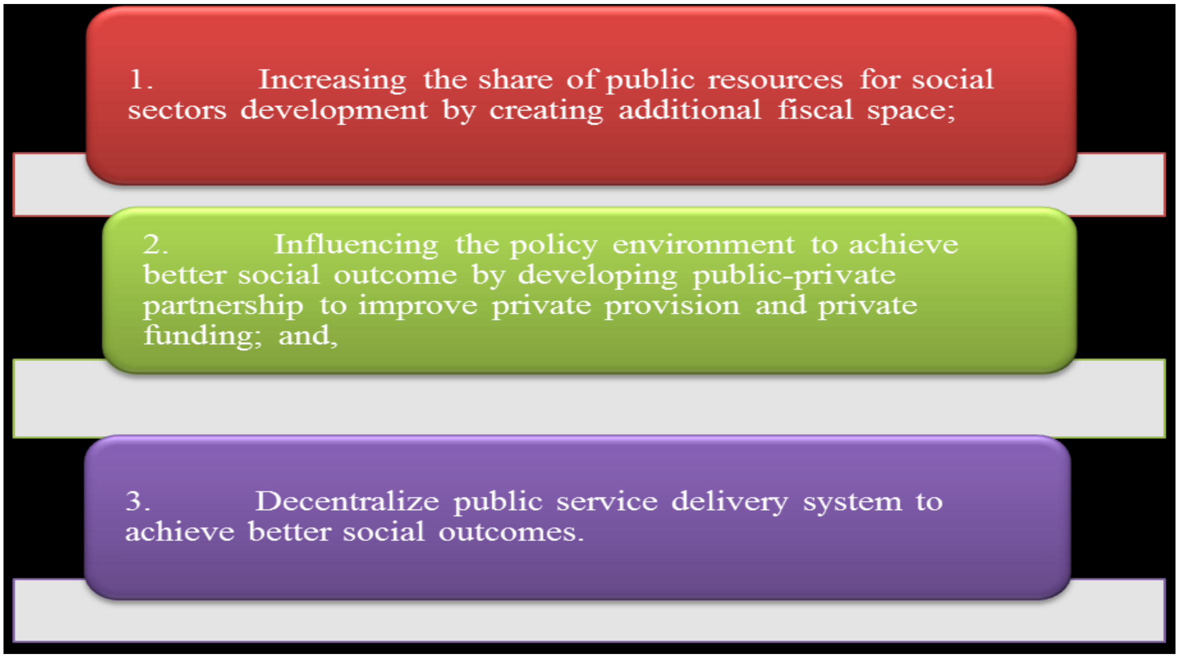
Access to good schools, healthcare, electricity, safe water and other critical services remains elusive for many people, often determined by socioeconomic status, gender, ethnicity, and geography. Moreover, for those who have been able to move out of poverty, progress is often temporary: economic shocks, food insecurity and climate change threaten to rob them of their hard-won gains and force them back into poverty.

The number of people living in extreme poverty globally remains unacceptably high. According to World Bank report, "Over 2.1 billion people in the developing world lived on less than US $ 3.10 a day in 2012, compared with 2.9 billion in 1990- so even though the share of the population living under that threshold nearly halved, from 66 percent in 1990 to 35 percent in 2012, far too many people are living with far too little". Moreover, while poverty rates have declined in all regions, progress has been uneven. In South Asia, the share of the population living in extreme poverty is now the lowest since 1981, dropping from 58 percent in 1981 to 18.7 percent in 2012.

In Pakistan owing to chronic poverty and vulnerability, the government has always been vigilant about the impact of public policy on income distribution and effectiveness of social safety nets.
Government's Vision 2025 emphasizes inclusive growth plans to substantially reduce the incidence of poverty and to improve income distribution mechanism. It presents a comprehensive approach to address human and social development gaps to take full advantage of Pakistan's youth bulge.

2.1 Pro-poor Budgetary Expenditures

The government's strategy to develop social sectors either separately or together is based on:



Efforts are also required to maintain a comprehensive database and ensure availability of comparable data by attaching high priority to developing common concepts, definitions, classifications, standards, and measurement of social sector indicators.

Pro-poor expenditure as percentage of GDP has been continuously rising during the last few years. Since the initiation of PRSP-II, pro-poor expenditures on 17 sectors have been reported regularly on a quarterly basis. This section gives an overview of the expenditures incurred during FY13/14 and FY14/15.

2.2 PRSP Budgetary Expenditures as percentage of GDP

The overall PRSP expenditures in terms of GDP have increased to 7.95 percent in FY14/15 (Table 2.1). Fiscal Responsibility & Debt Limitation (FRDL) Act, 2005 requires that the poverty and social sector related expenditures should not be less than 4.5 percent of GDP in any given year. The total expenditures were, therefore, well above the required target.

The PRSP development expenditures as percentage of GDP increased to 2.87 percent from 2.46 percentage of GDP during the previous year. PRSP current expenditures however declined to 5.08 percent from 5.26 percentage of GDP.

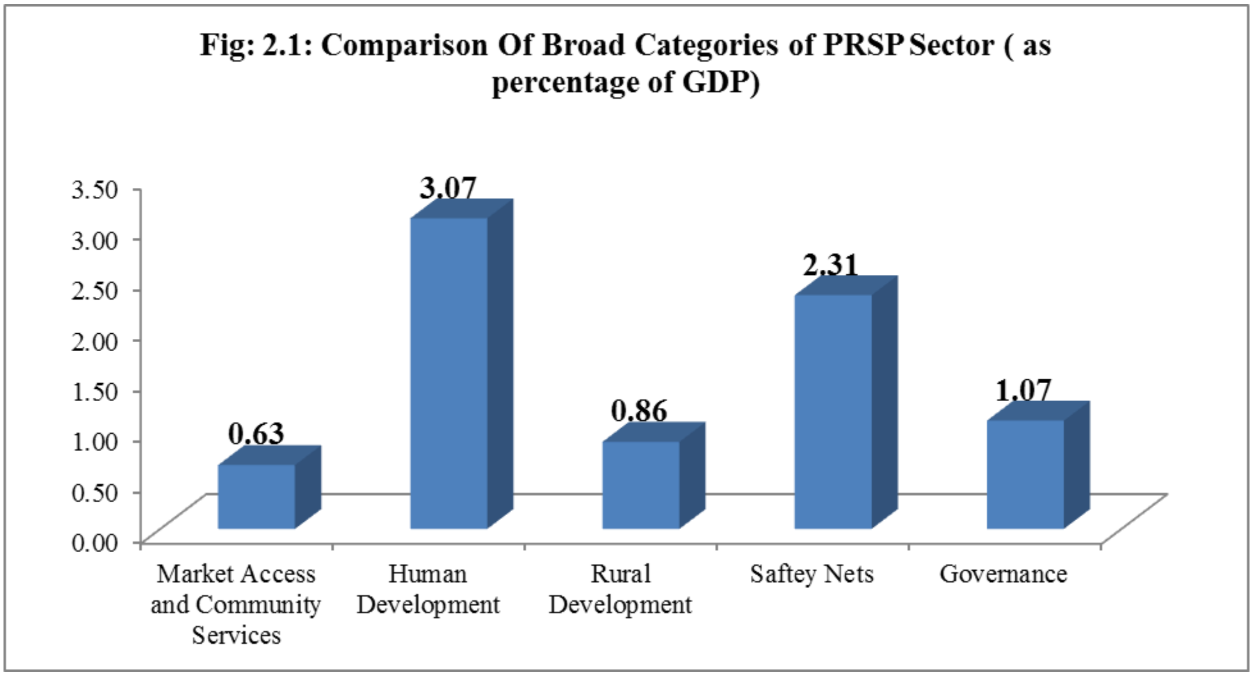
Table: 2.1 Total PRSP Current and Development expenditures for FY2014 and FY2015							
Fiscal Year	Expenditures (Rs. Millions)			GDP (mp)	As Percentage of GDP		
	Current	Development	Total		Current	Development	Total
FY13/14	1,318,219	615,959	1,934,178	25,068,059	5.26	2.46	7.72
FY14/15	1,390,450	787,060	2,177,510	27,383,722	5.08	2.87	7.95
Source: PRSP Secretariat, Finance Division, Islamabad.							

Pro-poor sectors including Roads Highways & Bridges, Environment /Water Supply & Sanitation, Agriculture, Rural Development and Natural Calamities & Disasters witnessed an increase in terms of GDP, while expenditure on remaining sectors declined marginally in FY14/15 when compared to FY13/14 (Table 2.2).

Table 2.2 PRSP Budgetary Expenditures as percent of GDP for FY 2013/14 an FY 2014/15				
	Expenditure as percentage of GDP			
Sector	**FY 2013-14**	**FY 2013-14**	**FY 2014-15**	**FY 2014-15**
Market Access and Community Services				
Roads, Highways, & Bridges	96,504	0.38	118,741	0.43
Environment/Water Supply & Sanitation	32,000	0.13	54,093	0.20
Human Development				
Education	537,598	2.14	598,316	2.18
Health	201,986	0.81	231,172	0.84
Population Planning	12,609	0.05	13,943	0.05
Rural Development				
Agriculture	157,894	0.63	199,903	0.73
Land Reclamation	4,796	0.02	5,184	0.02
Rural Development	14,727	0.06	29,122	0.11
Safety Nets				
Subsidies	502,098	2.00	459,325	1.68
Social Security & Welfare	23,809	0.09	32,800	0.12
Benazir Income Support Programme *	67,761	0.27	91,589	0.33
PWP I & II/MDG Community Program	Nil	Nil	12,500	0.05
Pakistan Bait-ul-Maal	1,911	0.01	2,179	0.01
Natural Calamities & Other Disasters	18,404	0.07	33,243	0.12
Low Cost Housing	676	0.00	581	0.00
Governance				

Justice Administration	24,378	0.10	25,836	**0.09**
Law and Order	237,027	0.95	268,983	**0.98**
GRAND TOTAL	**1,934,178**	7.72	**2,177,510**	**7.95**
GDP(mp)	25,068,059		27,383,722	
Source: Civil Accounts provided by Accountant General's office.				

Expenditures on Human Development and Safety Nets sectors, in terms of GDP share, was the highest at 3.07 percent and 2.31 percent respectively in FY14/15. This portrays Government's strong commitment to spend more in order to alleviate poverty. Share of Governance sector was recorded at 1.07 percent of GDP followed by Rural Development and Market Access.



2.3 Distribution of Expenditures:

The significant spending made under pro-poor sectors clearly reflects the government's resolve towards following a sustainable poverty reduction strategy by allocating higher resources for social and poverty related sectors.

Table 2.3 PRSP Exp in Provinces and Federal area in FY13/14 and FY14/15			
Regions	**Federal**	**Provinces**	**Pakistan**

FY 2013/14	646730	1287448	1934178
FY 2014/15	665339	1512171	2177510
Percentage change	2.88	17.45	12.58

Table 2.3 depicts the Distribution of PRSP expenditures in Federal and Provincial area. The total provincial expenditures increased by 17.45 percent from Rs.1, 287,448 million in FY13/14 to Rs.1, 512,171in FY14/15. In comparison to this the increase in federal expenditures was much smaller and was recorded at 2.88 percent during the comparison period. This was mainly due to promulgation of the 18th Constitutional Amendment and the 7th NFC Award, under which the federal government has transferred bulk of subjects as well as resources, to the provinces.

Table-2.4 PRSP Sectoral Budgetary Expenditures and Percentage Changes Between FY13/14 and FY14/15

Sector	Expenditure (Rs. millions)		Percentage Change
	FY13/14	FY14/15	
Market Access and Community Services	**128,504**	**172,834**	**34.50**
Roads, Highways, & Bridges	96,504	118,741	**23.04**
Environment/Water Supply & Sanitation	32,000	54,093	**69.04**
Human Development	**752,193**	**843,431**	**12.13**
Education	537,598	598,316	**11.29**
Health	201,986	231,172	**14.45**
Population Planning	12,609	13,943	**10.58**
Rural Development	**177,417**	**234,209**	**32.01**
Agriculture	157,894	199,903	**26.61**
Land Reclamation	4,796	5,184	**8.09**
Rural Development	14,727	29,122	**97.75**
Safety Nets	**614,659**	**619,717**	**0.82**
Subsidies	**502,098**	**459,325**	**-8.52**
Social Security & Welfare	23,809	32,800	**37.76**
Benazir Income Support Programme	67,761	91,589	**35.16**
PWP I & II/ MDG Community Program	Nil	12,500	**0**
Pakistan Bait-ul-Maal	1,911	2,179	**14.02**
Natural Calamities & Other Disasters	**18,404**	**33,243**	**80.63**
Low Cost Housing	**676**	**581**	**-14.05**
Governance	**261,405**	**294,819**	**12.78**
Justice Administration	24,378	25,836	**5.98**

Law and Order	237,027	268,983	**13.48**
GRAND TOTAL	**1,934,178**	**2,177,510**	**12.58**
Source: PRSP Secretariat, Finance Division			

The overall PRSP expenditures have shown a significant increase of 12.6 percent in FY14/15. Strong positive trends were observed in all subsectors which contributed to an overall increase in expenditures. According to figures given in table 2.4, expenditures in Natural Calamities & other Disasters witnessed the highest growth of 80.63 percent in FY14/15 due to massive floods in Punjab and KPK provinces. Expenditures under Market Access and Community Services depicted a significant growth of 34.50 percent in FY14/15. This increase was witnessed on account of 69.04 percent increase in expenditures on Environment/ water supply & Sanitation and a noticeable growth of 23.04 percent in expenditure on Roads, Highways & Bridges.

On the other hand, Subsidies and Low Cost Housing recorded a negative trend in FY14/15 when compared to FY 13/14.

The expenditures in the Human Development recorded an encouraging trend. Education and Health sectors exhibited substantial growth in expenditures of 11.29 percent and 14.45 percent respectively. Similarly, a positive growth of 10.58 percent was observed in Population Planning during the comparison period.

Rural Development showed the second largest percentage change in its expenditures. Positive growth trends of 26.61 percent and 8.09 percent were observed in Agriculture and Land Reclamation, respectively.

Under Safety Nets, all the sub-sectors observed a significant growth except Subsidies and Low Cost Housing. Natural Calamities & other Disasters recorded the highest growth of 80.63 percent followed by Social Security & Welfare, BISP and Pakistan Bait-ul-Maal with growth of 37.76 percent, 35.16 percent and 14.02 percent, respectively. Decline in Subsidies can be explained by the Government’s concerted efforts to move away from broad subsidization and to provide direct assistance to the poor and deserving. The MDG Community Programme was also introduced with an expenditure of Rs. 12.5 billion during FY2014/15.

Under the Governance category, Law & order and justice admin showed positive growth trends during the current year. Increased expenditures under this category were due to the demanding security situation in the country. The government's concern in dealing with security situation is evident from the Zarb-e-Azb operation. The law & order related expenditures increased by 13.48 percent while the Justice Admin spending increased by 5.98 percent during the comparison period.

Box 1: MDG Community Programme

Pakistan is also facing urban and rural infrastructure constraints/gaps such as poor sanitation, limited or no access to education and health facilities, clean drinking water etc. In addition, thousands of villages are still without electricity. There is, therefore, a need to implement a targeted programme at grass roots level not only to achieve MDGs but also to cater to community needs and cover the gaps by providing missing links. These efforts would focus on improvement of quality of life of poor segments of the society both in urban and rural areas and substantially supplement efforts of the provincial governments in this regards.

2. The Prime Minister has, therefore been pleased to approve the execution of a special development programme called "Pak MDGs Community Development Programme". The programme will be responsive in nature and envisages provisioning of development opportunities in deficient areas by direct targeted intervention. Expenditure against this allocation will be made on projects identified by the civil society organization/local communities etc. and approved by the competent forum. Programme will be executed as per policy, rules and procedure.

3. The community will recommend/propose a scheme on the specified proforma relating to the following sectors:-

- Education
- Health
- Drinking Water
- Farm to Market Roads
- Streets/Pavements/Culverts
- Embankments
- Sanitation
- Electrification/Solar Energy
- Natural Gas
- Interventions leading to MDGs Goals

2.4 Comparison of Proportional Contribution by Sector

Proportional distribution of expenditures in pro-poor sectors reflected a similar pattern as discussed in the previous section. Education held the maximum share of 27.64 percent in total PRSP expenditures in FY14-15. It was followed by subsidies, recording a share of 21.22 percent[1]. Law & Order recorded a share of 12.42 percent in total expenditure. Health and Agriculture subsectors depicted an increase in their relative shares during the period under review (Table 2.5).

Table-2.5 Comparison of Proportional Contribution by Sector in PRSP Expenditures Between FY13/14 and FY14/15

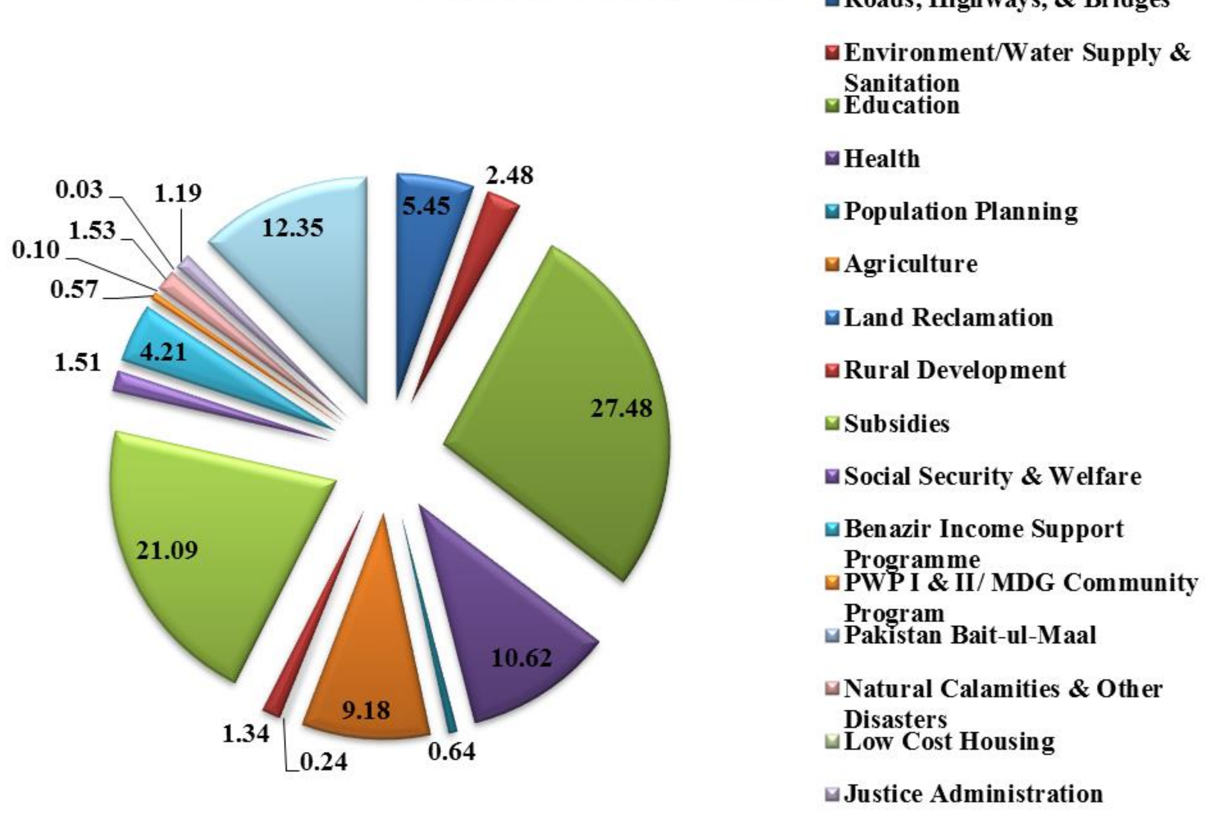
Sectors	FY13/14 (Rs Million)	Percentage Share	FY14/15 (Rs Million)	Percentage Share
Roads, Highways, & Bridges	96,504	**4.99**	118,741	**5.45**
Environment/Water Supply & Sanitation	32,000	**1.65**	54,093	**2.48**
Education	537,598	**27.79**	598,316	**27.48**
Health	201,986	**10.44**	231,172	**10.62**
Population Planning	12,609	**0.65**	13,943	**0.64**
Agriculture	157,894	**8.16**	199,903	**9.18**
Land Reclamation	4,796	**0.25**	5,184	**0.24**
Rural Development	14,727	**0.76**	29,122	**1.34**
Subsidies	502,098	**25.96**	459,325	**21.09**
Social Security & Welfare	23,809	**1.23**	32,800	**1.51**
Benazir Income Support Programme	67,761	**3.5**	91,589	**4.21**
PWP I & II/ MDG Community Program	Nil	**0**	12,500	**0.57**
Pakistan Bait-ul-Maal	1,911	**0.1**	2,179	**0.10**
Natural Calamities & Other Disasters	18,404	**0.95**	33,243	**1.53**
Low Cost Housing	676	**0.03**	581	**0.03**
Justice Administration	24,378	**1.26**	25,836	**1.19**

[1]Less than the share of 25.96 percent recorded in the previous year. This is in line with the government's policy of phasing out subsidies and replacing them with direct cash transfer programmes.

Law and Order	237,027	**12.25**	268,983	**12.35**
GRAND TOTAL	**1,934,178**	**100**	**2,177,510**	**100**
Source: PRSP Secretariat, Finance Division, Islamabad.				

Proportional share of Low Cost Housing, Pakistan Bait-ul-Maal and Land Reclamation sectors remained unchanged in FY13/14 and FY14/15 while the rest of the pro-poor sectors exhibited a negligible increase or decrease in their contribution to overall PRSP expenditures.

Figure 2.2: Proportional Contribution of each Sector in Total PRSP Expenditures during FY14/15



2.5 PRSP Budgetary Expenditures by Regions

PRSP budgetary Expenditures when analyzed at regional level reveal positive trends in all the provinces during FY14/15. Maximum increase in PRSP expenditures was observed in Sindh with 23.97 percent increase due to increased expenditure in subsidies, followed by Balochistan, Punjab and KPK with17.21 percent, 15.63 percent and 13.55 percent increase, respectively.

Data given in Table 2.6 shows that in Punjab, Natural Calamities & other Disasters recorded the highest increase of 215.26 percent due to devastating floods in the southern region of the province. Rural Development, Environment/ Water Supply & Sanitation, Population Planning and other sectors also observed significant increase in Punjab Province.

Table-2.6 Percentage Change in PRSP Expenditures by Sector and Regions in FY 14/15 over FY13/14

Sector	Federal	Punjab	Sindh	KPK	Balochistan	Pakistan
Roads, Highways, & Bridges	174.45	32.97	-12.99	-16.02	23.84	23.04
Environment/Water Supply & Sanitation	3.68	87.27	42.06	108.89	30.13	69.04
Education	16.36	4.15	10.58	24.53	11.42	11.29
Health	4.76	15.5	9.67	25.49	29.3	14.45
Population Planning	---	33.99	25.97	-61.69	-6.59	10.58
Agriculture	23.44	28.96	28.11	41.2	12.84	26.61
Land Reclamation	---	0.37	8.56	---	---	8.09
Rural Development	-61.11	91.37	7.81	219.71	110.63	97.75
Subsidies	-19.47	3.78	307.14	-72.98	496.67	-8.52
Social Security & Welfare	84.02	16.17	35.56	67.56	59.4	37.76
Benazir Income Support Programme	35.16	---	---	---	---	35.16
PWP I & II/ MDG Community Programme	---	---	---	---	---	---
Pakistan Bait-ul-Maal	14.02	---	---	---	---	14.02
Natural Calamities & Other Disasters	-15.22	215.26	-24.77	19.29	-24.88	80.63
Low Cost Housing	---	-11.88	-52.78	---	---	-14.05
Justice Administration	2.34	13.37	-0.42	8.54	-6.43	5.98
Law and Order	14.17	10.86	12.57	16.97	18.09	13.48
Grand Total	**2.88**	**15.63**	**23.97**	**13.55**	**17.21**	**12.58**

Source: PRSP Secretariat, Finance Division, Islamabad.

In Khyber Pakhtunkhwa, Environment/Water Supply& Sanitation showed a substantial increase of 108.89 percent. Expenditures in Education, Health and Population planning reflected a positive trend in all the provinces. The expenditures made under Population Planning declined in KPK and Balochistan.

Rural development expenditures increased substantially by 97.75 percent recording a positive growth in all the provinces except in Federal area. Expenditures under this category increased by

219.71 percent in KPK, followed by 110.63 percent in Balochistan, 91.37 percent in Punjab and a nominal increase of 7.81 percent in Sindh during the comparison period. It needs to be mentioned that Rural Development has been devolved to the provinces after the 7th NFC Award.

Agriculture, Social Security & Welfare and Law & Order sectors recorded positive growth in all the provinces and the federal area. A sharp increase of 496.67 percent in Subsidies expenditures was observed in Balochistan and 307.14 percent increase was recorded in Sindh in FY14/15.

2.6 PRSP Current and Development Expenditures

This section of PRSP progress report gives overall picture of Current and Development expenditures, incurred sector wise and region wise.

Total PRSP expenditures were divided into Current and Development expenditures in FY 14/15. Their relative percentage changes and shares in total expenditures are illustrated in Table 2.7. Current expenditures grew by 5.49 percent and reached Rs. 1,392,629 million in FY14/15 from Rs.1, 320,130 million in FY13/14. It was encouraging to note that development expenditures depicted a substantial growth of 25.79 percent during the comparison period. The share of current expenditures in total PRSP spending declined from 68.25 percent to 64.32 percent while the share of development expenditures increased from 31.75 percent to 35.68 percent during the review period.

Table 2.7 Total PRSP Current and Development expenditures for FY2014 and FY2015

Fiscal Year	Expenditures (Rs. Billions)			GDP (mp) (Rs. Billion)	As Percentage of GDP		
	Current	Development	Total		Current	Development	Total
FY13/14	1,318	616	1,934	25,068	5.26	2.46	7.72
FY14/15	1,391	787	2,178	27,384	5.5	2.9	8
% Increase	5.5	27.8	12.6				

Source: PRSP Secretariat, Finance Division, Islamabad.

Table 2.8 gives the detail of total PRSP Current and Development expenditures spent at Federal and Provincial level. Current and Development expenditures witnessed an increasing trend in all provinces. In Development sector, the highest growth of 44.84 percent was seen in Sindh followed by 43.84 percent in KPK, 27.28 percent in Balochistan and17.08 percent in Punjab. Punjab and Sindh recorded growth of 14.75 percent and 14.36 percent in current expenditures, respectively.

At the Federal level, Development expenditures recorded a growth of 34.94 percent due to the initiation of MDG Community Programme. A decline of 7.02 percent was recorded in Current expenditures at the Federal level during FY14/15.

Table-2.8 Percentage Change in PRSP Current and Development Expenditures by Province for FY2014 and FY2015

Province	FY 2013-14		FY 2014-15		Percentage change	
	Current	Development	Current	Development	Current	Development
Federal	464,417	182,313	431,822	246,017	-7.02	34.94
Punjab	403,699	242,386	463,260	283,789	14.75	17.08
Sindh	214,854	98,947	245,706	143,312	14.36	44.84
KP	159,641	54,014	164,900	77,696	3.29	43.84
Balochistan	75,608	38,299	84,762	48,746	12.11	27.28
Pakistan	**1,318,219**	**615,959**	**1,390,450**	**799,560**	**5.48**	**29.81**

Source: PRSP Secretariat, Finance Division

2.7 Social Safety Net Programmes

Poverty is a multidimensional phenomenon and is described as a lack of income or consumption and access to education health and other facilities of life. Pakistan has been pursuing a policy of people centric growth which aims at reducing poverty and enhancing people's welfare.

Social protection/safety nets provide regular and predictable transfers in cash or in-kind to poor and vulnerable people as a means to reduce poverty, boost inclusive growth, share prosperity , reduce food insecurity and malnutrition, increase demand for education and health services, better management of risks and absorb un-precedent shocks. Social safety nets are not just assistance but these are important ingredients for building and strengthening social contracts between states and citizens.

Disbursements and beneficiaries of all programs including micro-credit are illustrated in Table 2.9. Overall transfers under protecting the poor and vulnerable programmes recorded a mixed trend. The total amount disbursed under different programmes including budgetary and non-budgetary transfers increased by 30.15 percent from Rs. 114,041 million in FY13/14 to Rs. 148,421 million in FY14/15. The total number of beneficiaries under all these programmes observed an increase of 1.9 percent during FY14/15.

Table 2.9: Direct Transfers and Beneficiaries			
Program	**Disbursement /Beneficiaries**	**FY 14**	**FY15**
Budgetary Transfers			
Pakistan Bait-Ul-Mal	Amount disbursed (Rs. Millions)	1,911	2,182
	Total No of beneficiaries	94,150	92,755
BISP	Amount disbursed (Rs. millions)	67,677	91,589
	Total No of beneficiaries	4,610,000	5,042,000
Social Security & Social Welfare	Amount disbursed (Rs. millions)	23,809	32,800
1. Sub Total: Budgetary Transfers	**Amount disbursed (Rs. millions)**	**93,397**	**126,571**
	Total No of beneficiaries	**4,704,150**	**5,134,755**
Non – Budgetary Transfers			
Zakat	Amount disbursed (Rs. millions)	3,736	4,502
	Total No of beneficiaries	1,183,888	853,901
EOBI	Amount disbursed (Rs. millions)	14,730	15,813
	Total No of beneficiaries	338,377	363,059
Workers Welfare Fund (WWF)	Amount disbursed (Rs. millions)	2,178	1,535
	Total No of beneficiaries	28,790	21,455
2. Sub Total: Non budgetary transfers	**Amount disbursed (Rs. millions)**	**20,644**	**21,850**
	Total No of beneficiaries	**1,551,055**	**1,238,415**
Total: 1+2	**Amount disbursed (Rs. millions)**	**114,041**	**148,421**
	Total no of beneficiaries	**6,255,205**	**6,373,170**
Micro Finance	Credit Amount disbursed (Rs. millions)	81,122	94,524
	Total No of Loans	3,188,877	3,473,286

Source:PBM,EOBI,Zakat, WWF, BISP,PMN

Details of Budgetary and Non- Budgetary Programs Disbursements and Beneficiaries are given below:

2.8 Budgetary Programmes

Safety Nets in the form of direct cash transfers include both budgetary and non-budgetary expenditures. PBM, BISP, and Social Security & Social Welfare have been included in the budgetary allocations of pro-poor expenditures.

1. Pakistan Bait-ul-Maal:

Pakistan Bait-ul-Maal (PBM) is an autonomous body setup through 1991 Act. The main objective of the PBM is to provide financial assistance to the destitute, widows, orphans, and other needy persons with emphasis on rehabilitation educational assistance to needy orphan and stipends for the outstanding, non-affording students for higher professional education, residential accommodation and necessary facilities for the deserving, free medical treatment for indigent sick people and set up free hospitals and rehabilitation centers for the poor and needy peoples.

In aggregate terms, Pakistan Bait-ul-Maal disbursements increased by 14.14 percent from Rs. 1,911.40 million to Rs. 2,182 million while the number of beneficiaries recorded a slight decline of 1.48 percent during the comparison period (See, Table 2.10).

All programmes under PBM observed a positive growth in disbursements and the total numbers of beneficiaries with the exception of Child Support Programme, National Centre of Rehabilitation of Child Labour and Vocational/Dastkari Schools that recorded a decline in number of beneficiaries.

During FY14/15 the highest growth was recorded in Institutional Rehabilitation/Civil Society Wing (NGOs) both for disbursed amount and the number of beneficiaries followed by Individual Financial Assistance and Pakistan Sweet Homes.

Table 2.10: Programmes of Pakistan Bait-ul-Mal (PBM) FY13/14 &14/15

Grant Nature	FY13/14		FY14/15	
	Beneficiaries	**Disbursement (Rs. millions)**	**Beneficiaries**	**Disbursement (Rs. millions)**
Child Support Programme	24,809	44.393	20,393	49.705
Individual Financial Assistance	23,102	976.008	29,299	1,139.80
Institutional Rehabilitation (Grant-In-Aid to NGOs) Civil Society Wing (NGOs)	8,147	15.857	13,684	27.368

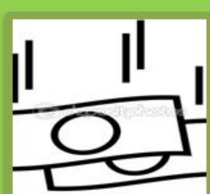
National Centre for Rehabilitation of Child Labour	18,960	410.305	17,502	434.315
Vocational / Dastkari Schools/Centers	15,870	196.235	8,575	218.231
Pakistan Sweet Homes (Orphanages)	3,262	268.597	3,302	309.662
Pakistan Great Home	-	-	-	2.558
Total	**94,150**	**1,911.40**	**92,755**	**2,181.64**
Source: Pakistan Bait-ul- Mal				

2. Benazir Income Support Programme (BISP):

Benazir Income Support Programme (BISP) was launched in July 2008 with the objective to:

Enhance financial capacity of poor people and their dependent family members;

Formulate and implement comprehensive policies and targeted programmes for the uplift of under privileged and vulnerable people;



Reduce poverty and promote equitable distribution of wealth especially for the low income groups, particularly women.

The main objective of this program is to meet the targets set under the Millennium Development Goals, to eradicate extreme poverty and empower women. The monthly installment of cash grant has increased from Rs 1200/- to Rs 1500/- per month. Like the Zakat and PBM interventions, the BISP falls under the category of Social Assistance schemes.

The total cash amount disbursed recorded a significant increase of 35.2 percent from Rs.67, 761 million in FY13/14 to Rs.91, 589 million in FY14/15. The number of beneficiaries also registered a positive growth of 9.4 percent during the comparison period.

Table 2.11: Disbursement and Beneficiaries under BISP for FY13/14 and FY14/15

	FY13/14		FY14/15	
BISP Initiative	**Amount Disbursed(in Rs. million)**	**No of Beneficiaries (Million)**	**Amount Disbursed(in Rs. million)**	**No of Beneficiaries (Million)**
Cash Grant	67,761.02	4.61	91,589.00	5.042

Source: Benazir Income Support Programme

BISP has four closely associated and complementary components including Waseela-e-Rozgar (Technical & Vocational Training), Waseela-e- Haq (Micro-Finance), Waseela-e- Sehat (Life &Helath Insurance) and waseela-e- Taleem(Primary education). It needs to be mentioned that these programs were temporarily suspended during FY14/15.

3. Social Security and Social Welfare:

The modern concept of Social Welfare differs significantly from age-old tradition of charity, philanthropy, and immediate alleviation of distress without rehabilitation. Development entails wide-spread changes coupled with cultural lags which adversely affect the underprivileged sections of the society, their social patterns and attitudes, and cause rapid growth of economic inequalities, social incapacities, and physical in-capabilities in them. These by-products of development such as economically deprived, socially incapacitated, physically disabled, and emotionally disturbed mainly constitute the clientele or the target group of Social Welfare Services.

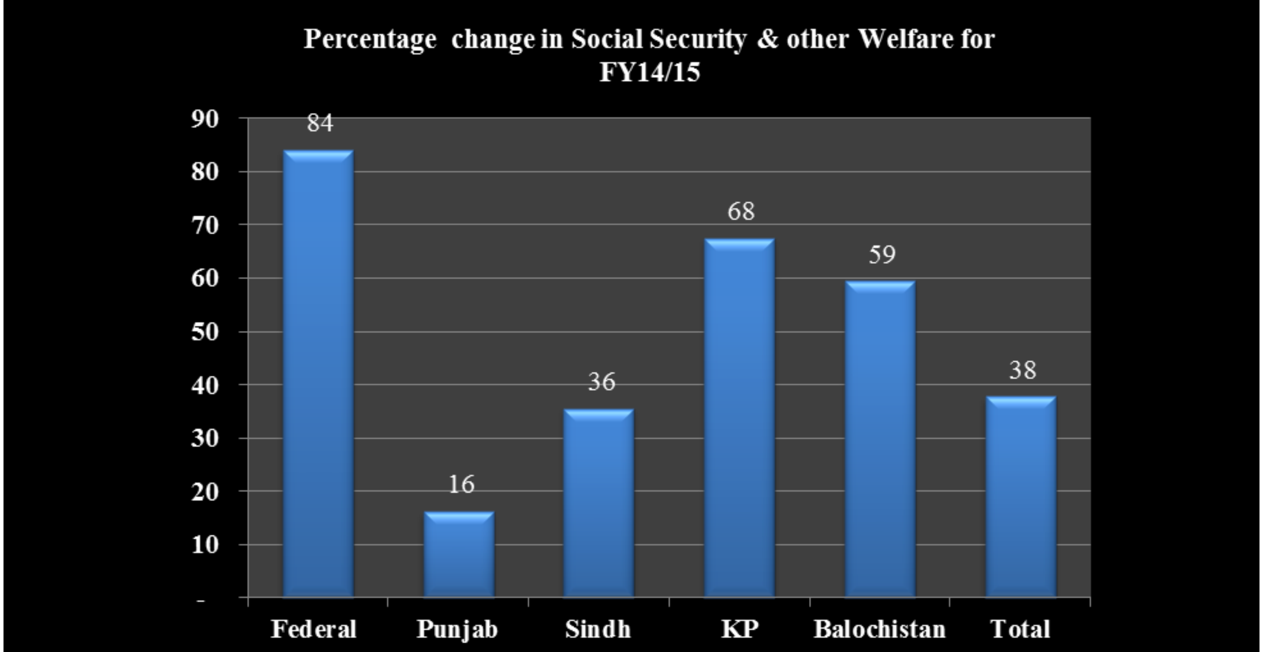
"The State shall provide for all persons employed in the service of Pakistan or otherwise, social security by compulsory social insurance or other means; provide basic necessities of life such as food, clothing, housing, education and medical relief, for all such citizens, irrespective of sex, creed, caste, or race, as are permanently or temporarily unable to earn their livelihood on account of infirmity, sickness or unemployment; reduce disparity in the income and earnings of individuals".

Social Article 38 (d) and (e), (Principles of Policy) of the Constitution of Pakistan

At present, Social Welfare programmes are dispersed into various Ministries/Divisions/Departments both at the Federal and Provincial levels.

PRSP Expenditures under Social Security & Welfare Expenditures:

Figure 2.4: Total Expenditures made under Social Security & Welfare recorded a substantial growth of 37.76 percentfrom Rs 23,809 million in FY13/14 to Rs. 32,800 million in FY14/15.



The above figure gives the percentage change in expenditures recorded under federal area and provinces during FY14/15. Data shows that expenditures made in all provinces and federal area showed a positive trend during FY14/15. An increase of 84 percent was recorded in federal area followed by KPK, Baluchistan, Sindh and Punjab.

The detail of expenditures made under each province is given in the following table 2.12.

Table2.12: PRSP Social Security & Welfare Expenditures for FY13/14 and FY14/15			
	FY13/14	FY14/15	Percentage Change
Federal	826	1,520	84
Punjab	2,461	2,859	16
Sindh	18,422	24,973	36
KPK	1,233	2,066	68
Balochistan	867	1,382	59
Total	**23,809**	**32,800**	**38**
Source: PRSP Secretariat, Finance Division			

The goals of social welfare programmes are:

To promote development of Social Welfare programme with active participation of the people and mobilization of community resources to meet social welfare needs at local level.

To extend social welfare programmes in rural areas, particularly in distant, far-flung and undeveloped areas in rural setting.

To prepare special development projects for revitalization of the existing service institutions/welfare centers established since First Plan period in order to strengthen their functional capacity, expand their scope of work and standardize their services.

To make appropriate arrangements for monitoring, review and evaluation of the voluntary social welfare programmes and the financial assistance provided to NGOs by various Government Organizations.

To establish a Coordinative Body/Umbrella Organization to streamline distribution of foreign assistance to NGOs by various foreign countries and international agencies. To make appropriate arrangement in the Federal Ministry of Social Welfare, to monitor, review and evaluate the financial and other assistance provided to NGOs by various Government Organizations.

To organize social assistance/social security programmes on scientific and professional lines for the under-privileged sections of the society through Zakat and Bait-ul-Maal system.

To make provision of Staff Welfare Services and facilities in order reinforce efficiency and effectiveness of the Government employees their job performance

2.9 Non-Budgetary Programmes

Expenditures on Zakat, EOBI and WWF represent the non-budgetary part of pro-poor expenditures.

1) Zakat:

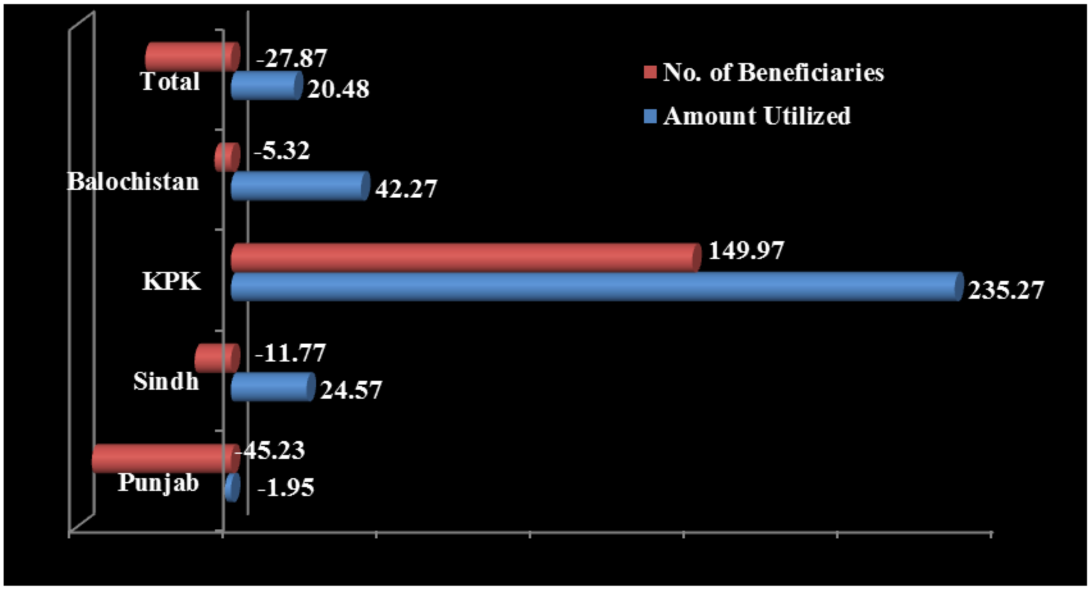
Zakat as an institution plays an important role in the Islamic economic system. It ensures social justice by bringing financial balance among various strata of society. It decreases the crime rate and terrorists inclinations among the society members. Thus the whole society strives together and set to achieve the goals of development and prosperity. Equal distribution of wealth curtails the rate of unemployment and reduces chances of economic recession. Zakat system in Pakistan was introduced through an Ordinance called Zakat and Ushr Ordinance, 1980.

Zakat funds are utilized to assist the needy, indigent, poor, orphans, widows, handicapped and disabled. These poor segments of society are provided Zakat funds either directly through respective Zakat Committees or indirectly through institutions i.e. educational, vocational, social institutions and hospitals, etc. As a consequence of 18th Constitutional Amendment, the subject of Zakat has been devolved to the provinces.

Table 2.13: Comparison of Zakat programmes among Provinces				
	FY13/14		FY14/15	
	Amount Utilized	No. of Beneficiaries	Amount Utilized	No. of Beneficiaries
Punjab	2,391	810,749	2,345	444,031
Sindh	915	252,561	1,140	222,843
KPK	210	46,921	704	117,289
Balochistan	220	73,657	313	69,738
Total	**3,736**	**1,183,888**	**4,502**	**853,901**
		Source: Provincial Ministry of Religious Affairs, Zakat &Ushar		

Under the Zakat programmes the highest growth of 235.2 percent was recorded in KPK in the amount disbursed and 150 percent growth was recorded in the number of beneficiaries during the comparison period. The increase in disbursements was mainly due to more funds being released during FY14/15. Consequently, the number of beneficiaries also increased. Balochistan witnessed increase of 42.3 percent in disbursement, followed by 24.6 percent by Sindh. Punjab recorded a decrease of 1.9 percent in disbursements. The number of beneficiaries in Punjab, Sindh and Balochistan also register a decline.

Figure 2.5: Percentage Change of Zakat programmes during FY14/15



Punjab was the only province which depicted a significant decline (45 percent) in the number of beneficiaries due to:

1) The disbursement of Guzara Allowance and stipends to students were processed in the 4th quarter of FY14/15.
2) A 100 percent increase in the rates of Guzara allowance from Rs. 500 to Rs. 1000 and in Marriage grant from Rs. 10,000 to Rs. 20,000.
3) Discontinuation of Education Stipends from Primary to High Classes.

2) Employee Old Age Benefit Institution (EOBI):

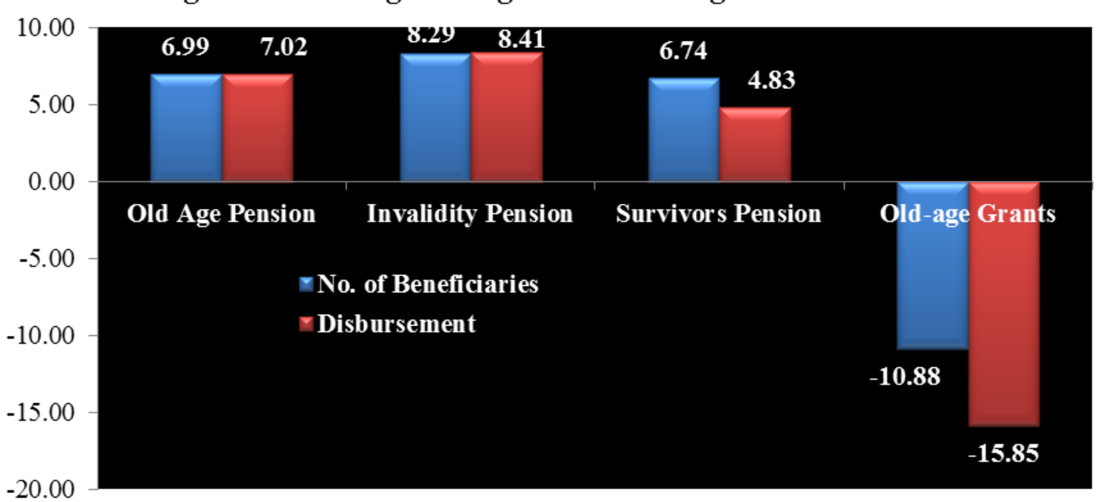
Employees' Old-Age Benefits Institute provides monetary benefits to eligible insured persons and their survivors fulfilling the prescribed conditions regarding qualifying age, payment of contribution etc. As such, these benefits have proved to be a major factor in combating poverty.

A significant increase of 7.35 percent in the amount disbursed under EOBI Programmes was recorded during FY14/15.Table 2.14 shows that a total of Rs.15, 813 million was disbursed during FY14/15 under different programmes of EOBI as compared to Rs 14,730 million disbursed during FY13/14. During the same period, the number of beneficiaries increased by 7.29 percent from 338,377 to 363,059.

Table 2.14: Programs of Employees' Old Age Benefit Institution, FY13/14 to FY14/15				
Programs	**FY 13/14**		**FY14/15**	
	No. of Beneficiaries	**Disbursement (Rs. Millions)**	**No. of Beneficiaries**	**Disbursement (Rs. Millions)**
Old Age Pension	209,698	9,280	224,361	9,931
Invalidity Pension	120,923	5,162	130,944	5,596
Survivors Pension	4,779	207	5,101	217
Old-age Grants	2,977	82	2,653	69
Total	338,377	14,730	363,059	15,813
Source: Employees' Old Age Benefits Institution				

Figure 2.6 shows a percentage change in EOBI programmes during FY14/15. Under Invalidity pension, a significant increase of 8.41 percent and 8.29 percent was witnessed both in disbursement and the number of beneficiaries respectively, followed by Old Age Pension and Survivors Pension. Old-Age Grants was the only programme that recorded a negative trend both in disbursements and the number of beneficiaries during the review period.

Fig 2.6: Percentage Change in EOBI Programmes for FY14/15



3) Worker's Welfare Fund:

Workers Welfare Fund (WWF) was established in 1971 under an Ordinance with a capital of Rs. 100 million provided by the Federal Government.

The main objectives of WWF were:

1) Financing of housing projects for the workers
2) Financing of other welfare measures such as; education, training, re-skilling, marriage and death grants and post-metric scholarships for the welfare of workers.

The Central Secretariat of the WWF is based in Islamabad which operates through Workers Welfare Boards developed at each provincial headquarter. WWF is supervised by a governing body comprising of the Government, workers, and employers representatives. A standard eligibility criterion has been developed to attain access to the benefits of the WWF projects/schemes details of which are given under:

- The industrial worker must fulfill the definition given in the Workers Welfare Fund Ordinance 1971,
- The industrial worker under the Industrial Relations Act (IRA), 2009 fulfils the definition of the laborers,
- The worker must be registered either with EOBI or with Social Security Institution, and
- The minimal employment period should not be less than 3 years (in case of death grant, this condition is not applicable)

Table 2.15: Workers Welfare Fund FY 13/14 to FY 14/15

Programs	FY 13/14		FY 14/15	
	No. of Beneficiaries	Disbursement (Rs. Millions)	No. of Beneficiaries	Disbursement (Rs. Millions)
Marriage Grant cases	7,477	566.03	2,573	329.24
Death grant Cases	1,724	754.825	1,092	529.3
Education Grant/Scholarship Cases	19,589	857.282	17,790	676.61
Total	28,790	2,178.14	21,455	1,535.15

Source: Workers Welfare Fund, Islamabad.

A significant decrease was observed in disbursements and beneficiaries in all programmes of WWF during FY14/15 when compared with FY13/14(Table 2.15).

Chapter no. 3

Increasing Productivity and Value Addition in Agriculture

Agriculture growth is a powerful tool for poverty reduction. This sector promotes well being of the poor through food security, rise in farm income, increase in rural employment and supply of food items at affordable prices.

The inclusive economic growth underpins agriculture sector policies for protection of the most food-insecure segments of the population, optimisation of production and supply mix, provision of stable and affordable access to adequate, nutritious and safe food. The development strategy aims at improvement of the agricultural productivity, profitability, competitiveness and environmental safety on sustainable basis. Its main objective is to achieve a reasonable growth rate over a long period to ensure national food security, reduce rural poverty, and galvanise agro-business potential.

Some of the impact of agricultural productivity growth on poverty reduction is obtained directly through raising farm incomes, but much of it is indirect through employment and food prices. In addition, agriculture is one of the most important factors contributing to the national GDP, rural employment, exports and foreign exchange earnings and providing linkages to industrial sector through supply of raw material.

In 2008 assessment of the food situation in the country was completed by an lnter-Agency Mission of the United Nations with representation from WFP, UNESCO, WHO, UNICEF and UNDP. Principal findings of the mission, based on household survey, were as follows:

1. Most deficit areas in term of food availability and level of prices are in Baluchistan and KPK and the highest concentration of vulnerable districts is in these provinces.
2. The food 'price shock' has been felt more severely in the urban areas and food consumption remains higher in the rural areas.
3. Households have been forced to forego diversity in diet, especially animal protein, and switch to a lower priced staple (rice to wheat).
4. Low income households which had been devoting about 50 percent of their expenditure to food have raised this share to 70 percent and cut back on other expenses, like medical care and education.

According to UN report, growth of World Gross Product (WGP) is estimated to be 2.6 per cent in 2014, marginally better than the growth of 2.5 per cent registered in 2013.The global economy is expected to strengthen in 2015 and 2016, with WGP projected to grow by 3.1 and 3.3 percent, respectively. Slow and uneven recovery in major developed countries and moderate growth in developing countries have led to sluggish trade growth in the past few years. World trade is estimated to have expanded by 3.4 percent in 2014, still well below pre-crisis trends. In the near future period, trade growth is expected to pick up moderately along with improvement in global output, rising to 4.5 percent, in 2015 and 4.9 percent, in 2016.

I. Agriculture and food security in South Asia

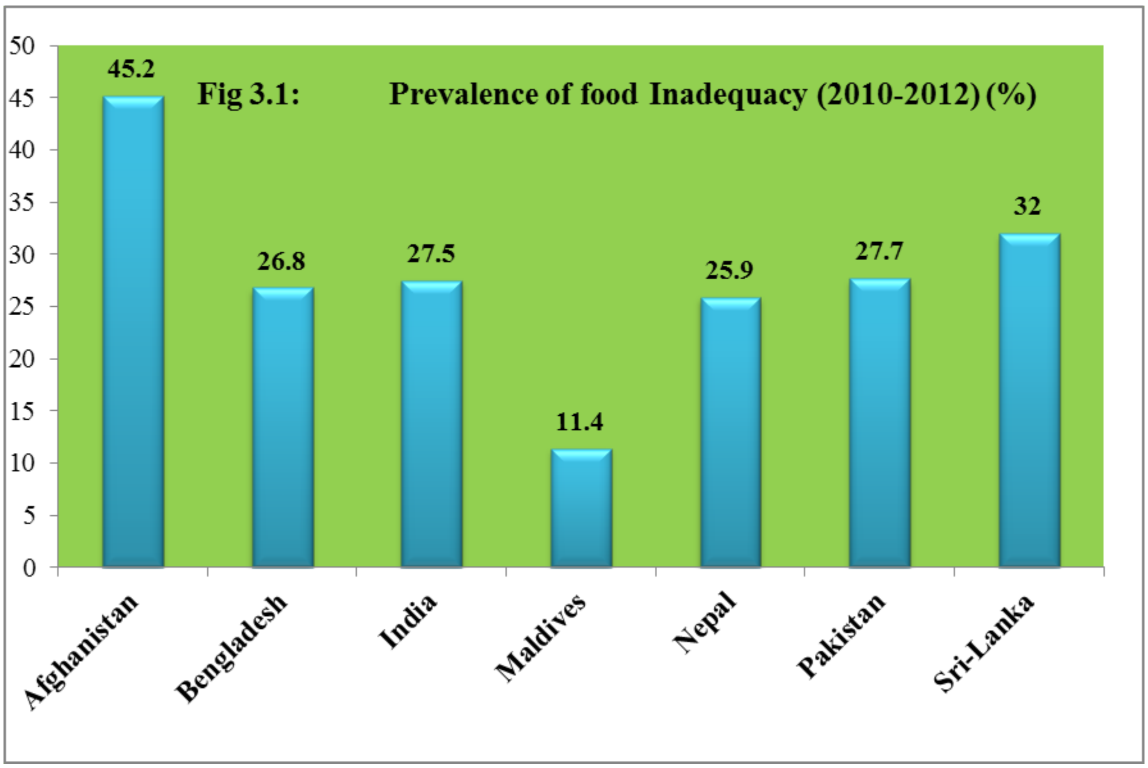
Agriculture and food security indicators include arable land, rural population, agriculture employment, agricultural contribution to GDP and prevalence of food inadequacy.

Table 3.1: Agriculture and food security in South Asia (2013)

Country	Arable land (%)	Rural Population (%)	Agriculture employment (%)	Agricultural Contribution to GDP (%)	Prevalence of food Inadequacy (2010-2012) (%)
Afghanistan	12.13	76	78.6	29.9	45.2
Bangladesh	55.39	71	48.1	18.4	26.8
Bhutan	2.3	64	65.4	18.7	
India	48.83	68	51.1	17.2	27.5
Maldives	13.33	58	21.2	3.1	11.4
Nepal	16.07	83	66	38.1	25.9

Pakistan	24.44	63	44.7	21.6	27.7
Sri-Lanka	13.96	85	32.6	13.7	32
Annual Plan 2015-16, Ministry of Planning Development and Reform					

Pakistan's arable land was recorded at 24.4 percent, which is much lower in comparison to India and Bangladesh. Agricultural employment stood at 44.7 percent in Pakistan while it was recorded at 78.6 percent in Afghanistan. Highest agricultural contribution to GDP was recorded at 38.1 percent in Nepal. In Pakistan agricultural contribution to GDP stood at 21.6 percent. Prevalence of Food Inadequacy (2010-2012) was highest in Afghanistan followed by Sri-Lanka, Pakistan, India, Nepal, and Maldives (see figure 3.1).



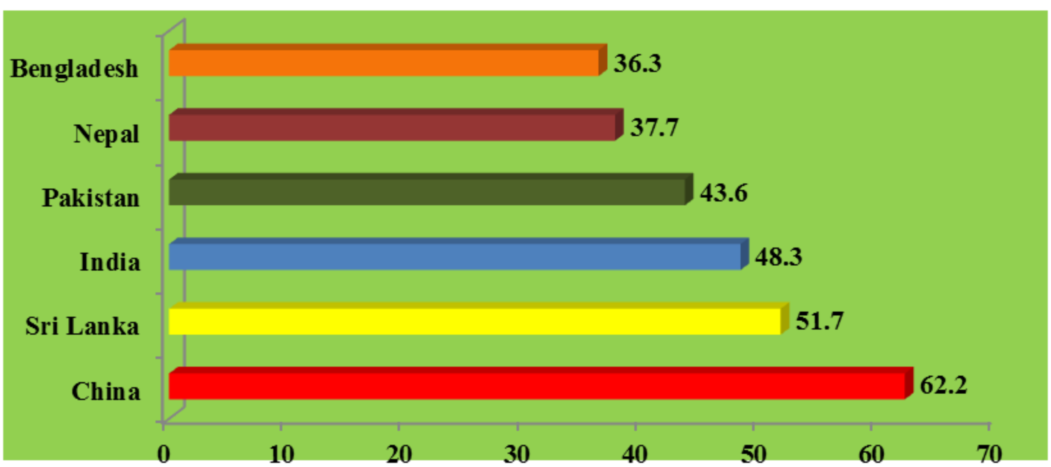
According to Figures given by the Global Food Safety Initiative (GFSI)[2],China scored 62.2 out of 100, much better than neighboring South Asian countries and stood at 42nd position. Bangladesh scored the lowest among South Asian countries. Pakistan was ranked at 77th position scoring 43.6 out of 100 (see figure: 3.2)

Table 3.2: GFSI rankings of the South Asian countries

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

Planning Commission, Annual Plan 2015-16

Figure: 3.2 GFSI Score of South Asian countries



During FY14/15, growth of the agricultural sector was not up to mark as it achieved a growth rate of 2.9 per cent compared with the target of 3.3 per cent (Table 3.3). Growth rate of crop sector reduced, however, livestock, fisheries and forestry sectors performed well. Keeping in

[2]Global Food Safety Initiative (GFSI)[2] is an industry-driven initiative providing thought leadership and guidance on food safety management systems necessary for safety along the supply chain.

view the present pace of growth and development of the sector, a growth rate of 3.9 percent has been set for the year 2015-16.

Table 3.3: Growth rate of the agriculture sector (%)			
Sub-sector	2013-14 Achievement	2014-15	
		Target	Achievement
Important Crops	8.0	2.5	0.3
Other Crops	-5.4	3	1.1
Cotton ginned	-1.3	2	7.4
Livestock	2.8	3.9	4.1
Fisheries	1	2	5.8
Forestry	-6.7	2	3.1
Agriculture	**2.7**	**3.3**	**2.9**

Source: Pakistan Bureau of Statistics, and Planning Commission

II. Share of Agriculture& Rural Development in PRSP Expenditures at Federal and Provincial Level

Agriculture expenditures on agriculture increased by 23 percent in federal area (from 35,587 mn to Rs 43,558 mn) while expenditures in the area of rural development declined by 61 percent (from Rs. 1409 mn to Rs. 548 mn). Total provincial expenditures in Agriculture sector increased by 27 percent (from Rs. 122,507 million in FY 2013/14 to 156,223 million in FY 2014/15). Total provincial expenditures in the sector of rural development also exhibited a significant increase of 114.5 percent during the comparison period.

Table 3.4: Distribution of PRSP Expenditures on Agriculture and Rural Development sectors during FY 2013/14 and FY 2014/15							
Sector	2013-14			2014-15			Percent change
	Federal	Provincial	Total	Federal	Provincial	Total	
Agriculture	35,387	122,507	157,894	43,558	156,223	199,781	26.52
Rural Development	1,409	13,318	14,727	548	28,574	29,122	97.74

Source: PRSP Secretariat, Finance Division Islamabad

The following graph depicts the percentage change in PRSP Expenditures on Agriculture and Rural Development during FY 2014/15.

Figure 3.3 Percentage Change during FY2014/15

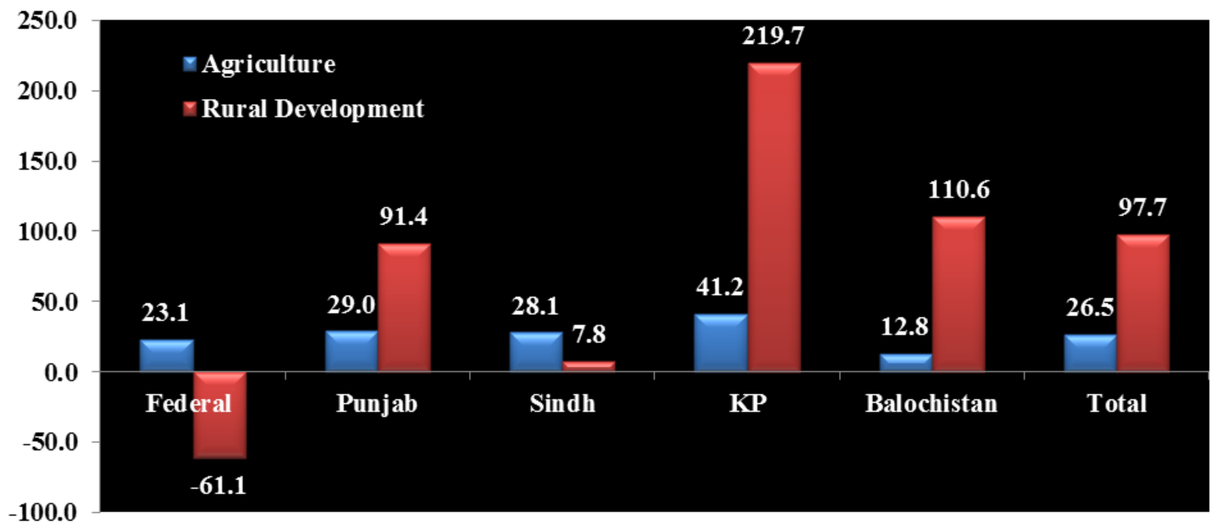


Table 3.5 reports the agriculture and rural development expenditures of each province during FY 2013/14 and FY 2014/15. During the comparison period in Punjab province an increase of 29 percent and 91 percent was registered on agriculture and rural development expenditures, respectively. Expenditures in all provinces exhibited an increasing trend. KPK registered the most growth with a substantial increase of 219 percent in rural development expenditures. It must be noted that both agriculture and rural development were devolved after the 18th amendment, and hence, provincial governments have provided higher funds for these sectors.

Table 3.5: PRSP Expenditures on Agriculture and Rural Development by Province in FY 2013/14 and FY 2014/15 in Rs. billion

Province	2013-14		2014-15	
	Agriculture	**Rural Dev**	**Agriculture**	**Rural Dev**
Punjab	41,786	8,762	53,889	16,768
Sindh	47,168	397	60,425	428
KPK	14,269	2,400	20,148	7,673
Balochistan	19,284	1,759	21,761	3,705

Source: PRSP Secretariat, Finance Division Islamabad

III. Agricultural Programmes at National & Provincial Level

At the federal level a total sum of Rs. 8.9 billion was allocated in 2014/15 to overall 64 (46 on going and 18 new) schemes related to different ministries / divisions / agencies for development of food and agriculture sector. A list of key projects is given as follows.

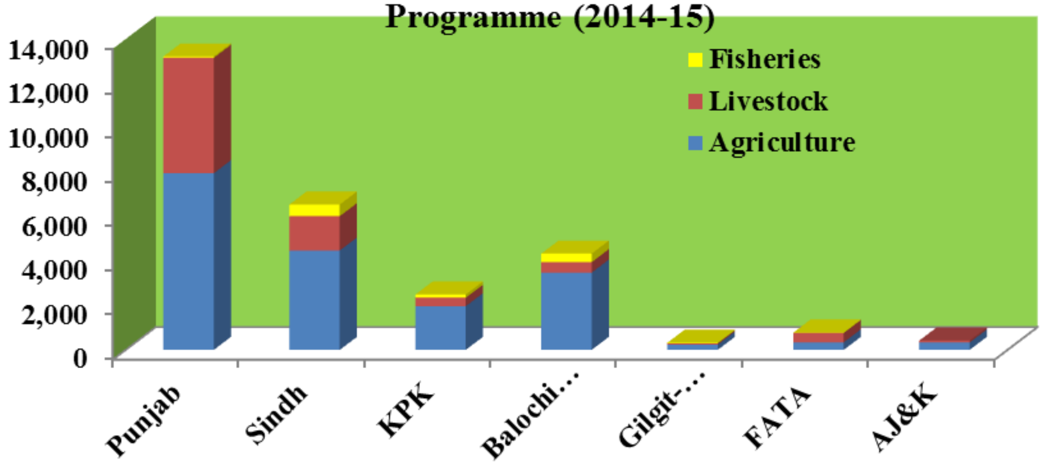
1.	Establishment of Horticulture Research Institute, Khuzdar Balochistan
2.	Establishment of Livestock Research Institute, Turbat, Balochistan
3.	Indigenization of Hybrid Seed Production for Enhanced Crop Production (Islamabad)
4.	Monitoring of Crops through Satellite Technology Phase-II
5.	Pak China Cooperation for Agricultural Research and Development
6.	Research for Agriculture Development Programme
7.	Strengthening of Coastal Agriculture Research Station Bhawani Balochistan
8.	Up-gradation & Establishment of Animal Quarantine Stations in Pakistan
9.	Mad Cow Surveillance and Capacity Leading to O/E Negligible Risk Country Status for
10.	Pakistan Capacity Development of Agriculture Extension Services in Khyber Pakhtunkhwa Commercialization of Soybean crop
11.	National Pesticides Resides Residues Monitoring System in Pakistan (PARC)
12.	Promotion of Olive Cultivation on Commercial Scale in Pakistan
13.	Value Addition in Agriculture – Cluster Development Approach
14.	Up gradation of Arid Zone Research Institute (AZRI)
15.	A Centre for Rural Economy is being established under the Planning Commission to give evidenced based policy guidance to the Government for making policies, plans and programs for the development of the rural economy of Pakistan.

Table 3.5 gives Region and Province wise allocations made in Annual Development Programme of FY 2014/15 in the area of Agriculture, Livestock, and Fisheries.

Table 3.7: Allocations made in the Annual Development Programme (2014-15)				
				(Rs millions)
Province/region	**Agriculture**	**Livestock**	**Fisheries**	**Total**
Punjab	7,960	5,200	58	13,218
Sindh	4476.2	1,549	521.6	6546.9
KPK	1967.9	378.8	144.4	2491.2
Balochistan	3483.3	467.8	385	4336.1
Gilgit-Baltistan	234.8	56.8	27.7	319.2
FATA	340	419.9	18.5	778.4
AJ&K	333	87		420
Total	**18795.3**	**8159.3**	**1155.3**	**28109.9**
Planning Commission, Annual Plan 2015-16				

From the figure it is evident that most allocations have been made in the province of Punjab followed by Sindh, Baluchistan and KPK. Allocations made in the area of GB, FATA and AJ&K were also significant.

Fig 3.4: Allocations made in the Annual Development Programme (2014-15)



Food Security: (Availability & Affordability) Alignment with SDG Goal 2

Sustainable Development Goal 2 states that: "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture"

"To understand why people go hungry you must stop thinking about food as something farmers grow for others to eat, and begin thinking about it as something companies produce for other people to buy.

Food is a commodity. …

Much of the best agricultural land in the world is used to grow commodities such as cotton, sisal, tea, tobacco, sugar cane, and cocoa, items which are non-food products or are marginally nutritious, but for which there is a large market.

Millions of acres of potentially productive farmland is used to pasture cattle, an extremely inefficient use of land, water and energy, but one for which there is a market in wealthy countries.

More than half the grain grown in the United States (requiring half the water used in the U.S.) is fed to livestock, grain that would feed far more people than would the livestock to which it is fed. …

The problem, of course, is that people who don't have enough money to buy food (and more than one billion people earn less than $1.00 a day), simply don't count in the food equation.

In other words, if you don't have the money to buy food, no one is going to grow it for you.

Put yet another way, you would not expect The Gap to manufacture clothes, Adidas to manufacture sneakers, or IBM to provide computers for those people earning $1.00 a day or less; likewise, you would not expect ADM ("Supermarket to the World") [A large food processing company] to produce food for them.

What this means is that ending hunger requires doing away with poverty, or, at the very least, ensuring that people have enough money or the means to acquire it, to buy, and hence create a market demand for food."

— Richard H. Robbins, Readings on Poverty, Hunger, and Economic Development

Chapter no. 4

Integrated Energy Development Programme

A reliable and sustainable energy sector is essential to Pakistan's economic growth and wellbeing. According to ADB report[3] power shortages are estimated to have reduced Gross Domestic Product (GDP) growth by at least2%in 2013and 2014,and are considered the major cause of the slowdown in large-scale manufacturing.

I. Pakistan Energy Mix: Oil, Natural Gas, CNG, LNG, Electricity, Coal

- Non-Renewable Energy Sources include: Petroleum, Natural Gas, Coal, Nuclear, Oil Shale, Natural gas hydrates in marine sediment.
- Renewable Energy Sources include: Solar photovoltaic, Solar thermal power, Passive solar air and water heating, Wind, Hydropower, Biomass, Ocean energy, and Geothermal.

Since 1991, the primary energy supplies had shown an annual compound growth rate of 3.6 percent and increased to 66.8 million TOE in 2014 compared to 28.5 million TOE in 1991. In 2014, per capita availability of primary energy supplies was estimated at 0.36 TOE.

According to Pakistan Economic Survey 2014/15, during July to March FY 2015, primary energy supplies increased to 50.9 million TOE compared to 48.8 million TOE showing a growth of 4.4 percent.

[3] Country Partnership Strategy: Pakistan, 2015–2019

Oil and natural gas still continued to be the top two energy sources accounting for above 70 percent of energy demand.

I. Alternative Energy Sources

Pakistan has abundant resources of shale gas, hydel and coal etc. These alternative resources have not been utilized to their full potential. Pakistan Council of Renewable Energy Technologies (PCRET) and Alternative Energy Development Board (AEDB) are consistently taking a number of measures in order to promote Alternative Energy (ARE) technologies and to attract private sector investments. Progress made in Alternative Energy (ARE) technologies is as follows:

1. Wind

There is almost thirty one (31) wind power IPPs (1810 MW) holding LOIs issued by AEDB are at various stages of project development.

2. Solar

On May 5, 2015, the Prime Minister inaugurated 100MW solar energy project which will generate 100 MW electricity. In Solar Energy, 33 LOIs for cumulative capacity of approximately 888.1 MW On-Grid Solar PV power plants have been issued.

1. **Biomass/ Waste-to-Energy**

Following Biomass/Waste-to-Energy projects are in various stages of implementation under IPP mode:

- M/s SSJD (12 MW) Sindh
- M/s Lumen Energia (12 MW Shahkot) Punjab
- M/s Biomass Power Generation Limited (12 MW), Faisalabad
- M/s Green Sure Environmental Solutions (12 MW), Mardan, KPK

II. Integrated Energy Plan 2009-2022

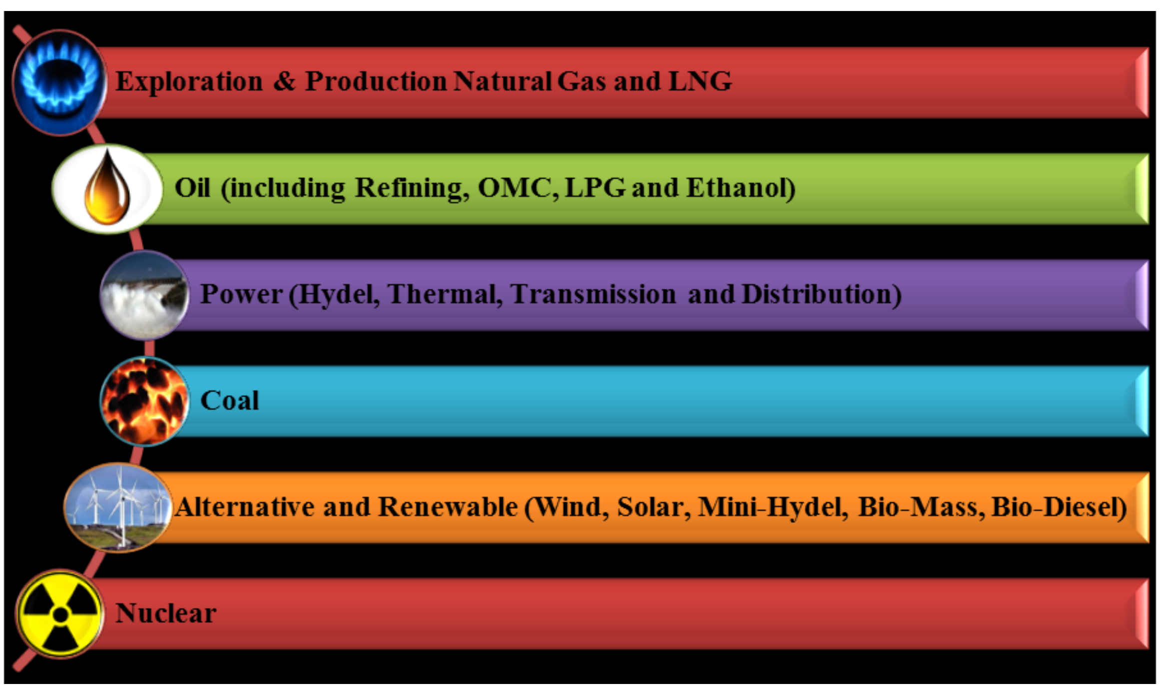
The Planning Commission of Pakistan came up with the Integrated Energy Plan 2009-2022.

> **Its main objective was to provide a road map for Pakistan to achieve greater energy self sufficiency by pursuing policies that are sustainable, provide for energy security and conservation, and are environmentally friendly.**

Energy Expert Group

The Economic Advisory Council set up by the Government of Pakistan mandated an Energy Expert Group to prepare an Integrated Energy Plan which would provide a short, medium and long term strategy.

Afterwards a Focus Group was set up in order to undertake the task of collating, digesting, integrating and articulating the work of the various sectoral study groups which included:



De-Regulation

The Integrated Energy Plan also focused on measures to deregulate the energy sector. While the deregulation of the energy sector must continue, it is necessary that the consumer is given a choice in selecting a supplier or a service provider for Gas/Electricity on the basis of competitive pricing and high standards of service. Such models are already in place in number of countries. To create an enabling environment for such a model to emerge, it would be necessary to break up the existing monopolies of DISCO's and Gas utility companies. In Pakistan, Oil Distribution, Telecom, Banking sectors etc. are examples where such a model has benefited the country and the consumer.

Regulatory Authorities

The Energy Expert Group recommended that an independent balanced role be played by the Regulatory Authorities, which must ensure transparency, create level playing field, develop and enforce standards and protect consumers against predatory pricing, cartels and monopolistic trends. The Regulatory Authorities should comprise of qualified and competent people representing a mix of stakeholders'. Furthermore, the Regulatory authority should enjoy complete independence under a legislative framework.

Creation of National Energy Authority

The Integrated Energy Model project presently being undertaken by Asian Development Bank will allow for increased understanding of how the various variables within the energy sector and national economy are interlinked. Such tools would be essential for making medium and long decision for the energy sector. For an integrated approach on energy, a single Ministry/Authority would be needed. To quote the views of the Asian Development Bank: "Decision making – decisions are required today for the medium and long term energy securities. Currently, there appears to be confusion about the proper decision making authorities in terms of additional generation capacity (one example). The Plan's recommendation of a National Energy Council with proper decision making authority is a strong move to address this issue".

It is the recommendation of the Energy Expert Group that a National Energy Authority be formed. This Authority must comprise of the best of Pakistan's industry professionals from the state, private and public sectors. This Authority must be created through an Act of Parliament and must have the ability to coordinate the efforts of all the sectors, relating to implementation of the integrated energy policy and provide an oversight of regulatory issues and to work with the relevant ministries and the planning commission. The Authority will report to the Prime Minister and must be headed by an eminent and recognized industry expert.

Focus on Indigenous Resources

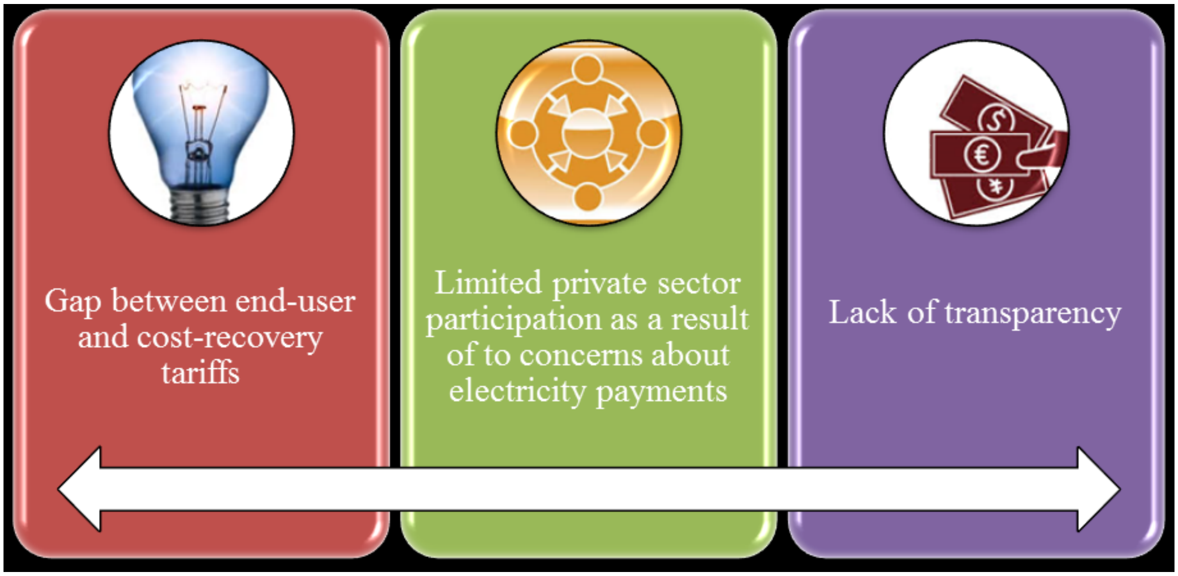
The Plan also entails that Pakistan should seek to expand its energy resource base and explore new and emerging energy sources.

Finally, and most importantly, Pakistan must pursue technologies that maximize energy efficiency and conservation thereby ensuring better demand management. The proposed Integrated Energy Plan aims to achieve the objective of maximization of indigenous energy resources thereby reducing Pakistan's dependence on imported hydrocarbons.

If the energy plans and policies are to be operationally meaningful, there is a need for periodic review of the energy policy. The review may be taken at least once in three years and the planning horizon extended at each time by 15 years. The Energy Expert Group strongly recommends singular ownership of this plan for implementation with specific targets for delivery within a given time frame. We must bear in mind that the Integrated Energy Plan is a moving target, it needs to be updated and refreshed on a regular basis and it must continue to develop as the economy grows.

III. Energy Sector Challenges:

The major factors contributing to the energy crisis are:



Meeting the energy challenge is of fundamental importance to Pakistan's economic growth and its efforts to raise levels of human development. The broad vision behind the integrated energy plan is to meet the demand for energy needs of all sectors in a sustainable manner at competitive prices with a greater reliance on indigenous resources. Furthermore, lifeline energy needs of all households must be met even if that entails directed subsidies to vulnerable sections of society.

In the energy sectors the major issues that Pakistan faces currently relate to the pricing of fuels and other sources of energy. To attract investment, there is a need for greater transparency of the pricing mechanisms. The right pricing policy can lead to conservation and more efficient use of available resources. We should focus on conservation of our local resources and the most efficient use of imported fuels.

IV. Pakistan's Energy Policies and Outlay of Projects

Energy Sector reform is a key component of the structural reforms agenda of the current government as agreed with IMF and the other multilateral donors. The Government developed a

National Power Policy 2013-18 in consultation with all stake holders and it was approved by Council of Common Interests (CCI). National Power Policy 2013-18 focuses on improved governance structure, supportive legal framework, financial sustainability, supply-demand side management and promoting private sector participation in the sector. Implementation of this policy will help improve the governance and financial viability of power sector.

Implementation of GoP plans has pushed the structural reforms forward. In an effort to move to full cost recovery, the current government has rationalized tariffs. The differential, between the NEPRA determined tariff (NDT) and proposed tariff for FY14-15, has decreased substantially and subsidies are phased out except for the vulnerable consumers in the residential and agriculture categories; NDT (cost recovery tariff) is applied to rest of the categories. The Government will continue its efforts to rationalize tariff periodically. The timely payment of tariff differential subsidy (TDS) is being ensured on a monthly basis.

Significant efforts are being made to ensure financial sustainability of the system. The present Government during the last financial year picked up the debt stock of power sector amounting to Rs. 480 billion, and successfully cleared Rs.292 billion in tariff differential subsidy, and arranged syndicated term financing of Rs.31 billion. Mechanisms are under consideration to cap the overdue payments to a minimum sustainable level. Mechanism of at source deduction of public sector overdue payables is being implemented and a feeder to feeder monitoring to curtail losses is being pursued. New Electricity Act will help improve litigation mechanism for power sector receivables. Revenue based load management is being carried out in order to ensure smooth recovery of payables. An effort is underway to incorporate all costs to reflect in the tariff structure to arrest buildup of Circular Debt.

Operationalization of Central Power Purchase Authority (CPPA) as an effective financial manager of the system is a significant step in this regard. Overhaul of financial and management system in Distribution Companies (DISCOs) and Generation Companies (GENCOs) is imperative to improve their performance to a sustainable levels. To increase transparency in the system, monthly amount due and payment by the DISCOs to CPPA, and by CPPA to the generators will be made available on the website of CPPA. Performance contracts have been signed with DISCOs to tackle losses, raise payment compliance and improve energy efficiency and service delivery. Professionals Boards of DISCOS have been appointed to improve corporate governance. In the medium term, disinvestment of DISCOs is also being planned.

On the regulatory side, capacity building of NEPRA is imperative to strengthen the regulatory framework to meet the current needs and evolving dynamics of the power sector. A diagnostic audit is being carried out to identify areas where reforms are required. NEPRA will effectively oversee the performance of power sector, and publish quarterly performance standards and indicators of the DISCOs on its website. NEPRA has been allowed to pass on Fuel Price Adjustments (FPA) without prior clearance from the Government. Entry and middle management positions in NEPRA have been added to strengthen technical capacity of NEPRA. Development and effective implementation of energy efficiency codes – Pakistan Energy Efficiency and Conservation Act to promote energy efficiency in the country shall play a critical role towards meeting energy needs in the country. The overall objective of above reform process is to ensure smooth financial flow in power sector through mitigating build-up of circular debt in order to attract new investments in the power sector.

V. Alignment of Energy Development with SDG Goal 7

Synergies with SE4 All Initiative

United Nations SE4ALL initiative flows from the Sustainable Development Goals that focus on ensuring environmental friendly energy sources with resource potential in the long run. So far 85 countries have committed to the Sustainable Energy for All project including Pakistan which joined the initiative in 2013. It recognizes that a clean environment and increased social equity is essential for sustainable economic growth. A testament to this is the National Power Policy 2013, which reflects its alignment with broader SE4All framework.

Pakistan has taken up initiatives like its Rapid Assessment and Gap Analysis with the joint efforts of Implementation and Economic Reforms Unit (IERU) of Finance Division and Ministry of Water and Power. The aim was to have an up to date assessment of the country's energy landscape, its need, resources, and future potential and available alternatives for sustainability. UNDP partnered with the GoP to assess the region wise situation of all provinces including Federally Administered Tribal Areas (FATA), Gilgit- Baltistan (GB) and Azad Jammu Kashmir (AJK). The key findings confirm Pakistan's tremendous potential in renewable energy sources, including hydel, solar, wind and bio-fuels. Main policy focus area involves regulating governance structure and promoting off-grid solutions, investing in research and Development (R&D) for renewable technologies in improving process for approval of PSDP projects and Public Sector Energy conservation audits.

Among other initiatives are included the National Steering Committee for SE4ALL in line with Vision 2025, a policy guiding document produced by Planning Commission of Pakistan, that will also serve as the focal agency for the committee. The aim is to work towards achieving SDGs through a consultative process with all stakeholders including coordination with UNDG's national and international teams. Within Planning Commission, Energy Wing will act as the Secretariat for the National Steering Committee.

View on the Implementation of SDG-7 on the Energy: Ensure access to affordable, reliable, sustainable and modern energy for all

	Energy SDG-7	Pakistan's initiative
1	Affordability	Efforts are underway to improve power sector fuel mix in the country to reduce price of power basket and improve financial viability. Under the reforms, a large capacity addition is planned from wind, solar, nuclear, hydel and coal power projects till 2019-20. The emphasis is towards achieving a less oil dependent power generation mix through development of indigenous energy resources particularly hydel, coal and renewable energy resources for sustainable and affordable energy supply in the country. Three hydel plants Tarbela 4th extension, Chashma, Neelum Jehlum and few other small dams are expected to provide additional generation within next three years.
2	Increase renewable energy	The Government of Pakistan has been actively pursuing renewable energy sources and has created 'Alternative Energy Development Board '(AEDB) as a

	sources	one window facilitator. At present, 29 solar projects of 709.6 MW capacity and 8 Wind energy projects of 479MW capacity are under development within the framework of AEDB policies and procedures, which include large ventures like wind parks in Jhimpir. The National Electricity Regulator, NEPRA, has also issued Upfront Tariffs (equivalent to Feed in Tariffs) for wind and solar and has received investor interest under the said scheme.
3	Increase energy efficiency	The National Energy Efficiency and Conservation Bill 2014 is currently with the Parliament and envisages to allow the sector to formulate parameters related to demand-side management, such as time-of-day metering, technology standards, Green-star compliance standards, and building standards and is expected to a go a long way in improving energy security of the country.
4	Enhance international cooperation in research on renewable, cleaner energy	Pakistan has been actively pursuing international linkages to further research and development in the areas of technology transfer and indigenous renewable energy production methods to build strong and viable renewable energy sector in Pakistan. Some of the international linkages have been as follows: • USAID, Arizona State University and Pakistan's UET and NUST signed an agreement to build and enhance research capacity in renewable energy in the country. • Pakistan has signed international agreements with countries such as Norway and China to increase cooperation in the field of solar energy. • Agreement with German Government regarding technical assistance in renewable energy and energy efficiency programs including creation of financing options (credit lines and microfinance for rural poor).
5	Expand/upgrade infrastructure and supporting technology	GoP is focussed to create a sustainable, viable and financially and operationally strong power sector in the country. The current long term generation pipeline as well as CPEC projects expect to provide 10,200MW of electricity in the system by December 2017, which is expected to meet the demand-supply gap. GOP has also planned to undertake transmission and distribution network rehabilitation programs and is closely monitoring the network activities to give a sustainable transition towards low loss and cash flow sustainable power sector in the future.

VI. Poverty Reduction and Environmental Sustainability

Both environmental degradation and poverty alleviation are urgent global issues that have a lot in common, but are often treated separately. Consider the following:

A. Human activities are resulting in mass species extinction rates higher than ever before, currently approaching 1000 times the normal rate;

B. Human-induced climate change is threatening an even bleaker future;

C. At the same time, the inequality of human societies is extreme.

The United Nations 1998 Human Development Report reveals that, "Globally, the 20% of the world's people in the highest-income countries account for 86% of total private consumption expenditures—the poorest 20% a minuscule 1.3%"

To highlight this inequality further, consider that approximately 1 billion people suffer from hunger and some 2 to 3.5 billion people have a deficiency of vitamins and minerals

Yet, some 1.2 billion suffer from obesity

One billion people live on less than a dollar a day, the official measure of poverty

However, half the world — nearly three billion people — lives on less than two dollars a day.

Yet, just a few hundred millionaires now own as much wealth as the world's poorest 2.5 billion people.

Chapter no. 5

Making Industry Internationally Competitive

Industrial growth plays an important role in economic growth and poverty reduction. Appropriate economic policy, reforms, technical change and innovations are critical for industrial growth. Pro-poor industrial growth requires protecting the returns of semi- and un-skilled workers, while policy aiming to promote returns to capital and land tend to create inequality in income distribution. However, while working to make industry internationally competitive, such issues can be effectively tackled by reforms aiming to change the existing pattern of physical and human capital.

Vision 2025 suggests fundamental improvement for manufacturing sector with a view to make it internationally competitive. Salient features of the policy include:

1. **Strengthening institutions;**
2. **Removing infrastructure bottlenecks;**
3. **Promoting public-private-partnership;**
4. **Encouraging domestic as well as foreign investment;**
5. **Developing skills of the semi- and unskilled workers and building knowledge economy;**
6. **Easing of doing business;**
7. **Increasing labour market efficiency**
8. **Promoting use of Information Communication Technology;**
9. **Tapping large domestic and regional markets;**

Industrial growth depends on availability of sufficient finances for entrepreneur development; availability of sufficient and cheap energy; access to raw material; and availability of skilled man-power. Government has an important role to play by creating conducive environment to foster private sector investment and making industry competitive.

Commerce sector has also an important role to play in promoting industrial growth through trade facilitation, improving export competitiveness and exerting reduction in cost of doing business.

Pakistan achieved the Generalized Scheme of Preferences (GSP Plus) status from the European Union with effect from January 1st, 2014 to enhance exports in the global trade. This would allow Pakistan to boost its competitiveness by entering into the EU markets through duty free import of GSP-eligible products. However, success in accelerating exports to the EU market would greatly depend on Pakistan's capacity to meet EU consumer's demand both in terms of quantity and quality, increasing its production efficiency, investment in technology and manpower development, and to withstand its competitor's defensive and offensive actions. The Global Competitiveness Report 2014 by World Bank indicates that Pakistan's global ranking in terms of ease of doing business stood at 110/189 and in ranking of global competitiveness it appeared as 133/149. Similarly cost of production is also at higher side. This reflection is primarily due to the prevalent power crises. Therefore minimization of taxation at the investments stage and reducing power crises is the recipe for reducing the cost of doing business.

Comparison of sectoral performance with global and regional competitors:

The following section focuses on comparing the external account of five regional competitors of Pakistan namely India, Bangladesh, Afghanistan, Sri-Lanka and China. The key indicators selected for comparison include Current Account Balance in US dollars and as a percentage of GDP, value of imported goods and value of exported goods.

Pakistan has exhibited a positive trend in the area of exports when compared with her regional partners. Data of last four years shows that Bangladesh has performed better than Pakistan in increasing the volume of exports. Bangladesh has even surpassed India in export growth. India has witnessed robust positive change since 2013 and is projected to maintain this trend. Sri Lanka has recouped well from negative growth in 2012 to double digit growth in 2014 but the growth rate is projected to be halved in 2015. China has shown persistent growth in exports of goods and is likely to maintain this trend.

Table5.1: Comparison of External Account with global and regional competitors

Fiscal Year	2012	2013	2014	2015
Pakistan				
Current account (US Dollars billions)	-4.7	-2.5	-2.9*	-1.4*
Current account (as % of GDP)	-2.1	-1.1	-1.2	-1.3
Vol of Imports (goods) % change	3.3	4.2	5	4.4

Vol of Exports (goods)% change	1.4	5.8	1.3	8
Bangladesh				
Current account (US Dollars billions)	1	2	0.3	-1.2
Current account (as % of GDP)	0.7	1.2	0.1	-0.6
Vol of Imports (goods) % change	6.8	6	13.4	15.4
Vol of Exports (goods)% change	9	12.5	9	10.8
India				
Current account (US Dollars billions)	-88.2	-32.4	-42.5	-50.2
Current account (as % of GDP)	-4.7	-1.7	-2.1	-2.2
Vol of Imports (goods) % change	2.1	-4.6	8.5	9
Vol of Exports (goods)% change	2.2	5.1	7.9	8.2
Afghanistan				
Current account (US Dollars billions)	0.8	0.9	1	0.02
Current account (as % of GDP)	3.9	4.3	4.8	0.1
Vol of Imports (goods) % change	12.7	-0.3	-2.2	2.6
Vol of Exports (goods)% change	0.7	8	-4.1	-16.7
Sri Lanka				
Current account (US Dollars billions)	-4	-2.6	-2.3	-2.6
Current account (as % of GDP)	-6.7	-3.9	-3.3	-3.3
Vol of Imports (goods) % change	-19	-0.1	20.6	12
Vol of Exports (goods)% change	-8.3	7.6	14.2	7.7
China				
Current account (US Dollars billions)	215.4	182.8	185.3	220.6
Current account (as % of GDP)	2.6	1.9	1.8	1.9
Vol of Imports (goods) % change	7.2	9.3	7	6.5
Vol of Exports (goods)% change	6.8	9.6	6.5	6.8
***July to March (Economic Survey 2014/15)**				
Source: Annual Plan 2015/16, Planning Commission				

It was seen that Bangladesh witnessed greater change in the volume of imports than Pakistan. This could be a requirement for sustaining higher exports volume. Imports of capital goods and raw materials can be a yardstick for assessing the exports pick up in a country. Change in volume of imports in India is however less than that of Bangladesh and even negative growth was seen in 2013. Afghanistan has also shown negative growth in imports in 2013 and 2014. Change in volume of exports in China has been somewhat consistent.

Fgure 1: Current Account Balance as a percentage of GDP

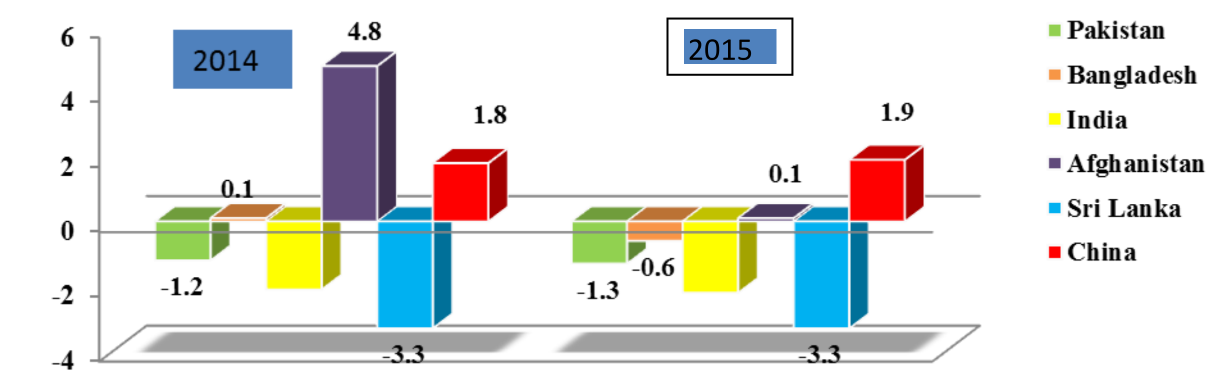


Figure 1 gives the comparison of current account balance as a percentage of GDP in Pakistan, Bangladesh, India, Sri-Lanka, China, and Afghanistan during 2014 and 2015. Afghanistan and China depicted a positive trend in current account balance followed by Bangladesh. Pakistan and Sri-Lanka depicted a deficit in current account during 2014 and 2015.

Strategies to Improve the Trade Balance:

According to Annual Plan 2015/16, the strategy envisioned to reduce the Current Account Deficit is to create non-debt creating inflows.

1. **Reserves can be built by gradual reduction in the trade deficit by boosting exports,**
2. **Enhancement of investor-friendly environment and**
3. **Revival of non-debt creating foreign private inflows**

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

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

The Textile Policy 2014-19

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

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

Source: Textile Division

Major portion of Pakistan's exports is formed by the textile sector. The Textile Policy 2014-19 was announced after approval from the ECC. According to planning commission's Annual Plan 2015-16, trade in the textile industry for the next five years is estimated at Rs. 64.15 billion. The Finance Division will provide Rs40.6 billion, whereas the rest Rs23.5 billion will be financed through PSDP and Textile Development Fund. The Textile Policy would address the issues of all the sub-sectors of value-chain by laying down a perspective plan for their sustainable growth for the next five years.

A substantial change in policy design is required to motivate and encourage the industrial sector to enhance its productivity from low value to high value products. Vision 2025 focuses on improving export competitiveness and enable higher share in the global and regional markets besides diversification of products and markets. Improvement in supply chains and integrating them into the world market offer huge potential for the Pakistani exporters. Regional trade enhancing initiatives can substantially improve Pakistan's export-to-GDP ratio. The improvement in business climate through reforms will also enhance export potential. Strategies to improve external sector performance include:

The Vision 2025 outlines a clear path for a better trade scenario, especially to flourish exports. Exports are victim of protectionist tendencies, and protectionism incentivizes production for the domestic market rather than the global markets. Improving the competitiveness of an economy requires action on many fronts.

The country must ensure a stable macroeconomic environment, improve its infrastructure, strengthen its human resources, make its institutions responsive to changing requirements, and take other steps to reduce the cost of doing business. A strategy for improving competitiveness involves several different actors and must be sustained over the long run. A competitiveness strategy is not a once-for-all exercise, but rather is a continuous process that requires an institutionalized way of involving the different players.

Initiatives taken by Engineering Development Board (EDB)

According to Ministry of Industries and Production in order to make industries internationally competitive, Engineering Development Board (EDB) has taken the following measures:

1. Capacity Building:

In order to enhance core competence of the engineering industry of Pakistan EDB has developed linkages with various international organizations to provide short term expert services to local industry with the objective to improve production process, quality of product, managerial capabilities, accounting system improvement etc. These senior volunteer experts work without charging any consultancy fee and work to improve production process, quality of product, managerial capabilities, accounting system improvement etc.

2. Concessionary SROs:

In addition EDB also administers following concessionary SROs to enhance the Competitiveness of industry.

- SRO 656(I)/2006 to allow import to OEMs.
- SRO 655(I)/2006-to allow concessionary import to vendors

- SRO 693(I)/2006-Notifies list of locally manufactured parts/ components as recommended by EDB
- SRO 827(I)/2001-Binds government and public sector organizations to give price preference to local industry over imported goods. EDB to monitor implementations of SRO and resolve issues relating to determination of landed cost factor.
- SRO 450(1)/2001 Authorizes EDB to determine IQR/Wastages of inputs procured under DTRE and under Manufacturing Bond.

3. Increasing Goods Market Efficiency

Engineering Development Board carried out competitiveness and efficiency improvements exercise while formulating budgetary proposals for the year 2015/16. In this regard an extensive consultation with the industry with the aim to improve ease of doing business by identifying tax and tariff anomalies, disparities and administrative cumbrances that enhance cost of doing business of the industry, affect its competitiveness' and thus restrict their entry into global market.

1. Trade Fairs Participations

EDB had organized Pakistan's engineering sector participation in collaboration with TDAP in leading International Technology Fairs like Hannover Messe 2005, 2006, 2007, 2008 and 2009 (5 time participations) achievements is at, MIDEST, Paris 2005, 2006 and 2007 (3 time participations), Euromold, Germany 2006 and 2007 (2 time participations) under MOI&P's special initiative for export development and market expansion of engineering goods and services sector.

This year, EDB has got approval from The Government of Pakistan for organizing Pakistan's participation in Hannover Messe 2016-Germany scheduled in April 2016 with dedicated allocation of funds form EDF.

EDB has initiated the process of organizing this event with the objective to integrate almost 30 companies of the engineering sector to global sourcing chain by expanding their exports as well as markets on the back of accommodating new technologies to meet international requirements.

2. **Exporters Directory of Pakistan**

In order to project Engineering image of Pakistan, EDB had compiled & published Engineering Goods & Services Exporters Directory of Pakistan in 2013. The same has been updated for the year 2015 with complete profiles of 170 leading Exporters of Pakistan in various engineering sub sectors. The directory shall be circulated to Pakistan's Foreign Missions, Foreign and local Chambers of Commerce, Associations and EDB's International Support Partners in the potential markets.

3. **Developed University-Industry linkages**

EDB has initiated on comprehensive industrial Research Program (IRP) with the collaboration of Academia to promote R&D activities in the industry. The program aims to promote innovation/R&D in the local industry and address industry's technical issues pertaining to the product development/improvement, process and materials. This support can be instrumental in aiding innovation (lifeline of value added industry) and strengthen competitiveness of the industrial engineering sector.

Under IRP, Industry entrepreneurs on individual or collective basis indicate their technical problems/areas where research is required. The problem is shared with researchers/scholars of various universities for designing/developing indigenous solution. The case is finally allotted to the research team on competitive basis.

EDB has taken on board research team comprising Professors, Scientists, Technologists, Researchers (Phd. And M.phil) from 22 universities in almost all industrial product fields relating to engineering, applied physics and applied chemistry. Besides engineering technical universities EDB has also included researchers/scientists form the public research organizations to make the program more practical and result oriented.

In response to IRP, industry has started sharing industrial technical problems, which are being discussed with concerned researchers of various universities.

Introduce an alternate mean of energy

In order to improve the energy mix with a larger share of renewable energy sources and align with the Pakistan Vision 2025 to build necessary logistics facilities to support GDP growth. EDB in order to introduce an alternate mean of energy got approved a PSDP project titled Development and installation of Sun tracked Solar Collector for Industrial heating of water and Generating Stem for Industrial Processes'. Under the PSDP Project 10 demonstration / model units are being installed in 10 specific industries. Each system comprises 50 sun-tracked parabolic troughs linked in series for heating of water for industrial use. Solar collectors are used to pre-heat the water corning at ambient temperature and fed to the boilers thus saving on fuel. The solar based heating is generated free of cost (only one time investment is required to install these collectors). The Sun-tracked Solar Collectors generate pollution free energy and help industries to share the national and world wide campaign on Clean Energy and Green Energy.

In Pakistan, Engineering Sub-sectors can be categorized as under:

- Steel
- Iron & Steel Pipes And Tubes
- Automotive and Parts manufacturing
- Heavy Engineering and Electrical Capital Goods
- Electrical Capital Goods
- Electrical Fittings
- Farm Machinery & Equipment
- Consumable durables
- Fan
- Pumps
- Cutlery
- Surgical

Challenges in Industrial Operations

Generally, Pakistan's engineering sector is facing the following problems due to which our export base of engineering products is nominal.

- Low technology levels
- Low value addition
- Lack of Marketing Focus and Marketing Strategies
- Low volumes (producing and selling for local market), no economies of scale.
- No exposure of the international markets
- Problems of international certifications and standardization resulting as a barrier to market access.
- No local brand.

Development and Growth of Engineering sector:

Keeping in line with the global trend, EDB envisaged development of engineering sector on modern lines for its sustainable growth to integrate it with the world market to make it the driving force of GDP growth.

Government shall make efforts for development and growth of engineering sector along the following lines:

- Developing steel sector to meet domestic demand by utilizing indigenous raw material
- Developing Auto Sector of Pakistan on modern lines to cater to local and export market.
- Promoting Pakistan as an emerging engineering hub for sourcing of engineering products.
- Capacity Building of local industry
- Establishment of supporting infrastructure including Common Facility Centers, Training Centers, Certification Bodies to support development and growth of engineering sector.
- Developing local technologies/ equipment in energy/renewable energy areas.

[Industrial Research Program (IRP)]

- EDB has launched a comprehensive industrial Research Program (IRP) in collaboration with Academia to promote R&D Activities in the industry.
- The Programme aims to promote innovation/ R&D in the local industry and address industry's technical/technological issues.
- Under IRP, industry entrepreneurs on individual or collective basis indicate their technical problems/areas where research is required for exploiting technological potential in industry.
- The problem is shared with researchers/scholars of various universities for designing/developing indigenous solutions.
- The case is finally allotted to the Research team in competitive basis. Higher Education Commission has shown its willingness to fund these research projects to certain extent but no formal agreement has yet been signed.

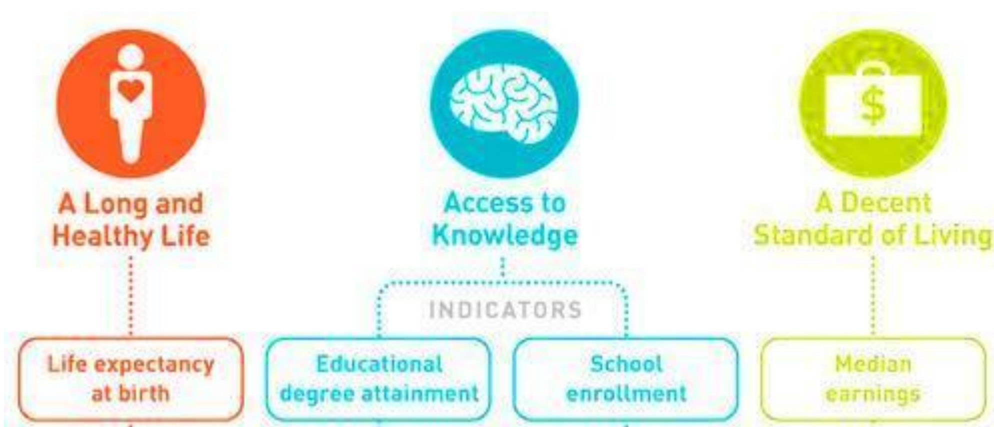
Chapter no.6

Human Development for the 21st Century

Human development is an essential prerequisite and a driver of improving all aspects of the quality of life of citizens, and is, therefore, an important pillar of the government's Poverty Reduction Strategy. The PRSP-II envisages that the ongoing demographic transition in Pakistan has created a window of opportunity in the form of changing age structure and declining child dependency to invest more in human development, focusing on education, skill development, health, family planning, nutrition, safe water and sanitation and redressing gender inequalities. The experience of East Asia reveals that investment in HDI leads to sustained high economic growth and poverty reduction.

The globally accepted indicator of human progress is the Human Development Index (HDI). It is a composite statistic of Life expectancy, Education, and Per capita income indicators. The HDI was developed by Pakistani economist Dr. Mahbub ul Haq, and anchored in the Nobel laureate Amartya Sen's work on human capabilities, often framed in terms of whether people are able to "be" and "do" desirable things in their life, and was published by the United Nations Development Programme.

In short the HDI can be defined as a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living.



According to Human Development Report 2015, Pakistan's HDI value for 2014 is 0.538—which put the country in the low human development category— positioning it at 147 out of 188 countries and territories. Between 1980 and 2014, Pakistan's HDI value increased from 0.353 to 0.538, an increase of 52.5 percent or an average annual increase of about 1.25 percent.

Pakistan's 2014 HDI of 0.538 is above the average of 0.505 for countries in the low human development group and below the average of 0.607 for countries in South Asia. From South Asia, countries which are close to Pakistan in 2014 HDI rank and to some extent in population size are India and Bangladesh, which have HDIs ranked 130 and 142 respectively (see table 6.1).

Table 6.1 : Pakistan's HDI indicators for 2014 relative to selected countries and groups

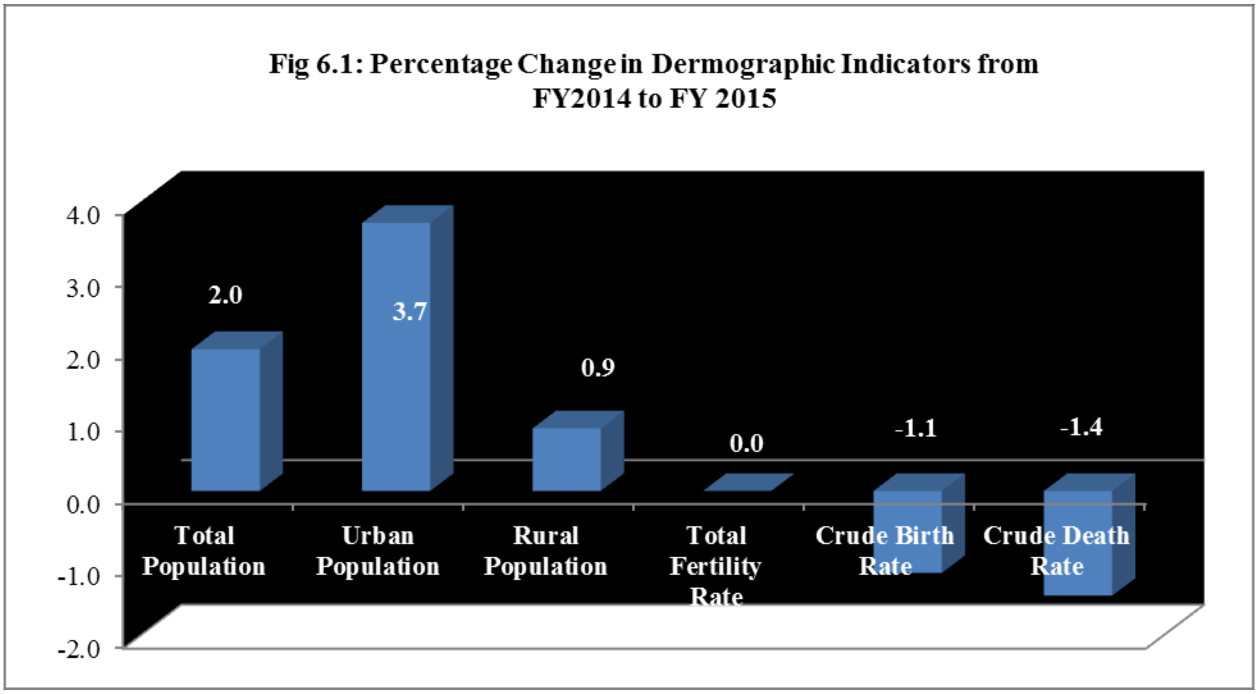
	HDI value	HDI rank	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (PPP US$)
Pakistan	0.538	147	66.2	7.8	4.7	4,866
India	0.609	131	68	11.7	5.4	5,497
Bangladesh	0.57	142	71.6	10	5.1	3,191
South Asia	0.607	—	68.4	11.2	5.5	5,605
Low HDI	0.505	—	60.6	9	4.5	3,085

Source: Human Development Report 2015, UNDP

The following section of the report will focus on selected Demographic Indicators. The Regional and Sectoral Composition of PRSP expenditures in Health and Education have also been analyzed in detail in the subsequent section.

I. Selected Demographic Indicators

Figure 6.1 gives the list of selected demographic indicators. The population of Pakistan increased by 2 percent from 188 million in 2014 to 191.71 million in 2015 according to figures released by the Planning Commission. The urban population increased by 3.7 percent while the rural population increased by 0.9 percent during the comparison period. The reason behind a comparatively higher growth in urban localities can be attributed to migration of rural population to urban areas for better jobs and accessibility to basic needs such as food, social services, shelter and clothing.



The Total Fertility remained the same in both years. Crude birth rate declined by 1.1 percent while the crude death rate declined by 1.4 percent.

A list of selected Demographic Indicators during 2013-15 is given in Table 6.2.

Table 6.2: Selected Demographic Indicators

	2013	2014	2015
Total Population (Million)	184.35	188.02	191.71
Urban Population (Million)	69.87	72.5	75.19
Rural Population (Million)	114.48	115.52	116.52
Total Fertility Rate (TFR)	3.3	3.2	3.2
Crude Birth Rate (Per thousand)	26.8	26.4	26.1
Crude Death Rate (Per Thousand)	7	6.9	6.8
Population Growth Rate (Percent)	1.97	1.95	1.92
Life Expectancy (Year)			
Females	66.5	66.9	67.3
Males	64.6	64.9	65.2

Source: Ministry of Planning, Development and Reform, (2007-2030)

The composition of urban and rural population has been changing over time. The ratio of rural-urban population was 62.1:37.9 in 2013, which changed to 60.8:39.2 in 2015. The life expectancy has been increasing while women exhibited a higher life expectancy than men.

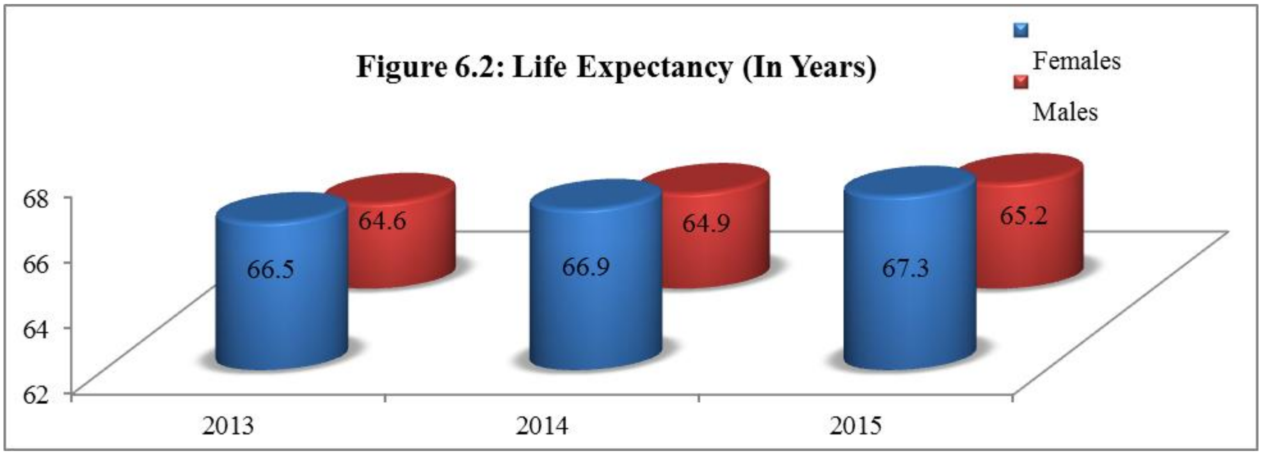


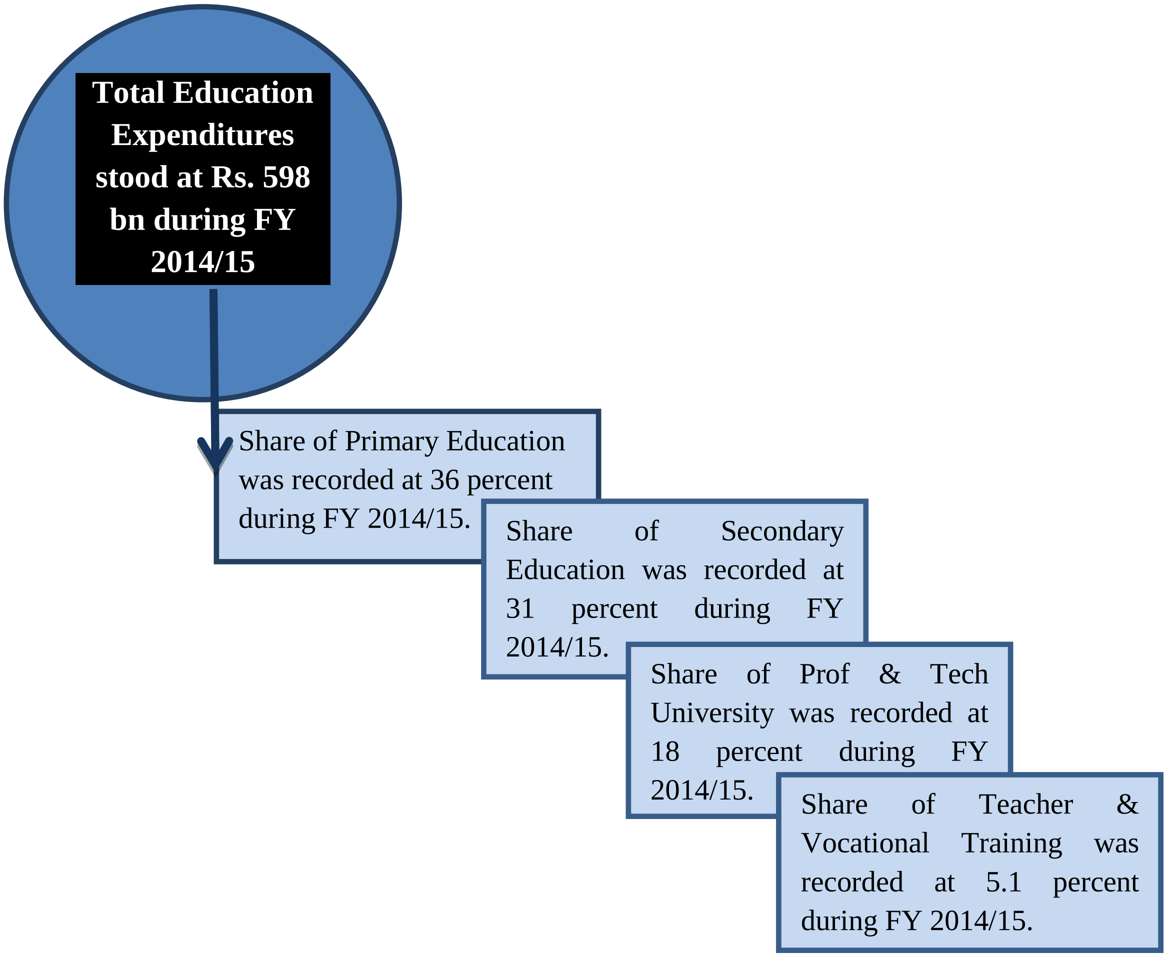
Figure 6.2: Life Expectancy (In Years)

II. PRSP Expenditures made under Education Sector

The following section focuses on education expenditures made in Pakistan at sectoral and regional level during FY 2014/15.

1. The Sectoral Composition

Education sector expenditures increased by 11 percent from Rs. 537 billion recorded last year to Rs. 598 billion recorded in FY 2014/15.



The diagrammatic representation shows that the largest share in total education expenditures was held by primary education followed by secondary education. Professional and technical universities held an 18 percent share. Teacher and vocational training held the smallest share at 5 percent.

Table 6.3 gives the expenditures made under education in four main sectors during the current and previous years. An 11 percent growth was recorded in primary education, secondary education and professional universities from FY 2013/14 to FY 2014/15. The least growth of 5.2 percent was recorded in teacher and vocational training during the comparison period.

Table 6.3: Education Expenditures in Billion Rupees			
Education Sectors	**FY 2013/14**	**FY 2014/15**	**Percentage Change**
Primary Education	193.731	216.807	11.9
Secondary Education	169.247	188.281	11.2
Prof & Tech University	97.671	109.067	11.7
Teacher & Vocational Training	28.946	30.442	5.2
Total Education Expenditure	**537.598**	**598.315**	**11.3**

Source: PRSP Secretariat, Finance Division, Islamabad.

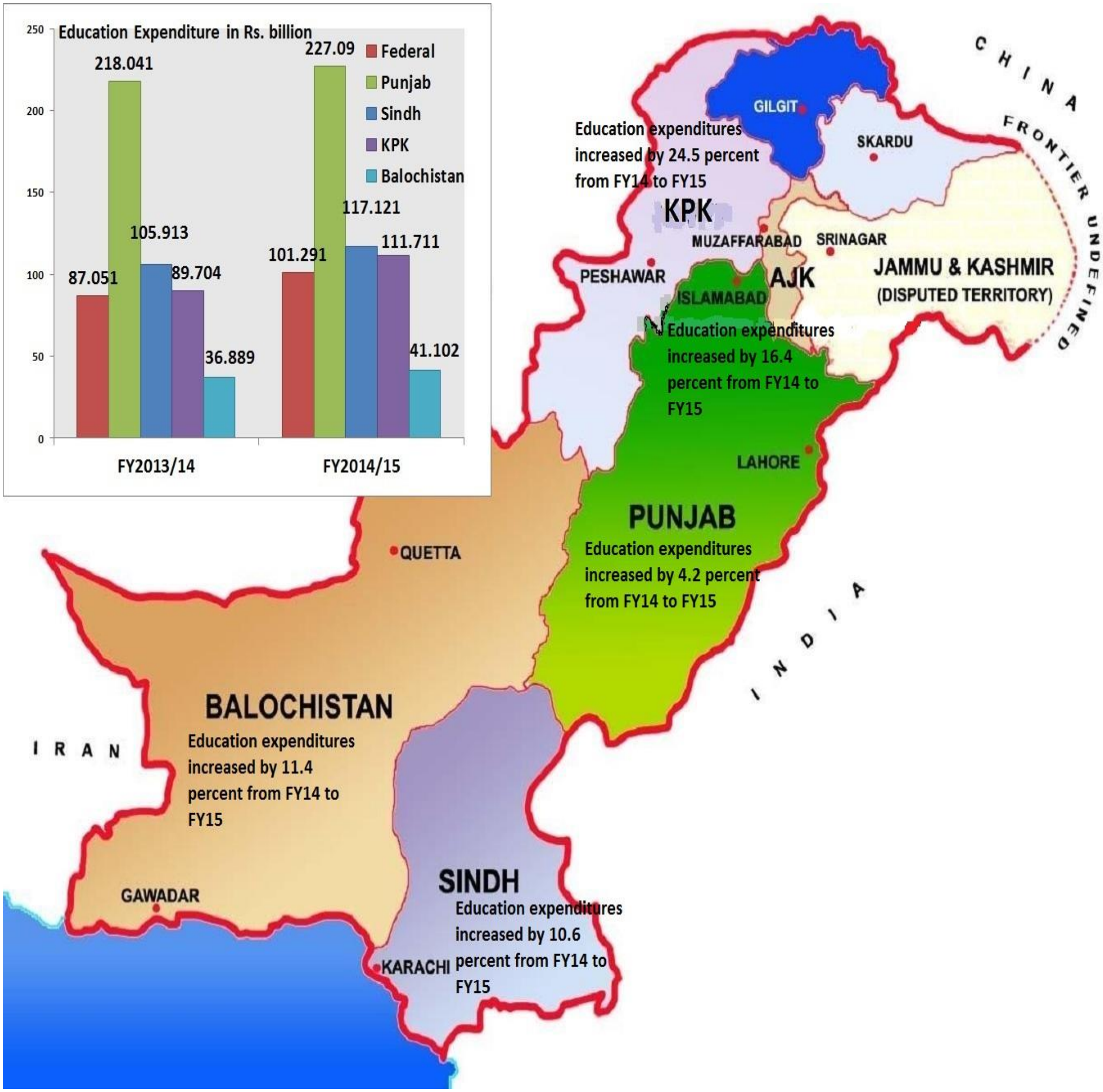
2. The Regional Composition

Regional composition of expenditures made in education sector reveals that the highest increase of 24.5 percent took place in KPK during FY2013/14 to FY2014/15, followed by a 16.4 percent growth in federal area. An 11 percent growth was recorded in the province of Baluchistan. A 10.6 percent growth was recorded in the province of Sindh. The least growth of 4.2 percent was recorded in the province of Punjab. The following figure gives the growth and expenditures with provincial location using the map of Pakistan.

Table 6.4: Education Expenditures in Rs. billion			
Education	**FY2013/14**	**FY2014/15**	**Percentage Change**
Federal	87.051	101.291	16.4
Punjab	218.041	227.09	4.2
Sindh	105.913	117.121	10.6
KPK	89.704	111.711	24.5
Balochistan	36.889	41.102	11.4
Total	538	598	11.3

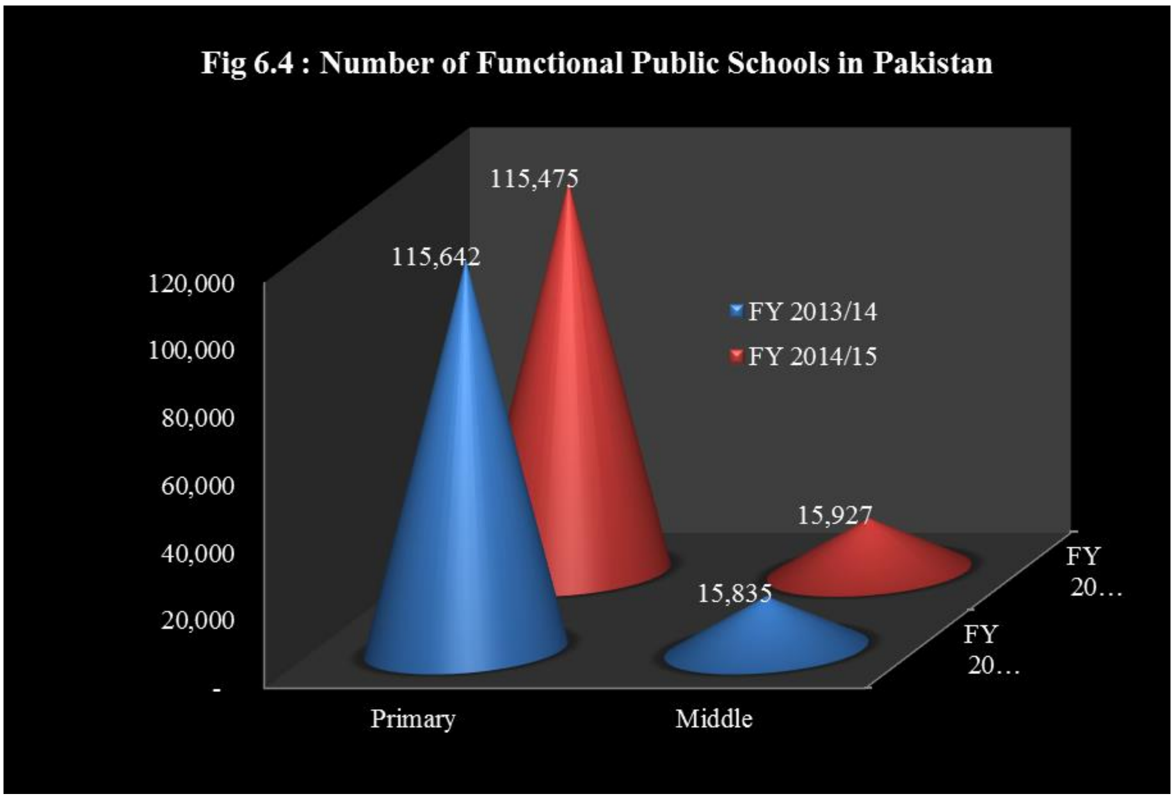
Source: PRSP Secretariat, Finance Division, Islamabad.

Figure 6.3


Education Expenditure in Rs. billion
250
200
150
100
50
0
218.041
227.09
105.913
117.121
87.051
89.704
101.291
111.711
36.889
41.102
Federal
Punjab
Sindh
KPK
Balochistan
FY2013/14
FY2014/15
Education expenditures increased by 24.5 percent from FY14 to FY15
KPK
GILGIT
SKARDU
CHINA
FRONTIER UNDEFINED
MUZAFFARABAD
SRINAGAR
PESHAWAR
AJK
ISLAMABAD
JAMMU & KASHMIR
(DISPUTED TERRITORY)
Education expenditures increased by 16.4 percent from FY14 to FY15
LAHORE
PUNJAB
Education expenditures increased by 4.2 percent from FY14 to FY15
QUETTA
INDIA
BALOCHISTAN
Education expenditures increased by 11.4 percent from FY14 to FY15
IRAN
SINDH
Education expenditures increased by 10.6 percent from FY14 to FY15
GAWADAR
KARACHI

Number of Public Functional Schools

Number of functional primary and middle schools including mosque schools in Pakistan are depicted in the figure 6.4 given below. A total of 131,402 schools were functional in FY 2014/15 against 131,477 in FY 2013/14 registering a decrease of 0.06 percent. During the same period, the number of primary functional schools decreased marginally by less than 1 percentage point whereas middle level functional schools witnessed a growth of 0.58 percent.



Data shows that during FY 2014/15 maximum number of schools was functional in FATA with 12.88 percent growth, followed by 7.75 percent growth in GB and 1.97 percent in Sindh. Punjab, KPK and Balochistan observed slight decline in number of Functional Public Schools. The number of functional public schools in AJK and Federal area remained unchanged during the comparison period.

Table 6.5: Number of Functional Public Schools				
Region	Year	Primary	Middle	Total
Pakistan	FY 2013/14	115,642	15,835	131,477

	FY 2014/15	115,475	15,927	131,402
Region/ Province	**Year**	**Primary**	**Middle**	**Total**
Punjab	**FY 2013/14**	37,803	8,202	46,005
	FY 2014/15	37,329	8,325	45,654
Sindh	**FY 2013/14**	36,426	2,059	38,485
	FY 2014/15	37,113	2,132	39,245
KP	**FY 2013/14**	22,923	2,621	25,544
	FY 2014/15	22,717	2,592	25,309
Balochistan	**FY 2013/14**	9,936	1,156	11,092
	FY 2014/15	9,149	1,101	10,250
AJK	**FY 2013/14**	4,090	1,009	5,099
	FY 2014/15	4,090	1,009	5,099
GB	**FY 2013/14**	711	283	994
	FY 2014/15	797	274	1,071
FATA	**FY 2013/14**	3,562	445	4,007
	FY 2014/15	4,089	434	4,523
Federal	**FY 2013/14**	191	60	251
	FY 2014/15	191	60	251

Source: NEMIS Database 2014-15, AEPAM, Ministry of Fed. Education & PT, Islamabad

Proportion of Public Schools with Basic Facilities

The figures given in table 6.6 give the detail of basic facilities provided in public schools all over Pakistan. Basic facilities include access to clean water, latrine, electricity and boundary wall in schools. At the national level, public schools equipped with these facilities increased in FY 2014/15.

Table 6.6: Proportion of Public Schools with Basic Facilities						
Region /Province	**Years**	**Level**	**Water (%)**	**Latrine (%)**	**Electricity (%)**	**Boundary-Wall (%)**
Pakistan	**FY2013/14**	**Primary**	61.0	64.5	54.0	65.6
		Middle	78.0	84.0	75.0	84.0
		Total	**63.0**	**67.0**	**56.0**	**68.0**
	FY2014/15	**Primary**	63.0	64.7	50.7	67.3
		Middle	80.9	84.1	75.7	84.8
		Total	**65.1**	**66.9**	**53.7**	**69.4**
Punjab	**FY2013/14**	**Primary**	94.0	92.0	74.0	87.0
		Middle	99.0	97.0	94.0	96.0
		Total	**95.0**	**93.0**	**78.0**	**89.0**
	FY2014/15	**Primary**	97.2	94.8	81.4	91.6
		Middle	99.4	98.8	95.6	97.6
		Total	**97.6**	**95.5**	**84.0**	**92.7**
Sindh	**FY2013/14**	**Primary**	48.6	54.2	47.6	57
		Middle	59	71.7	62.8	76.1
		Total	**49.1**	**55.1**	**48.4**	**58**
	FY2014/15	**Primary**	47.0	51.4	34.1	56.4
		Middle	60.3	69.6	53.7	76.6
		Total	**47.7**	**52.3**	**35.2**	**57.4**
KPK	**FY2013/14**	**Primary**	64.3	75	52.4	73.6
		Middle	73.6	87.3	69.8	83.6
		Total	**65.3**	**76.2**	**54.2**	**74.6**
	FY2014/15	**Primary**	63.2	77.4	53.1	76.1
		Middle	71.9	87.7	68.2	83.3
		Total	**64.1**	**78.4**	**54.7**	**76.9**
Balochistan	**FY2013/14**	**Primary**	96	14.9	33.5	28.1
		Middle	25	52.4	24.1	64.5
		Total	**11.2**	**18.6**	**32.5**	**31.7**
	FY2014/15	**Primary**	32	14.5	21.3	28.9
		Middle	56.6	49	42.3	58.5

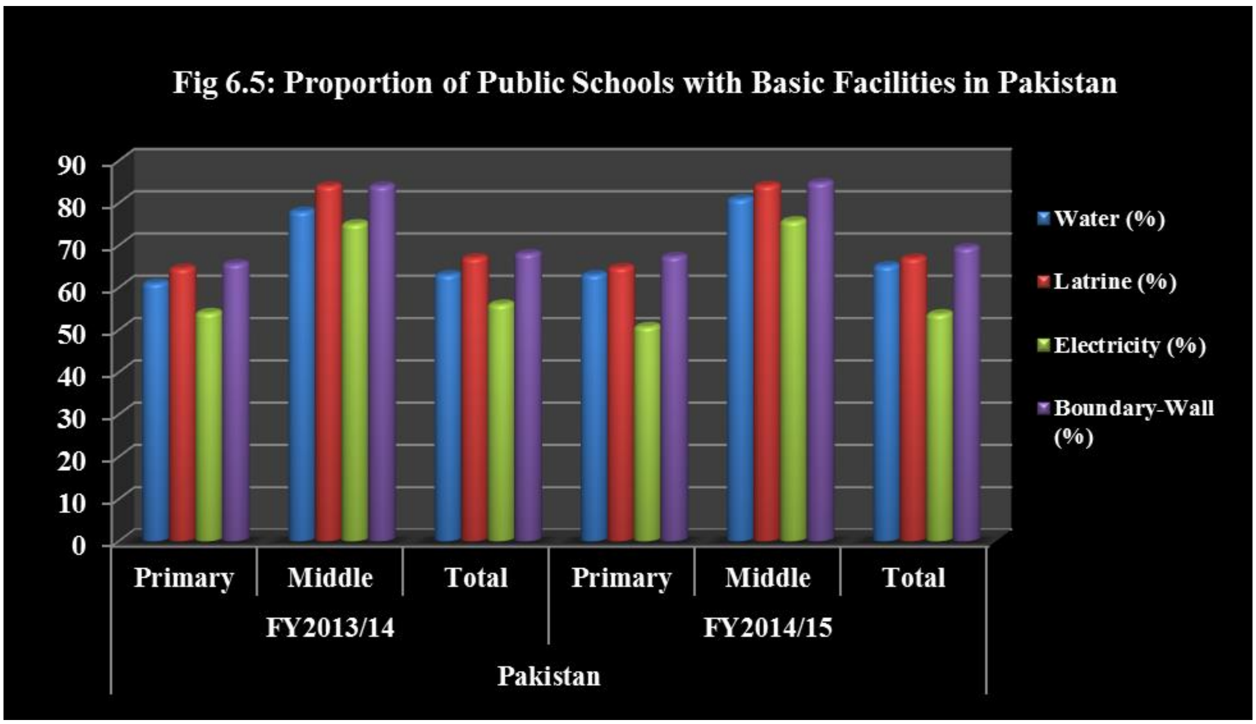
		Total	**34.4**	**18**	**23.4**	**31.8**
AJK	**FY2013/14**	**Primary**	22.2	25.4	10.3	21.2
		Middle	44.7	49.1	34	39.9
		Total	**26.6**	**29.9**	**14.9**	**24.7**
	FY2014/15	**Primary**	22.2	26	10.3	22.3
		Middle	44.7	51.2	34	43.6
		Total	**26.6**	**30.9**	**14.9**	**26.5**
FANA	**FY2013/14**	**Primary**	46.4	35.7	42.3	51.2
		Middle	67.5	71.4	67.5	61.1
		Total	**52.4**	**45.9**	**49.5**	**54**
	FY2014/15	**Primary**	52.4	35.9	43.9	56.1
		Middle	69	71.5	66.8	60.2
		Total	**56.7**	**45**	**49.8**	**57.1**
FATA	**FY2013/14**	**Primary**	31.5	32.6	32.6	52.4
		Middle	50.5	51.8	51.8	78.8
		Total	**33.5**	**34.6**	**34.6**	**55.2**
	FY2014/15	**Primary**	40.9	34.9	44.7	59.4
		Middle	56.6	49.1	57.4	76.3
		Total	**42.5**	**36.3**	**46**	**61**
Federal	**FY2013/14**	**Primary**	92.7	95.3	98.4	96.9
		Middle	91.7	98.3	100	98.3
		Total	**92.4**	**96**	**98.8**	**97.2**
	FY2014/15	**Primary**	92.7	95.3	98.4	96.9
		Middle	91.7	98.3	100	98.3
		Total	**92.4**	**96**	**98.8**	**97.2**

Source: NEMIS Database 2013-14& 2014-15, AEPAM, M/O Federal Education and Professional Training Islamabad.

The percent of schools having latrine and electricity were reduced respectively during FY14/15 from 67 percent to 66.9 and from 56 to 53.7.

At the national level, public school facilities in terms of water, latrine, electricity and boundary wall were recorded at 65.1 percent, 66.9 percent, 59.7 percent and 69.4 percent, respectively during FY 2014/15. Punjab, KPK and FATA showed positive trends in public schools facilities of water, latrine, electricity and boundary walls during the comparison period. In Sindh, the percent of public schools having basic facilities of water, latrine, electricity and boundary walls declined in FY 2014/15 when compared with FY2013/14. No change has been observed in basic facilities in public schools at the Federal area.

The following figure 6.5 depicts the proportion of basic facilities provided in Public schools all over Pakistan. An increasing trend was observed in the total proportion of water supply and Boundary walls provided in Public schools. The overall proportion of Latrine and Electricity slightly declined during the comparison period.



Percentage of Trained Teachers:

During FY 2014/15 the percentage of trained teachers dropped by 0.3 percent at the primary level, and by 1 percent at the middle level. KPK and FANA registered the highest figures in teacher's trainings, 99.8 percent at primary level and 100 percent at middle level respectively. Percentage of trained teachers slightly declined in Punjab, Balochistan and AJK both at primary and middle level. Sindh and FATA recorded increasing trends during the comparison period.

Table 6.7 : Percentage of Trained Teachers

Region/ Province	FY 2013/14		FY 2014/15	
	Primary (%)	Middle (%)	Primary (%)	Middle (%)
Pakistan	97.3	99.0	**97.0**	**96.0**
Punjab	100.0	100.0	97.0	96.1
Sindh	95.8	94.4	96.9	96.3
KP	100.0	100.0	99.8	100.0
Baluchistan	100.0	99.0	99.1	94.6
AJK	94.6	97.5	93.7	97.1
FATA	92.0	95.7	99.8	100.0
FANA	99.0	99.3	93.0	97.2

Source: NEMIS Database 2014-15, AEPAM, Ministry of Fed. Education & PT, Islamabad

The decline in the percentage of teachers trained in certain areas of Pakistan was due to recruitment of new teachers and retirement of old ones. Along with this since the private sectors offers better salaries, trained teachers have also shifted to private educational institutions.

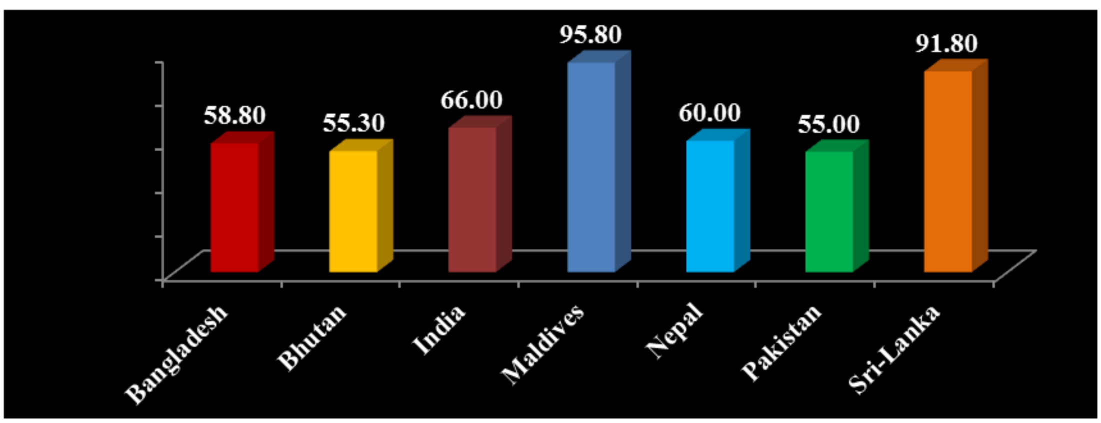
Literacy Rate in South Asian Countries

Comparative analysis of Literacy rates of South Asian Countries can be done with the figures obtained from SAARC Secretariat Statistics of 2014.

Table 6.8: Literacy Rate in South Asian Countries								
	Afghanistan	**Bangladesh**	**Bhutan**	**India**	**Maldives**	**Nepal**	**Pakistan**	**Sri-Lanka**
Literacy rate (6 years and over %)	NA	55.8 (2011)	63 (2012)	74.0 (2011)	93.8	65.9 (2011)	58 (2012)	95.6 (2012)
Adult literacy rate (15 years and over) (%)	NA	58.8 (2011)	55.3 (2012)	66.0 (2007-08)	95.8 (2006)	60 (2006)	55.0 (2011)	91.8 (2013)
Source: SAARC Secretariat								

Figure 6.6 gives the adult literacy rate of each country. The highest literacy rate of 95.8 percent was recorded in Maldives followed by 91.8 percent literacy rate in Sri-Lanka. Adult literacy in India stood at 66 percent followed by Nepal and Bangladesh with 60 percent and 58.8 percent literacy rates respectively. Pakistan had the lowest adult literacy rate of 55 percent among the SAARC countries.

Figure 6.6: Adult literacy rate (15 years and over) (%)

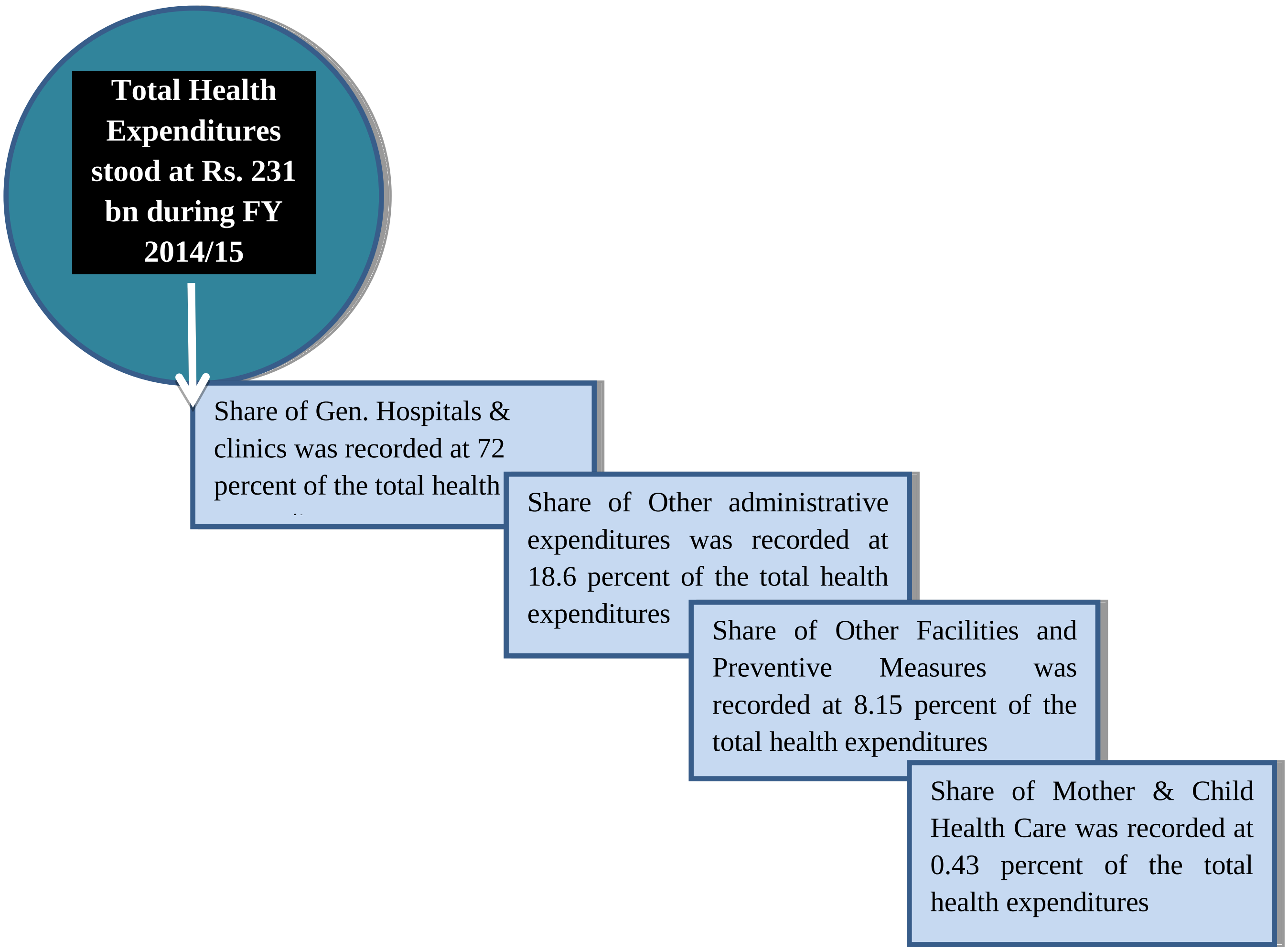


III. PRSP Expenditures under Health Sector

The following section of the report focuses on Health expenditures made in Pakistan at sectoral and regional level during FY 2014/15 in comparison to last year.

1. *The Sectoral Composition*

The overall expenditures of health sector recorded an increase of 14 percent from Rs. 202 billion last year to Rs. 231 billion this year. The flow chart given below gives the share of each sector in total health expenditures during FY 2014/15. The bulk of the health expenditures were spent under the category of General Hospitals & Clinics constituting a share of 72 percent in total health expenditures. The smallest share was spent under the category of Mother & Child Health Care.



It was interesting to note that although Mother and Child Health care held a very small share in total health expenditures their growth was the highest among all the sub-sectors of Health.

Expenditures made under General Hospitals & Clinics grew by 15 percent while Other Facilities and Preventive measures recorded an increase of 10 percent over the comparison period.

The sub-categories of health sector are listed in the Table 6.9 giving the growth rate and expenditure incurred in each sub-sector.

Table 6.9: Sectoral Health Expenditures in Rs billion

Health Sectors	FY 2013/14	FY 2014/15	Percentage Change
General Hospitals & clinics	146.5	168.36	14.92
Mother & Child Health	0.384	1.006	161.98
Other Facilities and Preventive Measures	17.143	18.829	9.83
Others	37.959	42.975	13.21
Total Health Expenditures	**201.986**	**231.17**	**14.45**

Source: PRSP Secretariat, Finance Division, Islamabad.

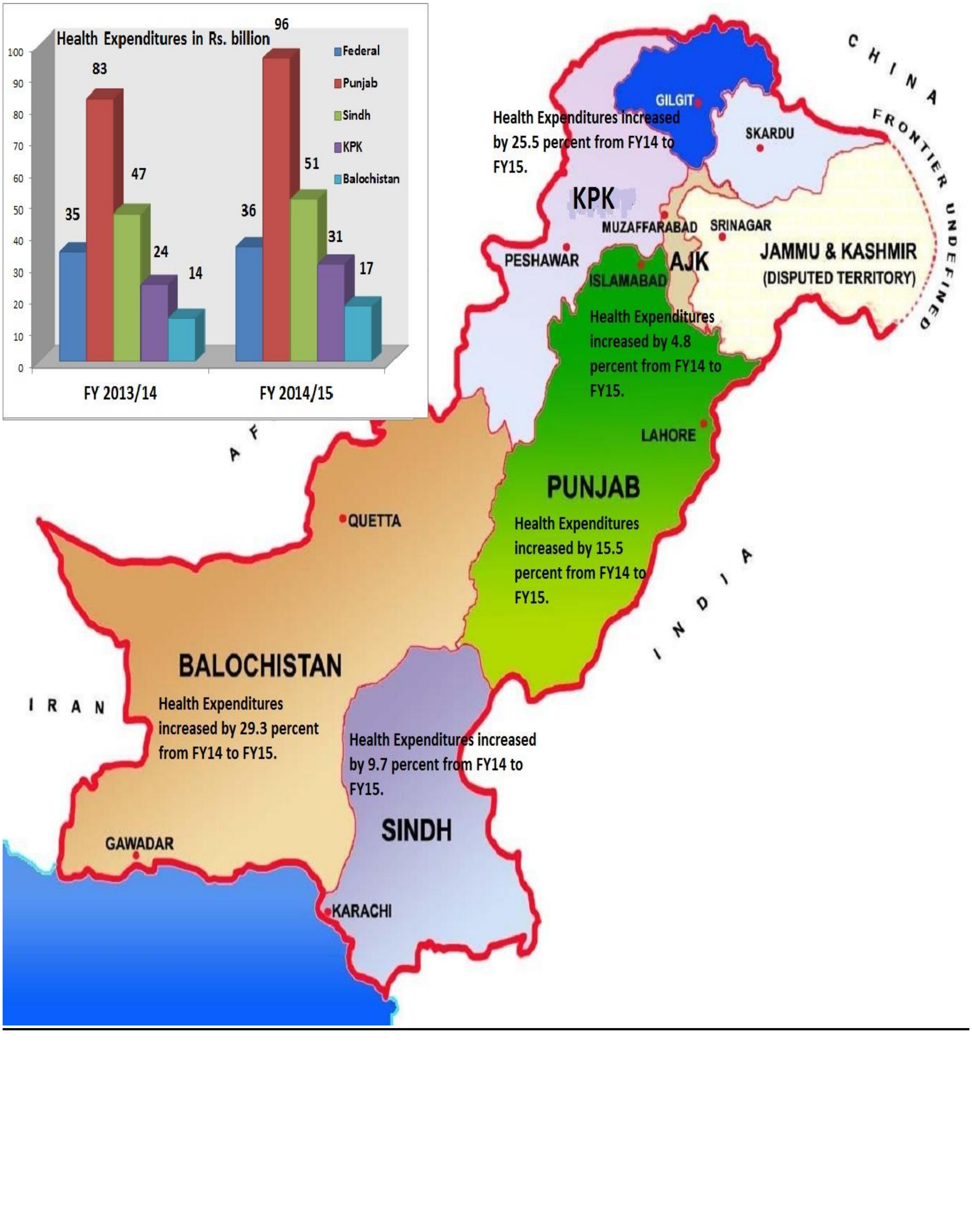
2. *The Regional Composition*

Region wise distribution of Health expenditures has been illustrated using the map of Pakistan. The highest growth of 29.3 percent was recorded in the province of Baluchistan followed by 25.5 percent growth in KPK. Punjab recorded a 15.5 percent growth while Sindh registered an increase of 9.7 percent in health expenditures. The least growth of 4.8 percent was recorded in federal area due to the devolution of health sector to provinces after the 18th amendment.

Table 6.10: Regional Composition of Health Expenditure (in Rs billion)

	FY 2013/14	FY 2014/15	Percentage Change
Federal	35	36	4.8
Punjab	83	96	15.5
Sindh	47	51	9.7
KPK	24	31	25.5
Baluchistan	14	17	29.3
Total	**202**	**231**	**14.4**

Source: PRSP Secretariat, Finance Division, Islamabad.


Health Expenditures in Rs. billion
Federal
Punjab
Sindh
KPK
Balochistan
35
83
47
24
14
36
96
51
31
17
FY 2013/14
FY 2014/15
Health Expenditures increased by 25.5 percent from FY14 to FY15.
KPK
GILGIT
SKARDU
CHINA
FRONTIER UNDEFINED
MUZAFFARABAD
SRINAGAR
JAMMU & KASHMIR
(DISPUTED TERRITORY)
PESHAWAR
ISLAMABAD
AJK
Health Expenditures increased by 4.8 percent from FY14 to FY15.
LAHORE
PUNJAB
QUETTA
Health Expenditures increased by 15.5 percent from FY14 to FY15.
INDIA
BALOCHISTAN
IRAN
Health Expenditures increased by 29.3 percent from FY14 to FY15.
Health Expenditures increased by 9.7 percent from FY14 to FY15.
SINDH
GAWADAR
KARACHI

IV. Mainstreaming Gender and Empowering Women

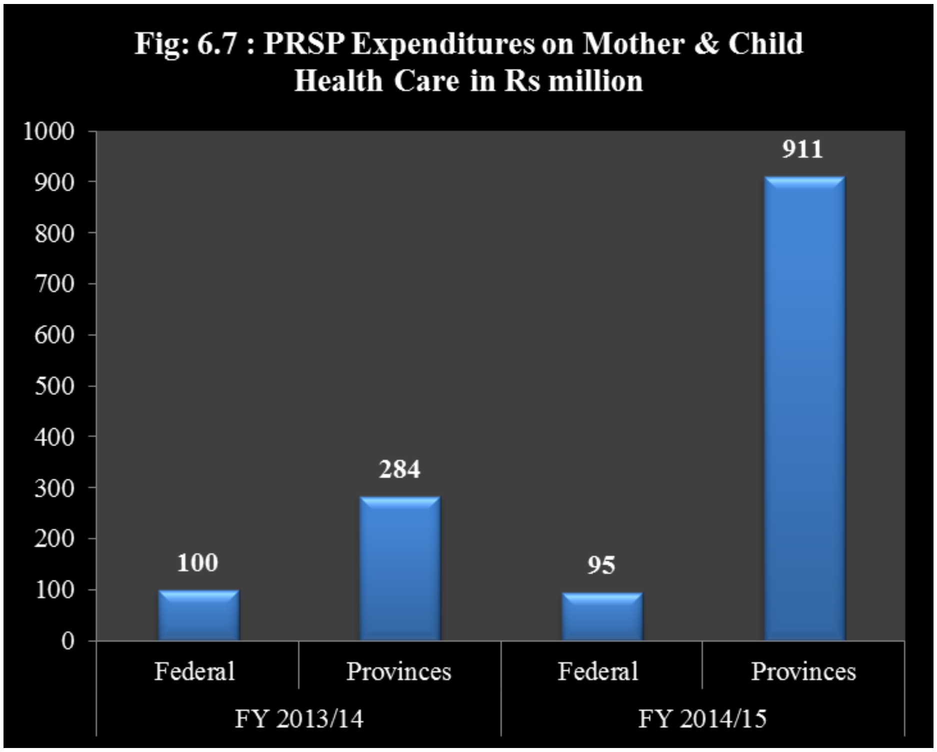
The Constitution of Pakistan provides women with equal rights. Pakistan is a signatory to the Convention on the Elimination Discrimination against Women and the MDGs. The National Plan of Action and National Policy for Development and Women's Empowerment are consistent with international gender commitments. Legislation against gender-based violence has improved in Pakistan between 2000 and 2013.

Following passage of the 18th amendment of the Constitution, the Ministry of Human Rights was given responsibility for addressing human rights and women's empowerment. With the dissolution of the Ministry of Human Rights, responsibilities related to human rights and gender has been delegated to the Ministry of Law and Justice. The federal National Commission on the Status of Women and provincial women development departments (WDDs) are responsible for reviewing gender polices and plans. However, WDDs have limited capacity and resources to effectively promote gender equality and women's empowerment in their respective provinces. Provincial commissions are also being established to oversee and monitor the implementation of women's protection laws and gender-related policies. Special initiatives have been taken by the government to ensure women's empowerment.

Pro-poor Initiatives to Empower Women:

- The government has launched the Youth Business Loan Scheme, with 50% of loans reserved for women. Women will be trained in vocational skills through the Prime Minister's Youth Skill Development Scheme. The government has allocated Rs. 800 million for this scheme.
- The Punjab government has announced special budget allocations for the women's empowerment package in the provincial budget.
- Under the Sindh Government's Landless *Haris* Project, of the total beneficiaries, 70.6% of land titles were given to women farmers.

The subject of health has been devolved to the provinces under the 18th Amendment. Therefore, the PRSP expenditures collected under the category of Mother and Child Health care have become a provincial subject. It was encouraging to note that a substantial increase of 220 percent in provincial expenditures on Mother and Child Health Care was reported during FY 2014/15. This noticeable surge in expenditures made under this sector shows the strenuous efforts made by provincial governments to improve the facilities provided to women and children.



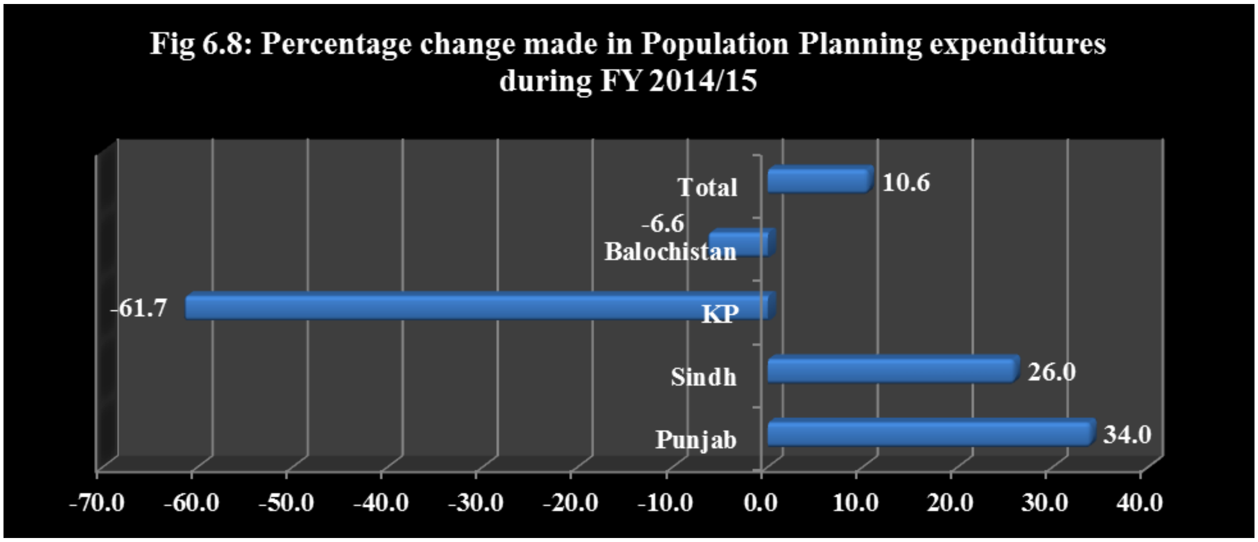
Expenditures made under the category of Population Planning have also been devolved to the provinces after the 18th Amendment. No expenditures under this sector were reported in the Federal area. Expenditures made in the four provinces have been reported in the following table along with the percentage change.

Table 6.11: Expenditures made under Population Planning in Rs. million

	FY2013/14	FY 2014/15	Percentage Change
Punjab	3230	4328	34.0
Sindh	4447	5602	26.0
KP	1078	413	-61.7
Balochistan	3854	3600	-6.6
Total	12609	13943	10.6

Source: PRSP Secretariat, Finance Division.

An increase in expenditure under population planning was observed in the province of Punjab, and Sindh. Declining trends were recorded in the province of KPK and Baluchistan. The overall expenditures however increased by 10.6 percent from Rs. 12609 million in FY 2013/14 to Rs 13943 million in FY 2014/15.



Through the **Benazir Income Support Program (BISP)** 5 million families are receiving cash grants, with direct payments to women (see table 6.12).

Table 6.12: Disbursement and Beneficiaries under BISP for FY 2013-14 and FY 2014-15				
	FY 2013-14		**FY 2014-15**	
BISP Initiative	**Amount Disbursed (in Rs. million)**	**Beneficiaries (in million)**	**Amount Disbursed (in Rs. million)**	**Beneficiaries (in Rs. million)**
Cash grant program with commission	67677	4.61	91589	5.04
Source: Benazir Income Support Programme				

Lady Health Worker Program:

The Lady Health Worker Program is a broadly targeted scheme designed in the early 1990s with its objective of basic community services to all rural and urban areas in Pakistan. A Lady Health Worker registers approximately 200 household or 1000 individuals in her community to whom she offers a range of preventive and promotive services, including family planning. The worker is a female preferably married and a permanent resident of the area. She works from her home, where she is required to have one room designated as the 'health house'. The program is monitored regularly in PRSP annual reports.

Table 6.13: Total Strength of Lady Health Workers						
Province	FY 2013/14			FY 2014/15		
	Urban	Rural	Total	Urban	Rural	Total
Punjab	7274	39069	46343	7210	38780	45990
Sindh	5644	16932	22576	5644	16932	22576
KPK	1854	10569	12423	1827	10454	12281
Balochistan	1098	5622	6720	1098	5622	6720
AJK	179	2889	3068	179	2844	3023
FANA	240	1130	1370	243	1101	1344
FATA	0	1407	1407	0	1379	1379
ICT	0	330	330	0	330	330
Total	**16289**	**77948**	**94237**	**16201**	**77442**	**93643**

Source: Provincial National Program for Family Planning & Primary Health Care, Planning Commission

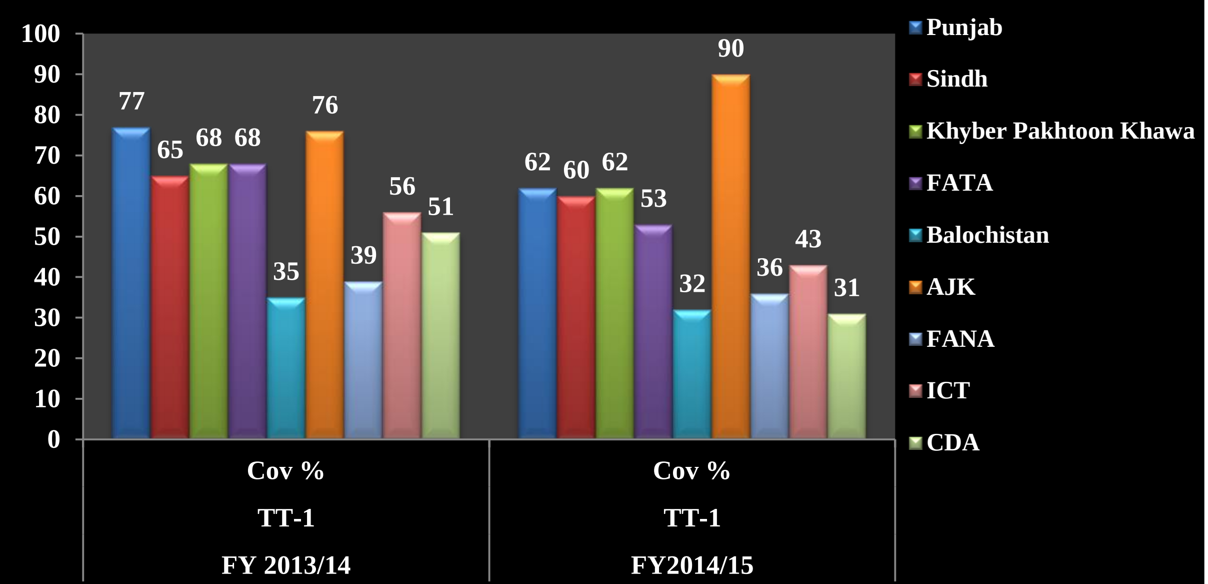
The Total Strength of Lady Health Workers is given in Table 6.13 along with province-wise break-up of the total number of LHWs. In March 2013 the Supreme Court of Pakistan gave notification for the regularization of all the Lady Health Workers (LHWs). The court also directed all the four provinces to legislate the financial affairs of the said employees as soon as possible. As a result of regularization, the number of LHWs has declined in Punjab, KPK, AJK, FANA and FATA.

Table 6.14: Population Covered by LHWs						
Provinces	FY 2013/14			FY 2014/15		
	Urban	Rural	Total	Urban	Rural	Total
Punjab	12,211,174	54,808,675	67,019,849	11,574,981	55,714,402	67,289,383
Sindh	8,409,560	19,810,440	28,220,000	8,409,560	19,810,440	28,220,000
KPK	2,237,057	11,937,730	14,174,787	2,211,783	11,763,960	13,975,743
Baluchistan	1,221,282	2,563,998	3,785,280	1,239,479	2,602,202	3,841,681
AJK	2,044,34	2,4782,07	2,682,641	2,044,34	2,437,668	2,642,102
FANA	209,973	629,178	839,151	185,728	787,286	973,014
FATA	0	1,071,471	1,071,471	0	1,056,357	1,056,357
ICT	0	386,100	386,100	0	386,100	386,100
Total	24,289,046	91,207,592	118,179,279	23,621,531	94,558,415	118,384,380

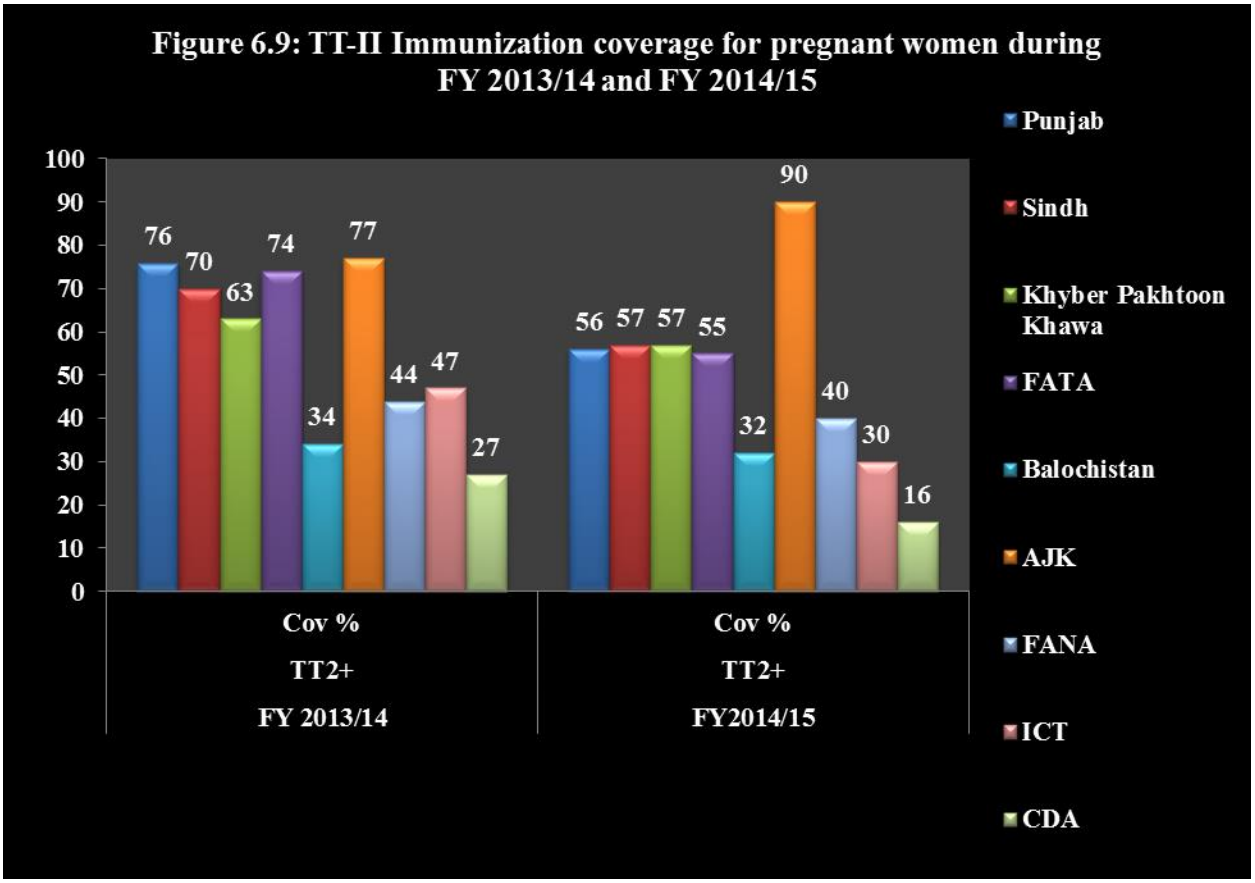
Source: Expanded Programme on Immunization, Ministry of NHSR&C, Islamabad.

The population covered by Lady Health Workers increased in rural areas and declined in urban areas in the province of Punjab. In KPK an overall negative trend was observed. In Baluchistan the population covered by LHWs increased by 1.5 percent in the province of Baluchistan. In FANA the population covered by LHWs declined by 11 percent in urban areas and increased by 25 percent in rural areas. In FATA the population covered declined by 1.4 percent. The decrease in population covered by LHWs was due to the decline in strength of LHWs after regularization.

Figure 6.9: TT-I Immunization coverage for pregnant women during FY 2013/14 and FY 2014/15



Both TT-I and TT-2 Immunization coverage exhibited a declining trend in all districts of Pakistan because the Strength of LHWs declined in all areas after regularization in March 2013. The overall decrease in TT-1 Immunization Coverage was more than TT-2 Immunization Coverage. The total TT-1 coverage declined from 70 percent in FY2013/14 to 60 percent in FY 2014/15. The total TT-2 coverage declined from 70 percent in FY 2013/14 to 56 percent in FY 2014/15.



V. Employment Generation

Table 6.16: Labour Force & Employed Labour Force data						
	FY 2013-14			FY 2014-15		
	Total	Males	Females	Total	Males	Females
Labour Force (in Million)	56.52	43.33	13.19	57.42	44.07	13.35
Employed Labour Force (%)	45.5	68.1	22.2	45.2	67.8	22
Unemployed (in Million)	3.58	2.32	1.26	3.62	2.31	1.31
Source: Labour force Survey 2013-14, Pakistan Bureau of Statistics						

In FY 2014/15 the percentage of male and female employed labor force remained almost the same as last year. However in absolute terms both male and female labor force increased.

Alignment with SDG Goals 3, 4, 5

The sustainable development goals (SDGs) are a new, universal set of goals, targets and indicators that UN member states will be expected to use to frame their agendas and political policies over the next 15 years.

The SDGs follow, and expand on, the Millennium Development Goals (MDGs), which were agreed by governments in 2000, and have expired by the end of Fiscal Year 2014/15.

Following goals are in line with the focus of this chapter.

Goal 3: Ensure healthy lives and promote wellbeing for all at all ages

Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Goal 5: Achieve gender equality and empower all women and girls

Human Development is a crucial pillar of Pakistan's poverty reduction strategy. Gender equality and access to basic facilities of health and education is more than a goal itself. It is a precondition for meeting the challenge of reducing poverty and promoting sustainable development. The member states have agreed that the SDGs during last UNGA meeting held in September 2015 and implementation of these goals and indicators will commence from 2016.

Chapter no. 7

Removing Infrastructure Bottlenecks through Public Private Partnerships (PPPs)

Pakistan's infrastructure needs are massive and its resources are limited. Not only is there limited fiscal space, there are also huge gaps in public sector capacity to build and operate infrastructure. Improved quality and service coverage in power and water supply, sewerage treatment, transport and logistics are vital for Pakistan's economy and the livelihood of its people. Tight fiscal constraints require innovative approaches, away from the traditional role of the Government as the service provider, to ensure that the massive investment needs are financed with the assistance of the private sector.

The infrastructure needs of a growing population in a developing economy like Pakistan exceed the fiscal resources available to fulfill them. For developing countries, public-private partnerships (PPP) are a well-accepted procurement and financing modality to address an important portion of these infrastructure gaps.

PPPs, as a tool, can be effective by:

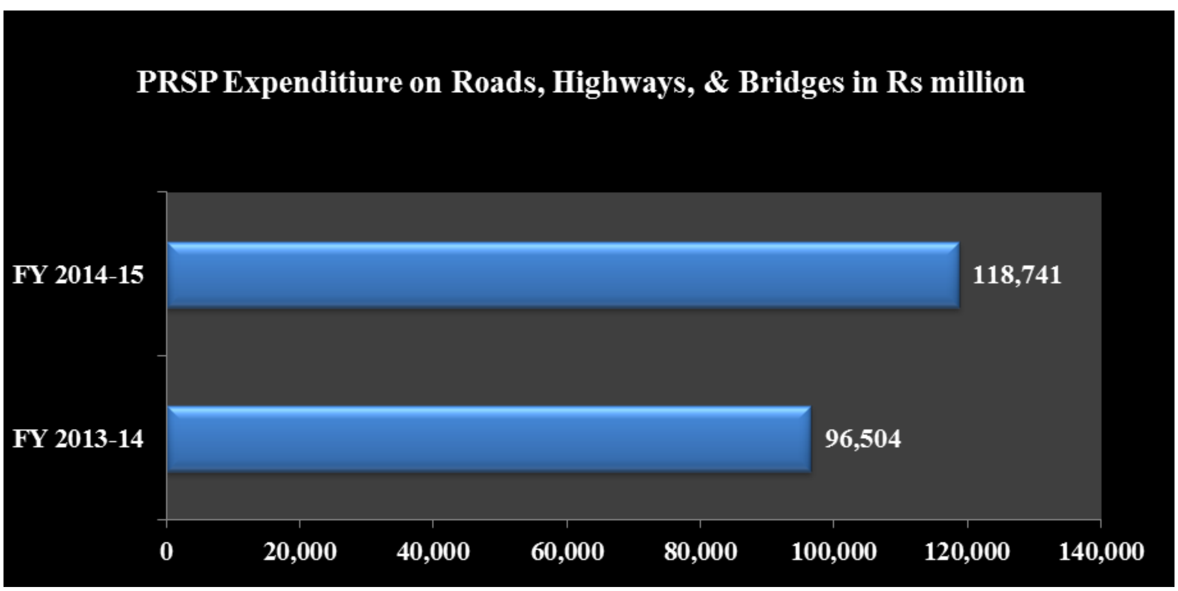
Crowding-in private (debt and equity) capital resources in pursuit of the potential for core and non-core revenue mobilization (made available to private concessionaries through user-payer models), which in most developing countries only PPPs have been able to establish. Bringing cost and time efficiencies in construction of infrastructure projects and availing of other private sector expertise to manage and efficiently deliver public goods.

PPPs also bring fiscal risks:

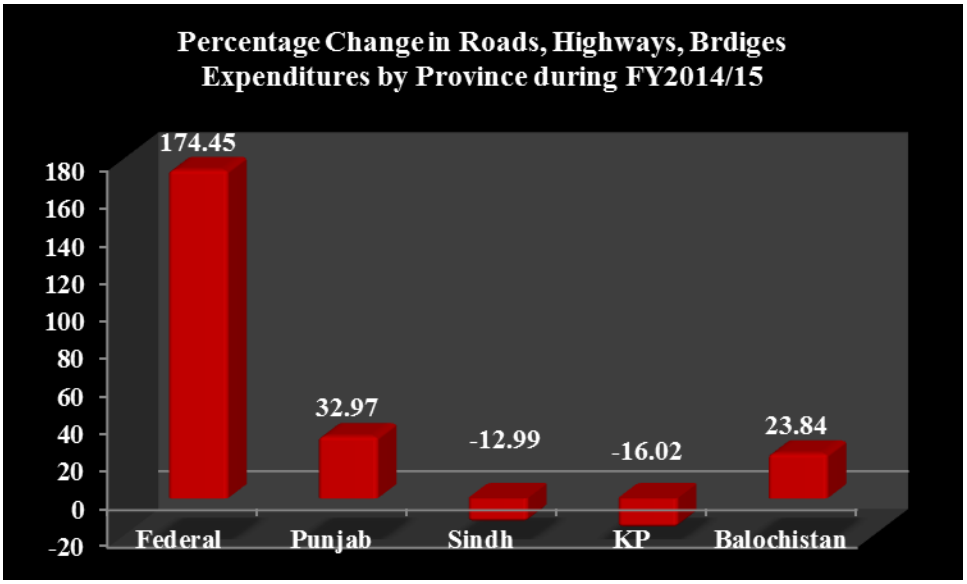
These need to be mitigated and managed. To address these challenges, governments usually try to introduce PPP legal and institutional reforms to develop technically sophisticated PPP ecosystems that identify, structure and eventually only pursue PPP proposals that can maximize value-for-money (VfM) to tax-payers. These ecosystems exist to carry transactions from identification stage to execution, and ensure PPP transactions are development-relevant5 and fiscally-responsible. These ecosystems are as crucial for development outcomes as they are demanding in terms of technical capacity. It is the development of these PPP development frameworks that Pakistan urgently needs to pursue, which is an ongoing process, achieved to different degrees so far.

I. PRSP Expenditures on Roads Highways and Bridges

A significant increase of 23 percent was recorded in PRSP expenditures on Roads, Highways and Bridges from FY2013/14 to FY2014/15.



The Following graph gives the province wise percentage change in expenditures incurred on Roads, Highways Bridges during FY 2014/15 in comparison to previous year.



A substantial increase of 174.45 percent was recorded in Federal area expenditures followed by Punjab and Baluchistan. A decline of 12 percent and 16 percent was recorded in Sindh and KPK.

Public Private Partnerships at the Federal and Provincial level

In Pakistan, the power generation sector, a de-facto federal responsibility by virtue of the national integration of power transmission infrastructure, has been developed under PPP arrangements for a number of years. This has occurred under a regulatory policy that guarantees a rate of return on private partner's investments in power generation, plus an upside to reward efficiency. In this sense, PPPs have already enabled power generation outcomes that fiscal resources would simply not have been able to reproduce, even though the levels of equity reward to independent power producers locked in the long-term power purchase agreements awarded to date can and have been questioned.

In other forms of infrastructure-services projects, the federal government also needs to provide support in the form of minimum revenue guarantees that can act as a safety net on the commercial risk of the project and yet create incentives for the private sector to generate core and non-core revenues from the project. The latter has to occur in order to reduce the potential fiscal burden on the public sector and maximize VfM. But there have been constraints on the ability of the federal government to provide this kind of viability gap financing to date. In addition, the Federal PPP Law is currently awaiting ratification. As such, PPP projects continue to be subject to other general and sector-specific law, which adds a non-negligible source of legal risk to all parties in PPPs.

The policy framework being developed by the Infrastructure Project Development Facility (IPDF) is also still a work-in-progress, and limited experience to date in areas such as risk-allocation means that it will be difficult to make swift progress on large-scale relevant projects anytime soon. According to the PPP Policy (2010), conditions such as VFM and viability must be met when awarding projects, but it is generally acknowledged that there is a lack of consistency and technical capacity in the application of such criteria. The IPDF has been formed to act as the PPP unit and support the PPP Task Force (which advises on PPP reforms and legislation) chaired by the minister of finance. These, in combination with the Debt Policy Coordination Office and the project-specific line ministries, form the basis of the new institutional architecture for federal PPPs in the works. But it will take some time for these mechanisms to get consolidated and for now, there are important operational problems in the line departments, not least in terms of technical capacity. Possibly due to these difficulties, the IPDF is now proposing to act as transaction advisors for the PPP transactions it facilitates with the line departments. Another important challenge related to the lack of debt markets maturity, is that the availability of long-term infrastructure financing is very limited. Because only short to medium-term financing is available from commercial banks, which shortens the payback periods of commercial viability solutions that are explored, VGF becomes the crucial enabler of large-scale PPP projects.

Provincial PPPs:

Recent constitutional reforms have devolved to provincial governments the main responsibility for most forms of infrastructure development. But this devolution still has to be matched with financial and technical capacity development at each provincial Government. Sindh and Punjab are the two largest provinces of Pakistan and account for roughly 77% of Pakistani population, and 85% of the country' GDP. Bankable PPPs can be implemented in these provinces, which can not only have demonstration effects on the overall PPP market in Pakistan, but also help start closing the infrastructure gap in the country. The infrastructure and social service needs of Sindh and Punjab outpace the provincial fiscal space that is currently available for new infrastructure investments. Prospects are limited for the near future development of provincial government debt issuance, or for the mainstreaming of cost-reflective user charges, by provincial governments, in current and new public sector infrastructures.

Traditional infrastructure procurement in Sindh has been ineffective in keeping in containing cost and time overruns. This also constrains infrastructure development in Punjab, albeit to a lesser extent. Therefore, to address the significant infrastructure requirements that are believed to constrain economic growth in Sindh and Punjab, both these provincial governments had already initiated, in the late 2000s, the design and implementation of medium-term reform agendas intended to establish mechanisms to engage the private sector through PPPs, in infrastructure and public service provision.

The underlying challenges, however, remain difficult to overcome:

Weak project development

- PPPs are a very effective way of leveraging private capital and expertise for delivering public goods. However, the PPP decision process requires important investments in analytical work before transactions can be effectively executed. Governments lack funds for building capacity of their own staff (especially in provincial governments), conducting project feasibilities, financing transaction advisories, etc.

Alignment, flexibility and capacity of procurement function

- Several policy and legislative documents (PPP Policy and Act, Provincial (Punjab/Sindh) Procurement Regulatory Authority Act and Rules) control the PPP procurement functions in the provincial governments of Sindh and Punjab. In addition, there may be sector specific requirements, such as product or service standards or schedule(s) of rates which have a bearing on the content, and mode of tendering PPP transactions. Provincial governments still find it challenging to negotiate an acceptable Request for Proposal that is in full compliance with all of these legislations, which still need to come into full alignment.

Viability Gap Funding

- To mitigate the PFM difficulties that provincial governments in Pakistan still face in providing the necessary fiscal commitments and other guarantees of financial repercussion to PPPs, it is very important to establish well-governed off budget facilities that can offer viability gap grants and risk-sharing solutions to make projects commercially viable for investors, while still keeping the PPP solution advantageous (versus the public sector comparator on traditional infrastructure procurement).

Policy Reforms and Institutional Support for Public Private Partnerships' (PPP)

A combination of policy reforms, institutional support, incentives and financing modalities is required to encourage private-sector participation in financing, constructing and managing infrastructure projects. In order to structure a comprehensive Public Private Partnership (PPP) program for Pakistan, the Government has looked at global best practice and sought the advice of multilaterals. Based on participant feedback and in line with global best practice, it was concluded that in order to have a successful PPP programme, the country needs:

1. **Commitment and participation at the highest levels within the Government;**
2. **A conducive policy framework;**
3. **An institutional set up containing core expertise to coordinate and promote PPP activities;**
4. **A communication strategy;**
5. **A policy on targeted subsidies; and**
6. **Availability of long term fixed rate financing in local currency**

As a follow-up to above, and with the assistance of the Asian Development Bank, the Government has structured a PPP program that includes;

The Government of Pakistan is working to improve infrastructure by encouraging public private partnerships. PPPs are at the forefront of the Government's agenda for leveraging private sector investment in infrastructure. In this regard Infrastructure Project Development Facilitates (IPDF) facilitates line ministries by conducting feasibilities studies, develops optimal project structure, and provides support in bid evaluation and contract negotiations for the projects that are executed on PPP modality[4].

[4]http://www.ipdf.gov.pk/

IPDF and National Highway Authority (NHA) have successfully executed the following highways/motorways and bridges on PPP modality;

1. M-2 Lahore-Islamabad Motorway Rehabilitation Project: The Project has been awarded to FWO on BOT modality. Total project cost is Rs 46 billion and is being borne by FWO and consortium of local banks. In addition to Rs 9.5 billion upfront payment by FWO to NHA, FWO will pay Rs 206 billion as NHA share over the 20 year concession period.

2. M-9 Karachi-Hyderabad Motorway: The Project has been awarded to FWO on BOT modality Total project is Rs 43 billion. During the concession period of 25 years, FWO will pay Rs 143.1 billion as NHA share and Rs 109 billion as taxes to the Government of Pakistan.

3. Flyover/Bridge at Habibabad on N-5: The project is a six (6) lanes flyover/bridge at Habibabad on BOT modality. The total project cost is Rs 830 million and NHA share is expected to be about Rs 5.6 billion during 10 year concession period. The total length of the bridge is 1 Km along with 1 Km approach road on either side of the bridge.

The above projects are aligned with sustainable development goal No 9 which calls for building resilient infrastructure. M-2, M-9 and N-5 are main arteries of road network in Pakistan that facilitate trade by connecting seaports with other parts of the country and are instrumental in increasing trade within as well as internationally.

Potential Projects in Pipeline for Private Sector Participation

1. Cool Chain System under National Trade Corridor:

Horticulture sector contributes about 12% to the national agricultural GDP of Pakistan, and holds great potential for increasing export of quality horticultural produce, and offering multiple employment opportunities throughout the supply chain. However, its growth & profitability is restrained mainly by lack of proper post harvest management and transport infrastructure. Out of 13.67 million tones of fruits and vegetables produced annually, about 25% goes waste, between farms to consumers, while only 4% is exported at far lower price (41%) compared to world average price. Keeping in view the importance of the cold chain, Pakistan Horticulture Development and Export Board (PHDEB) - Ministry of Commerce, has decided to “Establish a Cool Chain System” under “National Trade Corridor Improvement Project”. The Cool Chain project is bound act as a back bone for the development of supply chain infrastructure for horticulture produce.

The estimated cost of the total project is approximate **US $ 153 million**. Whereas two Projects are planned to be rolled-out in two clusters i.e. "Baluchistan – Sindh" and "Punjab - NWFP" which will collectively become the Cool Chain System. Each cluster has its own size, market and cost structure.

Status:

Feasibility study is completed and the project will be taken to the market for private sector after the approval of security package.

2. Faisalabad Solid Waste Management Plant:

Rapid growth of urban population in Pakistan and a rising trend of migration from rural to urban areas of the country have posed additional demands on the existing infrastructure of these populous cities, resulting in uncontrolled urban sprawl, deteriorating environment, and constantly declining standard of urban services. As City District Governments strive to improve access of common person to necessities like water and sanitation, their financial and institutional capacity also needs to be enhanced in tandem. CDG-F, the implementing agency, intends to rectify all these problems from its urbanized areas, comprising of four towns namely, Jinnah Town, Lyallpur Town, Iqbal Town and Madina Town, through private sector participation in the development and implementation of an integrated solid waste management project under the PPP modality. These four towns have an approx population of 2.78 Million and an area of approx 1,351 square kilometers. Approximate cost of this project is **US$ 15 million**.

Status:

Pre-qualification of investors conducted.

3. Lahore Southern Bypass from Motorway to Ferozepur Road:

Traffic Engineering & Transport Planning Agency (TEPA), Lahore Development Authority (LDA) intends to develop Southern Bypass as a strategic, high speed and access controlled road for Lahore city. The development of Lahore Southern Bypass is a major component of Lahore Master Plan approved in 2002.

The Conceptual Design of the Project includes six lanes divided Highway with controlled access having two lanes Service Roads with the proposed right of way of 200 ft including Interchanges, flyovers and Crossover Structures wherever required to maintain free flow on the proposed road. The total approximate cost of the project is **US$ 25 million**.

Status:

Technical feasibility study is completed and financial feasibility is being undertaken.

4. Pakistan Institute of Medical Sciences (PIMS) Projects:

PIMS intends to structure following projects on Public Private Partnership basis.

Institute of Dentistry: A state-of-the-art dental treatment facility as well as a teaching, training and research center to be established within the premises of Pakistan Institute of Medical Sciences (PIMS). Approximately 128,000 patients would be treated per annum in this facility. Total cost of the project is approximately around **US$ 7 million**.

Status:

Feasibility study is being undertaken.

Center for Liver Diseases and Organ Transplantation (CLOT): A viable and sustainable liver transplant center to be established within the premises of PIMS. Total cost of the project is approximately around **US$ 6 million**.

5. Flyover /Railway Overhead Bridge at Habibabad (Wanradha Ram at Km 1168-1169 of the National Highway N-5)Approximate Project Cost Estimates: US$ 7 Million

National Highway Authority (NHA) aims to develop six (6) lanes Flyover /Railway Overhead Bridge at Habibabad (Wanradha Ram at Km 1168-1169 of the National Highway N-5) along new alignment under Public Private Partnership Modality. The proposed expressway is a part of National Highway N-5, which is the main artery of Pakistan road network and connects seaports with other parts of the country to enhance the potential for increased international trade traffic.

It is envisaged that Flyover /Railway Overhead Bridge at Habibabad (Wanradha Ram) would be built under the Public-Private Partnership (PPP) modality with the private party given a concession for a pre-determined period to design, finance, construct, operate and maintain the project. The total length of the bridge is 1 km. Moreover, 1 km approach road on either side will also be built. Infrastructure Project Development Facility (IPDF) is assisting NHA in the development and implementation of this project.

Status:

Pre-feasibility study is completed and detailed feasibility study is being undertaken.

6. Karachi Circular Railways (KCR)

Approximate Project Cost Estimates: US$ 1.54 billion

KCR was opened for traffic in two phases in 1964 and 1970. Over the 15 years of its operations it gradually lost its rider-ship due to longer travel time and delays. Numbers of trains were gradually reduced and KCR was closed in Dec. 1999.

It has been decided by Government that KCR be revived as a modern commuter system and KUTC was set up for its implementation/operation.

It is envisaged that a private operator will be appointed to take over the O & M of KCR under a concession similar to the Mass Rail Transit models like Singapore Mass Rail Transit (SMRT), a PPP success story.

KCR will cater to 28 stations with a route length of 43.1 KM (Stage-1, Stage-II & Stage-III)

Status:

Project was approved by ECNEC and third Party validation is being undertaken. O&M Component of the project will be offered to the private sector.

7. Environment-Friendly CNG Buses

Govt. of Pakistan intends to introduce 8000 CNG buses in nine mega cities of Pakistan (Karachi, Lahore, Rawalpindi/Islamabad, Faisalabad, Multan, Quetta, Hyderabad, Peshawar, and Gujranwala) to provide efficient, environment-friendly and affordable transportation.

This initiative would initially be launched in Karachi in collaboration with the Govt. of Sindh and the City District Government of Karachi by inducting 4,000 environment-friendly CNG buses within the next five years in a phased program on public-private partnership basis. 500 CNG buses would be introduced in Karachi during the first year.

The Government has agreed to provide and allocate a sum of Rs. 677,181.00 (Rupees Six Hundred Seventy Seven Thousand One Hundred Eighty One Only) as subsidy to be provided to the Operator against the purchase of each CNG bus in the following manner:

Upfront payment of Rs.300,000 (Rupees Three Hundred Thousand Only); and

Payment of Rs.377,181 (Rupees Six Hundred Seventy Seven Thousand One Hundred Eighty One Only) as interest subsidy payable in 60 (Sixty) equal installments in five years.

Status:

The project was launched in the market and the private operators have been selected.

8. Charsadda Solid Waste Management System (Approximate Project Cost Estimates: US$ 1.1 million)

The government of Pakistan is committed to providing an integrated community-based Solid Waste Management system which is self sustainable through recycling of municipal waste. As part of the overall NUDP program, Charsadda Solid Waste Management project has been identified as a pilot project which, if successful, can be used as a model for other projects for provision of Solid Waste Management system in those towns and tehsils that have a population in excess of 20,000.

The city administration wants to explore public-private partnership opportunities in implementing this solid waste management project. The area of the Project is about 310 ha. The 1998 population of the Project area is estimated at 55,200 persons, or 65.5 % of the total of 84,300 persons for the whole municipality. Project includes improvements to the existing Solid Waste Management system by incorporating better mechanisms of waste management.

The main objectives of the Project are:

1. Collection of waste from urban areas and appropriate disposal at identified landfills
2. Improving public awareness and community participation towards the waste management systems and ecology, including both the domestic and commercial cleanliness
3. Establishment of effective and efficient waste management systems by leveraging suitable technologies

Status:

RFP will be floated as soon as security situation improves in the area.

9. Hydropower Projects: The estimated cost of the project is USD. 614 Mln.

Technical feasibility study completed and financial structuring will be undertaken.

Lawi: A 70 MW power project located on the right bank of the Shishi River which is a left tributary of Chitral River. The project is located 550 Km from Islamabad. The technical feasibility of the project is being done by KfW. The estimated cost of the project is USD. 120mn

Status:

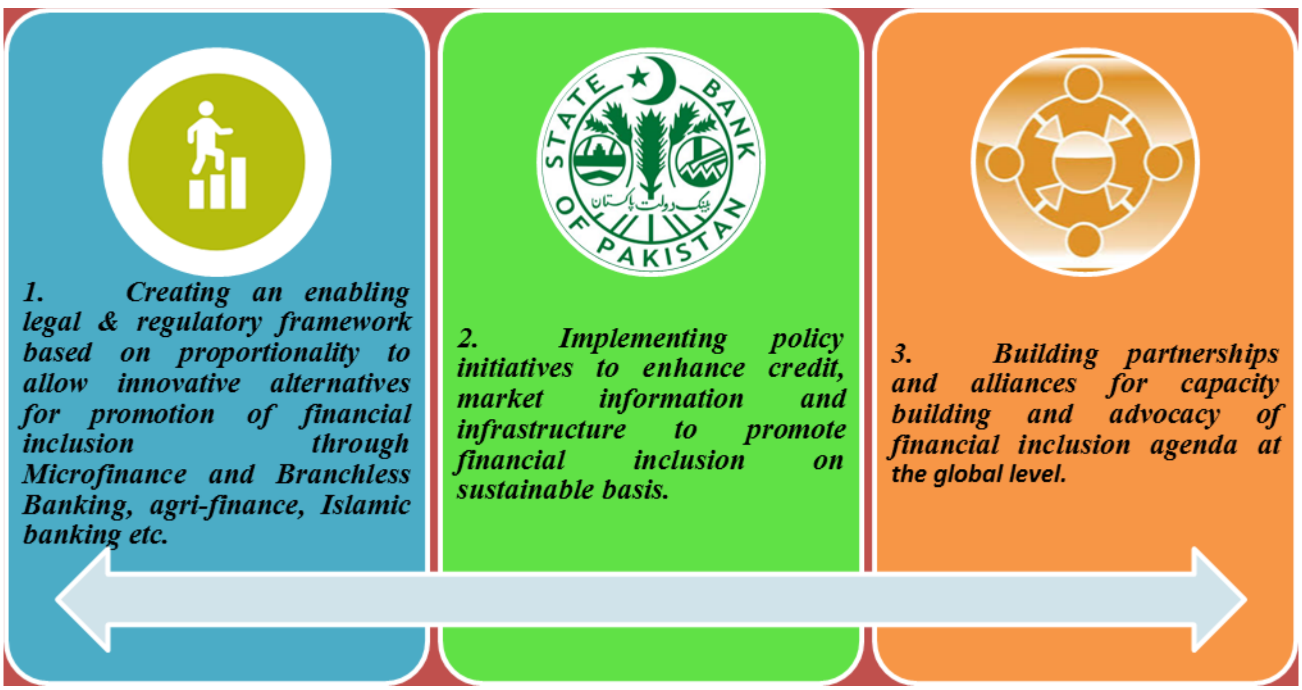
Technical feasibility study completed and financial structuring will be undertaken.

Chapter no.8

Capital and Finance for Development

Financial Inclusion plays a pivotal role in promoting inclusive economic growth through enhancing livelihoods and enterprise activities. State Bank of Pakistan (SBP) being the apex policy & regulatory body is well cognizant of this fact and has been striving to access to formal financial services for achieving policy inclusiveness which is a prerequisite for wider distribution of benefits of the economic growth across all regions and segments of the population.

In pursuit of this objective, SBP has been driving 'Financial Inclusion' as a strategic goal through a three pronged approach, which includes:



Pakistan's efforts have been recognized internationally. In 2011 and 2012, Pakistan's microfinance regulations were ranked best in the world by the Global Microscope report, and Pakistan was ranked in the top-ten internationally for its enabling environment for financial inclusion in the most recent Global Microscope 2014.

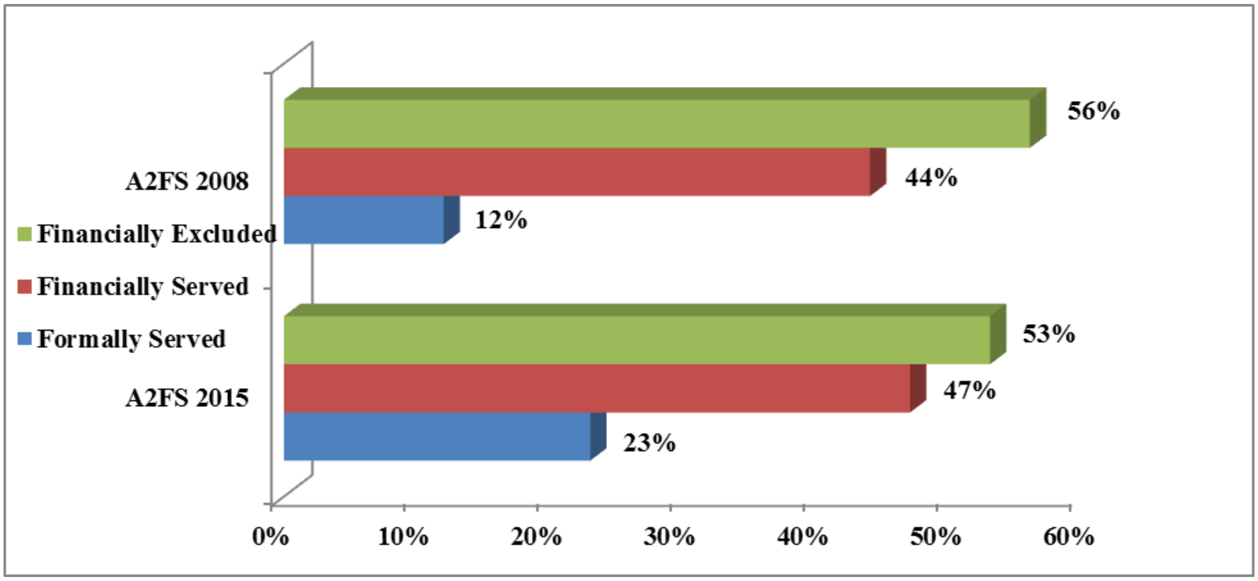
Pakistan has been able to rollout a large number of landmark initiatives including:	
	The creation of a regulatory framework for Microfinance Banks (2001);
	Expansion and modernization of online credit information bureau (e-CIB, 2005);
	Issuance of branch licensing policy to mandating banks to open 20% of branches in rural areas (2005);
	Establishment of the Pakistan Interbank Settlement System (PRISM) (2008),
	The development of inter-operable inter-bank card payments platforms;
	The adoption of Branchless Banking Regulations (2008, amended in 2011);
	Establishment of a specialized microfinance credit information bureau (MF-CIB, 2011);
	Launch of a nationwide Financial Literacy Program (2012);
	Development of Inclusion, Stability, Integrity, and Protection (I-SIP) methodology in policy making (2014);
	Adoption of National Financial Inclusion Strategy (NFIS) setting a vision and action plan for universal financial inclusion (2015);
	Issuance of instructions to all banks to promote and open ASAAN (Easy) Accounts to facilitate low income segments (2015) and
	A number of credit enhancements facilities aimed at encouraging financing to the underserved sectors.

Access to Finance

The Access to Finance Survey (A2FS) 2015 which is a nationally representative demand side survey indicates that access to formal financial services has increased to 23% compared to 12% in 2008 and adult banked population has increased to 16% from 11% in 2008. Particularly, women access to financial services has expanded considerably, as 11% are now banked, compared with merely 4% in 2008.

Table: 8.1 Access Strand in Pakistan		
Percentage of Adult population that is:	**A2FS 2015**	**A2FS 2008**
A. Banked	16%	11%
B. Other formal	7%	1%
Formally Served (A+B)	**23%**	**12%**
C. Informally Served	24%	32%
Financially Served (A+B+C)	**47%**	**44%**
Financially Excluded	**53%**	**56%**

The Figure below clearly shows that the percentage of financially excluded and financially served increased by 3 percentage points during the comparison period. The percentage of formally served showed significant improvement and increased by 11 percentage points during the comparison period.



A snapshot of key achievements under different sectors is as under:

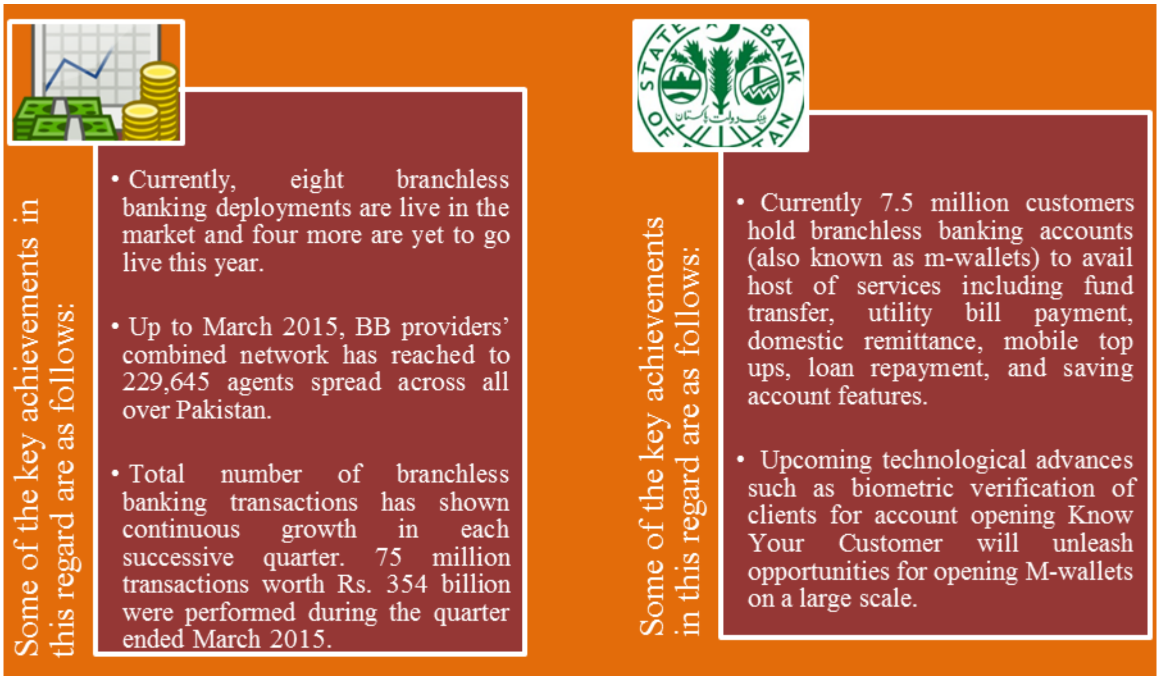
a) Microfinance banking:

SBP has played a leading role in the development of microfinance sector as an alternative to conventional banking to serve the lower end of market. The regulatory framework to enable commercial microfinance in Pakistan is well-developed. Pakistan's microfinance regulations have been consistently ranked amongst the top 3 MF regulatory systems in the world by the Economist Intelligence Unit (EIU) of the Economist Magazine in its reports since 2010.

As a result of SBP's policy, regulatory and market development initiatives, MFBs have shown growth in all key areas:
MFBs equity has jumped to Rs. 71.5 billion as of June 2015.
MFBs portfolio now constitutes 55% of the total microfinance sector
The Gross Loan Portfolio (GLP) of MFBs has reached at Rs 45.0 billion.
Deposits of MFBs have also shown a healthy growth and touched to Rs 52.0 billion as of June 2015. Similarly, the number of MFBs' depositors has reached 11.5 million at end June, 2015.
Microfinance banking assets have also shown a growth by reaching at Rs 82.8 billion.
The portfolio quality of MFBs remained satisfactory as NPLs were 1.51 percent as of June, 2015

B. Branchless banking

Pakistan witnessed successful emergence of various branchless banking (BB) models through the promulgation of the Branchless banking Regulations in 2008. In the year 2009, SBP licensed the first BB model namely 'EasyPaisa' by Tameer MFB and now there are eight branchless banking providers operating in the country. The market is still growing and new banks are keen to become part of this innovative banking either through bank led partnerships or through establishing their own BB models. SBP in partnership with UK-Aid has also facilitated the early adoption of Branchless Banking in Pakistan by supporting a number of technology-driven innovative projects as well as knowledge sharing events to showcase the opportunities to the market. International development agencies and media have now been highlighting Pakistan for its market and institutional environment for branchless banking. In an article a few months back, The Financial Times counted branchless banking and microfinance initiatives in Pakistan among the 'hidden forces of resilience offering the best hope for the country's future'. Moreover, according to a recent CGAP publication, "Pakistan serves as an example of how public and private institutions together can move a country towards a digital financially inclusive system." In fact the branchless banking is going to dominate the retail banking landscape in the long-term.



c) Agriculture Financing

SBP has been promoting access of formal financial services in the rural and remote areas through a number of targeted initiatives, and adopting indicative targets for annual agri. credit disbursement.

At the close of FY2015, banks were able to collectively disburse Rs 515.9 billion against the target of Rs 500 billion, 31.9 percent higher than the disbursement of Rs 391.3 billion in the preceding year. The outstanding portfolio also showed an increase of 15.5 percent and reached to Rs 335.2 billion as on June 30, 2015 compared to Rs 290.4 billion in the corresponding period last year. A significant feature of the recent credit growth is the increased diversification of agricultural credit into non-crop and non-conventional agribusiness segments. The share of non-farm sector in agri. credit now stands at 46.8 percent compared to 44.4 percent last year.

Similarly, an analysis of agri-credit disbursement reveals an increasing diversity among agri. finance providers due enhanced business case of agri sector (see table below).

Table 8.2: Agriculture Financing Rs. in Billion

Bank	FY14		FY15	
	Target	Actual	Target	Actual
Five Big Commercial Banks	188.0	195.5	252.5	262.9
Specialized Banks				
ZTBL	69.5	77.9	90.0	95.8
PPCBL	10.0	8.8	11.5	10.5
Domestic Private Banks	90.4	84.8	115.5	108.7
Microfinance Banks	21.6	22.8	28.2	33.0
Islamic Banks	0.5	1.5	2.3	5.0
Total	**380.0**	**391.3**	**500.0**	**515.9**

D) SME Finance

In Pakistan, SMEs are estimated to account for 98% of all enterprises and account for 30% of Pakistan GDP, 25% of exports of manufactured goods, 35% of manufacturing value added, and employ more than 78% of the non-agricultural workforce. However, SME finance has been limited due to a number of reasons. Therefore, SME finance has been identified as a critical area in our recently issued NFIS. NFIS has proposed a set of priority actions that focus on improving underlying legal and judicial infrastructure for SME lending, improving their capacity, enhancing lenders' expertise in SME banking, creating effective risk mitigation facilities (e.g., a credit guarantee scheme) and harnessing technology and digital information to foster SME finance. Promotion of digital payments and information platforms will create new sources of information that can be used in innovative risk assessment models for both credit and insurance.

E) Islamic banking

Since Islamic Finance was re-introduced in Pakistan in 2002, Islamic banking assets have grown at an impressive 57% annual compound annual growth rate (CAGR). There are currently 5 full-service Islamic banks and 14 conventional banks with Islamic finance branches, with total assets exceeding PKR 1,000 billion.

- Share of Islamic banking (in terms of deposits and assets) has crossed over 10% of the total banking industry

Recent Policy Initiatives to enhance credit, market information and infrastructure

SBP has been managing a number of programs funded by GoP and other donors including DFID, ADB, etc. to promote financial inclusion in Pakistan. These programs are playing a pivotal role in the development of financial markets to serve the unbanked low income segments, especially the poor and women through sustainable models. Key initiatives are as follows:

1. **Credit Guarantee Scheme for small farmers-** Giving due importance to small farmers, the Government of Pakistan announced a credit guarantee scheme for small farmers in its budget for 2014-15. Under the scheme, the government will provide 50 percent credit guarantee cover to the commercial and microfinance banks for extending agriculture financing up to Rs. 100,000. The scheme will cover all areas of Pakistan and is intended to provide an estimated 300,000 loans worth Rs. 30 billion. Farmers with land holding up to five acre in canal-fed and 10 acres in rain-fed areas are eligible to apply and the objective of the scheme is to encourage Participating Financial Institutions (PFIs) to lend to small farmers without collateral to meet their working capital requirements.

2. **Credit Guarantee Scheme (CGS)**- for Small and Rural Enterprise Guarantee Fund (£13m) aims to enhance credit to small and rural enterprises through commercial banks. Under CGS, the participating banks have sanctioned loans of Rs 6,328 million (£37.90m)

3. **Crop Loan Insurance Scheme:** To mitigate the risk of losses of farming community due to natural calamities, mandatory Crop Loan Insurance Scheme (CLIS) was launched in 2008 for five major crops viz. wheat, rice, sugarcane, cotton and maize. Under the

scheme, GOP bears the cost of premium of small farmers and its scope has recently been enhanced to support farmers cultivating up to 25 acres of land.

4. **Livestock Loan Insurance Scheme for Borrowers:** Livestock Loan Insurance Scheme for Borrowers (LLIS) was launched on November 1, 2013 which covered all livestock loans up to Rs.5.000 million for purchase of animals where borrowers are covered against death of animals due to disease/natural, death due to flood, heavy rains, wind storm and accidental death.

5. **Prime Minister Youth Business Loans Scheme** Prime Minister Youth Business Loans (PMYBL) Scheme was launched by the Prime Minister on December 7, 2013 for promoting youth entrepreneurship in the country.

6. **Microfinance Credit Guarantee Facility (£15m**) - a credit enhancement facility to attract long-term, market based funding for microfinance institutions, which has mobilized Rs.16 billion (£100 m) from commercial bank and capital markets/ retail investors for onward lending to more than 650,000 micro borrowers.

7. **Establishment of Nationwide Microfinance Credit Information Bureau:** SBP has been supporting establishment of Nationwide Microfinance-exclusive Credit Information Bureau (MF-CIB) that will help microfinance providers (MFPs) in developing robust risk management system and practices, which in turn reduce the risk of multiple borrowing and loan defaults. The MF-CIB is being established with the objective to store all past and present credit transactions of all microfinance borrowers, to minimize the instances of over-indebtedness, bring financial discipline in microfinance sector and to improve the loan portfolio quality of (MFPs).

8. **Framework for Warehouse Receipt Financing:** In accordance with the objective of improving the performance of the agriculture sector and to develop commodities' physical trade and marketing system SBP issued draft Framework for Warehouse Receipt

Financing. The framework facilitates banks in development of specialized products for providing financing to farmers, traders, processors, and other players in the value chain. SBP facilitated two pilot projects (Sindh and Punjab) to test the feasibility of warehouse receipt financing in the country. These projects were launched in collaboration with banks, MFBs, warehouse operators, and collateral management company.

9. **Nationwide Financial Literacy Program (NFLP)** was launched in January 2012 to tackle the issue of gaps in financial literacy amongst the masses. The program delivered financial education on basic financial concepts such as budgeting, savings, investments, debt management, financial products, branchless banking and rights and obligations of consumers etc to about 50,000 beneficiaries in various provinces, regions and districts with emphasis on low income strata. The program plans to scale up in 2015 to a national level to financially educate 1,000,000 low income people.

10. **Farmers' Financial Literacy Programs**: SBP also engages farmers by conducting financial literacy and awareness building programs through its Farmers' Financial Literacy Programs. These programs have been instrumental in not only creating awareness among the farming community regarding the availability of different kind of financial services and their rights as well as building basic financial acumen in order to make efficient use of these services through basic financial concepts like agri. credit discipline, fund management, budgeting savings and investments and creating awareness regarding advanced financial services offered by banks. So far around 100,000 farmers have been benefitted in 27 such programs.

11. **Financial Innovation Challenge Fund (FICF),**holds specialized challenge rounds with objectiveto foster innovations and test new markets, lower cost of delivery, enable systems and procedures to be more efficient and provide new ways of meeting the unmet demand for financial services. The **1stChallenge Round of FICF** was held on promoting "Financially Inclusive Government to Person (G2P) Payments" through branchless banking models. The projects which were funded under the 1st Round covered the entire spectrum of G2P payments including, salaries, pensions and welfare payments through

financially inclusive models. **The 2nd FICF Round** was held in March 2014 to promote innovative rural and agricultural financial services. Under this round, 10 projects are being supported based on their uniqueness, sustainability, and potential to establish value for money. **The 3rd FICF Round** was launched on 9th January 2015 to establish Islamic finance education and research infrastructure in partnership with leading higher education institutions in Pakistan to serve the Islamic finance industry in meeting its growing human resource and knowledge requirements through quality and value added services and knowledge products.

Pakistan Micro-Finance Network

The Pakistan Microfinance Network finds it origins in 1995 as an informal association based on the exchange of thoughts and experiences between microfinance providers operating in Pakistan. In 1999 this loose collaboration, the Microfinance Group Pakistan, sought and received financial support from the Aga Khan Foundation and the Asia Foundation. Through its expanding and more formalized operations it continued to build confidence and trust amongst donors, government and microfinance institutions. In 2001 it moved successfully to become a separate legal entity under the name of the Pakistani Microfinance Network (PMN).

Microfinance has been widely recognized as effective financial services, especially credit to the poor to allow them to become economically active. The credit programs offer a small loan to the beneficiaries for self employment purposes that can start or enhance their income streams, and eventually making them self-reliant and move out of poverty.Although micro credit has been the main thrust in the past, today microfinance is seen as encompassing a wide range of financial services such as credit, saving and Insurance.

The performance of Micro Finance in terms of disbursements and beneficiaries during FY 2013-14 and FY 2014-15 is given in table 8.3.

Table 8.3 : Microfinance Analysis (FY 2013/14 & 2014/15)

Details	Microcredit	Micro-Savings	Micro-Insurance

	Active Borrowers	Value (PKR Millions)	Active Savers	Value (PKR Million)	Policy Holders	Sum insured (PKR Million)
FY2013-14	2,804,618	50,847	5,146,283	29,302	3,202,087	43,551
FY 2014/15	3,507,333	80,951	13,151,281	52,905	4,251,392	73,517

In aggregate terms, data reveals that Micro-Credit, Micro-Savings and Micro-Insurance services depicted an increasing trend during the comparison period.

The overall performance by all peer groups under microfinance services in terms of their percentage share during the review period is given in table 8.4. Among all the peer groups,Micro-Finance Banks (MFBs) occupied the maximum share in Active Savers and Active Borrowers while Rural Support Programmes (RSPs) held the largest share under Active Savers and Active Policy Holders in FY 2014-15.

Table 8.4: Active Borrowers, Active Savers and Active Policy holdersby Peer Group FY 2013/14 to FY 2014/15

Details	Percentage of Peer Groups				
	MFBs	MFIs	RSPs	Others	total
Active Borrowers FY 2013/14	40%	31%	24%	5%	100%
Active Borrowers FY 2014/15	38%	33%	24%	5%	100%
Active Savers FY 2013/14	42%	0%	58%	0%	100%
Active Savers FY 2014/15	78%	0%	22%	0%	100%
Active Policy holdersFY 2013/14	28%	29%	40%	3%	100%
Active Policy holdersFY 2014/15	36%	29%	33%	2%	100%

According to data given in table 8.4, shares of RSPs and Others in Active Borrowers category remained the same. Similarly, no change occurred in the share of MFIs in Active Policy Holders category during the comparison period.

Summary of Microcredit Provision:

Summary of micro credit indicators is presented in Table 8.5 for FY 2014/15.The micro finance services showed positive progress in almost all micro finance indicators. The industry expanded its outreach with a positive growth in terms of more branches, higher gross loan portfolio, and higher average loan balance, higher number of loans, higher overall credit disbursements and higher average loan size.

Table 8.5: Summary of Microcredit Provision

2013/14 to FY 2014/15

Peer Group		FY2013/14	FY2014/15
MFBs	Number of branches/Units	599	713
	Gross Loan Portfolio (Rs. millions)	34,536	45,950
	Average Loan Balance (Rs.million)	27,884	34,569
	Number of Loans disbursed	1,298,490	1,362,707
	Credit Disbursements (Rs. millions)	42,872	54,513
	Average Loan Size (Rs.)	35,699	42,472
MFIs	Number of branches/Units	751	939
	Gross Loan Portfolio (Rs. millions)	12,784	17,536
	Average Loan Balance (Rs.)	12,938	15,310
	Number of Loans disbursed	848,360	905,422
	Credit Disbursements (Rs. millions)	18,775	18,907
	Average Loan Size (Rs.)	23,513	25,370
RSPs	Number of branches/Units	860	898
	Gross Loan Portfolio (Rs. millions)	11,581	14,065
	Average Loan Balance (Rs.)	15,152	16,752
	Number of Loans disbursed	849,015	984,122
	Credit Disbursements (Rs. millions)	15,763	16,845
	Average Loan Size (Rs.)	22,806	25,547
Others	Number of branches/Units	179	179
	Gross Loan Portfolio (Rs. millions)	2,292	3,399
	Average Loan Balance (Rs.)	14,961	17,609
	Number of Loans disbursed	193,012	221,035
	Credit Disbursements (Rs. millions)	3,712	4,259
	Average Loan Size (Rs. million)	26,917	22,401

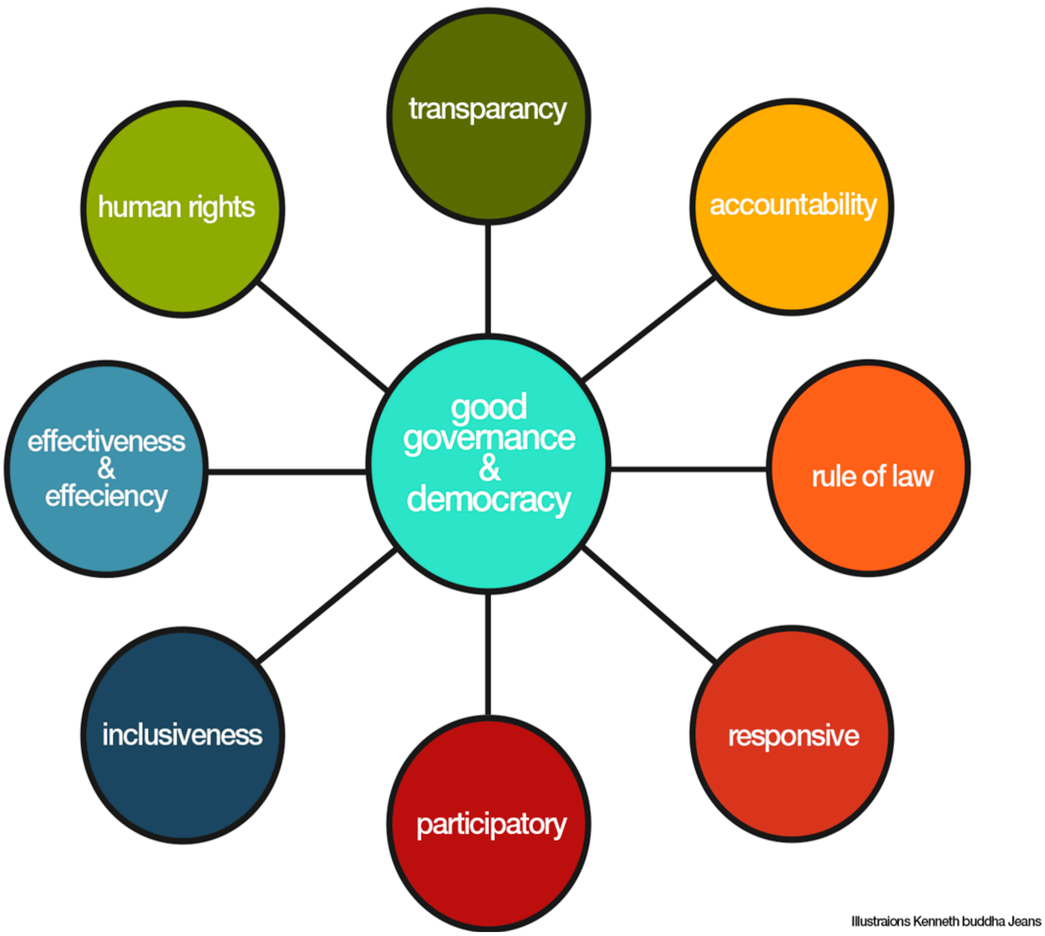
Total	**Number of branches/Units**	**2,389**	**2,729**
	Gross Loan Portfolio (Rs. millions)	**61,193**	**80,951**
	Average Loan Balance (Rs.)	**19,426**	**23,081**
	Number of Loans disbursed	**3,188,877**	**3,473,286**
	Credit Disbursements (Rs. millions)	**81,122**	**94,524**
	Average Loan Size (Rs.)	**28,277**	**31,563**

Source: Pakistan Microfinance Network (PMN), Islamabad

Chapter no.9

Governance for a Just and Fair System

Governance is one of the most important factors in ensuring objectives of effective service delivery. It is critical to the successful achievement of the strategic thrust, policies, programs and prerequisites for economic growth and sustainable development. As growth generates income, governance trickles this effect down to the masses, particularly the poor. Reciprocally, socio economic development provides strong foundations for better governance.



The government is committed to create conducive political, legal and economic environment for building institutional capabilities and promote peaceful and inclusive societies as envisaged under the Sustainable Development Goal. Governance reforms after 18th Constitutional Amendment encompasses all tiers of government and span over medium to long term frames.

Planning Commission has launched Pakistan vision 2025 on 11th August, 2014 delineating a 5+7 framework (five enablers and seven pillars) to raise the country to upper-middle income level through tracking the performance on its 25 goals. Pillar-III of Vision 2025 (i.e, Democratic governance, Institutional Reform and Modernization of Public Sector) encompasses:

1.	**Wide ranging governance reforms**
2.	**Long, medium and short term development strategies and**
3.	**Public sector program which lay emphasis particularly on improving governance through building effective, accountable and inclusive institutions at all level,**
4.	**Fostering markets and initiating reforms in the areas of judicial system civil service, system and procedures, tax administration,**
5.	**Financial management and public sector performance management**

Vision 2025 road map contains the following key features that will carry forward Governance initiatives for a just and fair system in the society:

1. Ensure balanced development and regional equality among the provinces;
2. Capacity enhancement of provincial government to implement policies/ plans through improved service delivery;
3. Establishment of performance management delivery system for effective monitoring of performance of public sector institutions;
4. Strengthen participatory approaches and local governance structures by involving civil society and other stakeholders in the design and implementation of policies, programmes and projects, with capacity building of relevant agencies;

5. Address systemic problems that undermine the efficiency of legal, judicial and law enforcement institutions. Judicial reforms under the national judicial policy to bolster the delivery of justice;
6. Strengthen the law & regulatory framework for effective implementation of economic policies;
7. Improve Public Sector Management by:

8. Reduce corruption by introducing transparent, open and accountable financial/administrative mechanisms in all fields;
9. Improve implementation effectiveness, at the sectoral, policy coordination and programme levels for key development outcomes with a particular focus on monitoring and evaluation of outputs and outcomes of the Public Sector Development Programme;

10. Strengthening/enhancing the role/ capacity of parliament and parliamentary standing committees and democratic governance.

Reform initiatives in the area of governance mentioned above have already been under implementation at Federal and Provincial levels and will continue during implementation period of Vision 2025. Therefore, Pakistan Vision 2025 is very much inline with SDGs targets. Moreover, the imperatives of globalization in the 21st century have further added impetus for institutional innovations and governance reforms. Bringing improvement in the well being of people through fair markets trade, investment and exchange, augmented capacity, competencies and responsiveness of public institutions along with the alignment of rules, enforcement mechanisms, organizational structures and incentives will promote peaceful and inclusive society.

I. PRSP Expenditures in Law & Order and Justice Admin

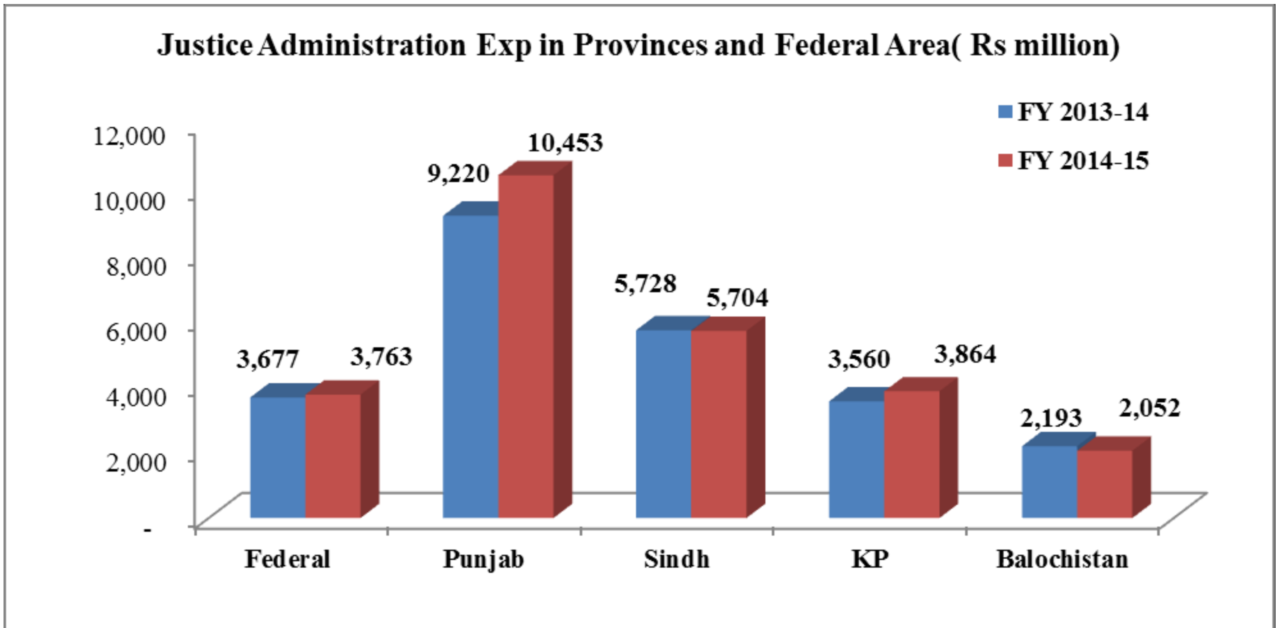
In addition to policy and reform, the government has been earmarking increased resources for Governance Sector to fulfill its objectives of accelerating growth and poverty reduction. It is encouraging to note that PRSP expenditures have increased in the field of Law and Order and Justice and Administration, as given in Table 9.1 below:

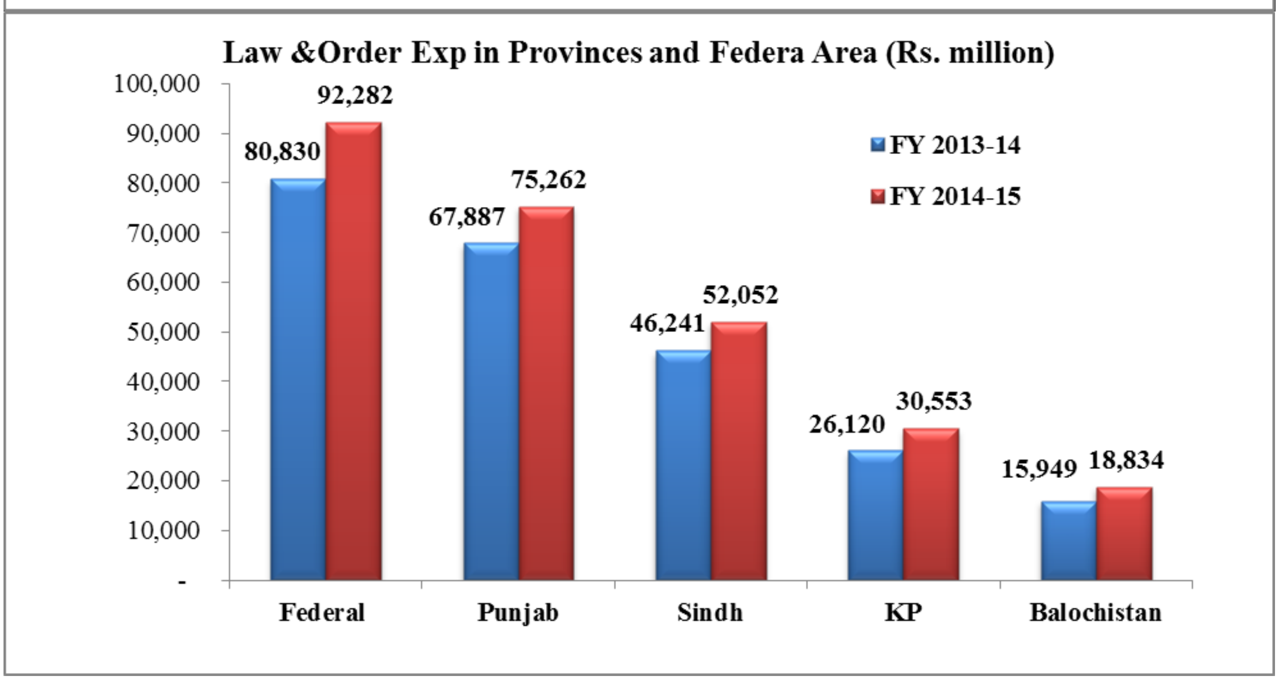
Table 9.1 PRSP Expenditures in Law & Order and Justice Admin by Province in FY 2013-14 and FY 2014-15(Rs Million)

Regions	Law & Order		Justice Admin	
	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15
Federal	80,830	92,282	3,677	3,763
Punjab	67,887	75,262	9,220	10,453
Sindh	46,241	52,052	5,728	5,704
KP	26,120	30,553	3,560	3,864
Balochistan	15,949	18,834	2,193	2,052
Total	**237,027**	**268,983**	**24,378**	**25,836**

In Governance, Law & Order and Justice Administration showed positive growth trend during the current year. Increased expenditures under this category were due to the demanding security situation in the country. The government's concern in dealing with security is evident from decision of launching a successful initiative of the Zarb-e-Azb operation and empowering the security forces with resources. The law & order related expenditures increased by a significant 13.48 percent while the Justice Administration spending increased by 5.98 percent from FY 2013/14 to FY 2014/15.

Expenditures made under Justice Administration increased in both Federal and Provincial areas. However, minor reduction was recorded in Justice Administration expenditure in Sindh and Balochistan.





Access to Justice Programme (AJP)

The "Access to Justice Programme (AJP)" was launched in 2004 at a cost of Rs. 21 billion for improvements in judicial and non-judicial legal services, security and equal protection of law to citizens, and ensuring greater transparency and accountability in the performance of judiciary, police and administrative justice institutions. Major efforts have focused on reduction in backlog of pending cases as well as institutional delays, particularly for the poor and vulnerable segments of the society. Commercial benches have been established for quick disposal of litigation as a pro-investment measure.

In spite of some bottlenecks, significant policy reforms under AJP since 2002 include the following:
1. 786 development schemes have been launched pertaining to infrastructure development and capacity building. Out of which 560 schemes have so far been completed.
2. Implementation of delay reduction program, as part of judicial reforms, in 18 Model Districts across the country through case inventories, improved process serving, monitoring & inspection mechanism, and targeted disposals.
3. Annual judicial conferences at national, provincial, regional and district levels have culminated in raising the performance of superior courts, since 2003.
4. Performance Based incentives to support adoption of delay reduction procedures and separation of civil courts and criminal courts.
5. The laws affecting ordinary citizens have been enacted / amended to facilitate justice, in particular the poor and vulnerable segments of the society. These include contempt of court, freedom of information, defamation, *habeas corpus*, family disputes, Operationalization of *Anjuman Musahilat* Court inspections, ombudsman, and alternate dispute resolution.
6. Under police reform, enactment of New Police order includes provision of Public Safety Commissions; functional separation of investigation from watch and ward; functional separation of prosecution from investigation; internal and external complaints redressal mechanisms; and District Criminal Justice Coordination Committees.
7. Institutional strengthening and capacity building measures relate to automation of justice sector institutions including bar councils; training and capacity building; and public awareness campaigns for citizens to learn about their rights and entitlements.
8. Payment of judicial allowance to augment quality of justice. Utility allowance has been allowed to the judicial officers in Sindh & Balochistan.
9. Separation of judiciary from executive under the National Judicial Policy 2009.

Chapter no. 10

'PRSP Synergy with Sustainable Development Goals'

The United Nations General Assembly in its 70th Session adopted the 'Sustainable Development Goals' (SDGs), which are successors to the Millennium Development Goals (MDGs). The MDGs were implemented by the developing partner countries during 2000-2015 to achieve specific targets for poverty reduction, education, health, hunger and environment. The SDGs will be implemented over a period of 15 years during 2015-2030.

2. The MDGs have helped witness the most successful anti-poverty movement in history, bringing more than one billion people of the world out of extreme poverty. It was also helpful in making inroads against hunger and enabled more children to attend school than ever before. However, despite these remarkable milestones, inequalities persist across the countries witnessing an uneven progress. It will require further efforts to ensure that the poorest and most vulnerable are not left behind. The lessons learned from implementing MDGs are now used in framing the SDGs.

3. The new SDGs, and the broader sustainability agenda, go much further than the MDGs, addressing the root causes of poverty and the universal need for development that works for all the people. The focus of SDGs would be on global systemic reforms to remove main impediments to development and secure an accommodating international environment for sustainable development. SDGs will follow the work done in the context of the MDGs, further the milestones achieved and answer to new challenges with a special attention to integration of economic, social and environmental aspects of sustainable development. The SDGs provide a vision and management tool for sustainable development that can only be delivered with the active participation of government, people, civil society, and private sector.

4. The SDGs contemplate 17 goals and 169 targets which is much more ambitious than the MDGs. Given the breadth and universality of the SGDs, intense knowledge management, data collection, coordination, synchronization will be required from a large number of sources at all tiers of governance. The nature of SDGs will also require innovations in knowledge

management, research and analysis, information management, policy engagement and communication.

5. The effective implementation of SDGs warrants coordinated actions from different ministries, institutions and stakeholders at the national, provincial and district levels. Pakistan will strengthen the linkages at planning, coordination and capacity building between national, provincial and district levels.

6. The 17 goals of SDGs are given below:

Goal 1 End ***poverty*** in all its forms everywhere

Goal 2 End ***hunger, achieve food security*** and improved nutrition and promote sustainable agriculture

Goal 3 Ensure ***healthy lives*** and promote well-being for all at all ages

Goal 4 Ensure ***inclusive and equitable quality education*** and promote lifelong learning opportunities for all

Goal 5 Achieve ***gender equality*** and empower all women and girls

Goal 6 Ensure ***availability and sustainable management of water and sanitation*** for all

Goal 7 Ensure ***access to affordable, reliable, sustainable and modern energy*** for all

Goal 8 Promote sustained, ***inclusive and sustainable economic growth***, full and productive employment and decent work for all

Goal 9 Build ***resilient infrastructure***, promote inclusive and sustainable industrialization and foster innovation

Goal 10 Reduce ***inequality*** within and among countries

Goal 11 Make ***cities and human settlements*** inclusive, safe, resilient and sustainable

Goal 12 Ensure ***sustainable consumption and production*** patterns

Goal 13 Take urgent action to combat ***climate change*** and its impacts

Goal 14 ***Conserve and sustainably use the oceans, seas and marine resources*** for sustainable development

Goal 15 Protect, restore and promote ***sustainable use of terrestrial ecosystems***, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Goal 16 Promote ***peaceful and inclusive societies*** for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Goal 17 Strengthen the means of implementation and revitalize the ***global partnership for sustainable development***

The SDG goals and Targets are closely associated with the PRSP initiative. These goals will help accelerate the pace of development in PRSP sectors which is going to witness higher allocations and expenditures and reforms to facilitate achievement of output and outcome indicators. The most important factor behind success of the forthcoming initiatives is the bipartisan support at all tiers of governments, supplemented by wide raging reforms and improved governance.

The Federal and Provincial governments are in the process of preparing their social protection policies which will feed into a national social protection framework. On similar pattern, the provincial governments would formulate a comprehensive social sector policy for realizing the SDG Targets. Brief descriptions of SDG targets are delineated below.

i. ***Goal 1*** Eradicating poverty in all its forms remains one of the greatest challenges facing the world. While the number of people living in extreme poverty has dropped by more than half – from 1.9 billion in 1990, to 836 million in 2015 – too many are still struggling for the most basic human needs - many lacking access to adequate food, clean drinking water and sanitation. Women are more likely to live in poverty than men due to unequal access to paid work, education and property. Poverty is also threatened to rise due to the challenges confronting climate change, international and regional conflicts and food insecurity. The SDG is committed to finish poverty in all forms and dimensions by 2030. This involves targeting those living in vulnerable situations, increasing access to basic resources and services, and supporting communities affected by conflict and climate-related disasters.

ii. ***Goal 2*** Hunger and malnutrition remains a barrier to development despite efforts made through MDGs. The SDGs aim to end all forms of hunger and malnutrition by 2030, making sure all people – especially children and the more vulnerable – have access to sufficient and nutritious food all year round. This involves promoting sustainable agricultural practices: improving the livelihoods and capacities of small scale famers. It also requires international cooperation to ensure investment in infrastructure and technology to improve agricultural productivity.

iii. ***Goal 3*** Greater interdependence of health and development necessitates SDGs to provide an ambitious, comprehensive plan for underpinning poor health and development outcomes. SDG 3 necessitates a bold commitment to end the epidemics of AIDS, tuberculosis, malaria and other communicable diseases by 2030. It also aims to achieve universal health coverage, and provide access to safe and effective medicines and vaccines for all. Supporting research and development for vaccines is an essential part of this process as well as expanding access to affordable medicines.

iv. ***Goal 4*** Inclusive and quality education for all is one of the most powerful and proven vehicles for sustainable development. This goal ensures that all girls and boys complete primary and secondary schooling by 2030. It also aims to provide equal access to affordable vocational training, and to eliminate gender and wealth disparities with the aim of achieving universal access to a quality higher education. Quality education is the foundation to improving people's lives and sustainable development. Major progress has been made towards increasing access to education at all levels and increasing enrolment rates in schools particularly for women and girls. Basic literacy skills have improved, yet higher efforts are needed to achieve universal education goals.

v. ***Goal 5*** Empowering women and promoting gender equality is crucial to accelerating sustainable development. Ending all forms of discrimination against women and girls is not only a basic human right, but it also has a multiplier effect across all other development areas. The SDGs aim to build on these achievements to ensure that there is an end to discrimination against women and girls everywhere. Sexual violence and exploitation, the unequal division of unpaid care and domestic work, and discrimination in public decision making, all remain huge barriers. There are now more women in public office than ever before, but encouraging more women leaders across all regions will help strengthen policies and legislation for greater gender equality.

vi. ***Goal 6*** Ensuring universal access to safe and affordable drinking water by 2030 requires adequate investment in infrastructure, provide sanitation facilities and encourage hygiene at every level. Protecting and restoring water-related ecosystems such as forests, mountains, wetlands and rivers is essential in order to address the issue of water scarcity. More international cooperation is also needed to encourage water efficiency and support treatment technologies in developing countries. Water scarcity, poor water quality and inadequate sanitation negatively impact food security, livelihood choices and educational opportunities for poor families.

vii. ***Goal 7*** Ensuring universal access to affordable energy stipulates big investing in clean energy sources such as solar, wind, hydral, and thermal. Adopting cost-effective standards for a wider range of technologies could enforce 14 percent saving in electricity consumption by buildings and industry. Expanding infrastructure and upgrading technology to provide clean energy sources is a crucial goal that can both encourage growth and help the environment. Vision 2025 envisages an energy mix plan by which clean energy through diversified means would be produced for the country in a cost-effective manner.

viii. ***Goal 8*** The SDGs aim to encourage sustainable economic growth by achieving higher levels of productivity and technological innovation. Promoting policies that encourage entrepreneurship and job creation are key to this goal. This goal is set to achieve full and productive employment, and decent work, for all women and men by 2030.

ix. ***Goal 9*** Sustained investment in infrastructure and innovation are crucial drivers of economic growth and development. With over half the world population now living in cities, mass transport and renewable energy are becoming ever more important, as are the growth of new industries and information and communication technologies. Technological progress is also key to address economic and environmental challenges, such as providing new jobs and promoting energy efficiency. Promoting sustainable industries, and investing in scientific research and innovation, are all important ways to facilitate sustainable development.

x. ***Goal 10*** Income inequality is a global problem that requires global solutions. This involves improving the regulation and monitoring of financial markets and institutions, encouraging development assistance and foreign direct investment to regions where the need is greatest. Facilitating the safe migration and mobility of people is also key to bridging the widening divide.

xi. ***Goal 11*** Extreme poverty is often concentrated in urban spaces, and national and city governments struggle to accommodate the rising population in these areas. Making cities safe and sustainable means ensuring access to safe and affordable housing, and upgrading slum settlements. It also involves investment in public transport, creating green public spaces, and improving urban planning and management in a way that is both participatory and inclusive.

xii. ***Goal 12*** The efficient management of shared natural resources, and the way to reduce pollutants, are important targets to achieve under SDGs. Encouraging industries, businesses and consumers to recycle and reduce waste is equally important, as is supporting developing countries to move towards more sustainable patterns of consumption. A large share of the world population is still consuming far too little to meet even their basic needs. Halving per capita global food waste at the retailer and consumer levels is also important for creating more efficient production and supply chains. This can help with food security and a shift towards a more resource efficient economy.

xiii. ***Goals 13, 14, 15*** Human life depends on the earth as much as the ocean for our sustenance and livelihood. Plant life provides 80 percent of our human diet, and we rely on agriculture as an important economic resource and means of development. Forests account for 30 percent of the Earth's surface, providing vital habitats for millions of species and important sources for clean air and water; as well as being crucial for combating climate change. Today there are unprecedented land degradation and the loss of arable land. Drought and floods also affect poor communities. The SDGs aim to conserve and restore the use of terrestrial ecosystems such as forests, wetlands, dry-lands and mountains. Promoting the sustainable management of forests and halting deforestations is also vital to mitigating the impact of climate change. Action is also required to reduce the loss of natural habitats and biodiversity.

xiv. ***Goal 16 :*** Peace, stability, human rights and effective governance based on the rule of law are important instruments of sustainable development. The SDGs stipulate the governments to reduce all forms of violence by working with communities. Strengthening the rule of law and promoting human rights is key to this process.

xv. ***Goal 17*** The Sustainable Development Goals (SDGs) can only be realized with a strong commitment to global partnership and cooperation. While official development assistance from developed countries increased by 66 percent between 2000 and 2014, humanitarian crises brought on by conflict or natural disasters continue to demand higher flow of financial resources and aid. Improving access to technology and knowledge is an important way to share ideas and foster innovation. Policies of the developed world to help developing countries manage their debt and to promote international trade and investment is vital to achieve sustainable growth and development. This goals aim to enhance North-South and South-South cooperation by supporting national plans to achieve the targets. Promoting international trade, and helping developing countries increase their exports, is all part of achieving a universal rules-based and equitable trading system that is fair and open, and benefits all.