

Overview of the Economy

Economic growth in Pakistan has historically remained volatile, lacking a steady growth path and adding to the economic uncertainty about the country's economic conditions. Historical data suggests that the economy reached a high of above 10 percent growth level in 1954, but the following year it declined to 2 percent and went up again to above 9 percent in 1969 and 1970. Then it dipped again to 1.2 percent in the following year. Likewise, it reached 7.5 percent in 2004-05 but slowed down to 5.6 percent next year and further dropped to 5.5 percent in 2006-07. From 2007-08 to 2012-13 the economy grew by 3.2 percent on an average.

When the present government came into power in 2013 it particularly focused on the revival of the economy and within a short period of time it achieved considerable gains in restoring economic stability. After taking measures to restore macroeconomic stability, the government focused on higher GDP growth that brings better living conditions to the people through higher increases in per capita incomes, more job opportunities etc. Since 2013-14, the economy has witnessed a smooth upward trend in growth rate. Real GDP growth was above four percent in 2013-14 and has smoothly increased during the last four years to reach 5.28 percent in 2016-17, which is the highest in 10 years.

It is widely acknowledged that Pakistan has immense economic potential. According to a report published by Price Water House Coopers in 2017, Pakistan is projected to become the world's 20th largest economy by 2030 and 16th largest by 2050. Several other reputed international publications such as Bloomberg,

Economist etc, have also acknowledged the impressive economic gains of Pakistan in the last four years.

The accommodative monetary policy stance, increase in development spending, substantial growth in private sector credit, inspired activities in the power sector, friendly and pro-growth policies for real sector growth, such as relief measures and in particular for the agriculture sector, were instrumental in achieving this impressive growth performance.

The outgoing fiscal year has witnessed an impressive growth in agriculture output and in the services sector. The agriculture sector met its growth target of 3.5 percent, helped by government supportive policies and by increased agriculture credit disbursements. During 2015-16, the agriculture credit disbursement was close to Rs 600 billion while during 2016-17, the target was raised to Rs 700 billion. During July-March 2016-17, the disbursement was observed to be 23 percent higher as compared to the previous year. These developments, along with the Prime Minister's Agriculture Kissan Package together with other relief measures have started yielding positive results.

The large-scale manufacturing output is primarily based on Quantum Index Manufacturing (QIM) data, which show an increase by 5.06 percent from July 2016 to March 2017. Major contributors to this growth are sugar (29.33 percent), cement (7.19 percent), tractors (72.9 percent), trucks (39.31 percent) and buses (19.71 percent). High growth of sugar is based on production of 73.9

Million Tons of Sugarcane as compared to 65.5 million tons last year, which represents an increase by 12.4 percent.

Large Scale Manufacturing growth has picked up momentum and posted a strong 10.5 percent growth in the month of March 2017 compared to 7.6 percent in March 2016. The YoY growth augurs well for further improvement in growth during the period under review.

On average, the LSM growth stood at 5.06 percent during July-March FY 2017 compared to 4.6 percent in the same period last year. The sectors recording positive growth during Jul-Mar FY 2017 are textile 0.78 percent, food and beverages 9.65 percent, pharmaceuticals 8.74 percent, non-metallic minerals 7.11 percent, cement 7.19 percent, automobiles 11.31 percent, iron & steel 16.58 percent, fertilizer 1.32 percent, electronics 15.24 percent, paper & board 5.08 percent, engineering products 2.37 percent, and rubber products 0.04 percent.

Pakistan is bestowed with all kinds of resources which also include minerals. Pakistan possesses many industrial rocks, metallic and non-metallic, which have not yet been evaluated. In the wake of the 18th Amendment, provinces enjoy great freedom to explore and exploit the natural resources located in their authority, with the result that they are currently undertaking a number of projects using their own resources, or in collaboration with the federal government or with donors to tap and develop these resources.

The services sector recorded a growth of 5.98 percent and surpassed its target which was set at 5.70 percent. Wholesale and retail trade sector grew at a rate of 6.82 percent. The growth in this sector is bolstered by the output in the agriculture and manufacturing sectors. The share of Agriculture, Manufacturing and Imports in Wholesale and Retail Trade growth is 18 percent, 54 percent and 15 percent respectively. The Transport, Storage and Communication sector grew at a rate of 3.94 percent. Finance and insurance activities show an overall increase of 10.77 percent, mainly because of rapid expansion of deposit formation (15 percent) and demand for loans (11 percent).

General government services grew by 6.91 percent, mainly driven by the increase in real wages and salaries in this sector. Also other private services contributed significantly.

The observed acceleration of economic growth was bolstered by growth-oriented policies and strategies during the last four years such as the National Power Policy, Kissan Package, Automotive Policy, Textile Policy, Strategic Trade Policy Framework (STPF) 2015-18, the Domestic Resource Mobilization Strategy, improvement in the Ease of Doing Business, and the National Financial Inclusion Strategy.

The Automotive Policy has attracted new entrants such as Hyundai, Renault and Nissan.

The policy interest rate, which is the lowest in a decades and stood at 5.75 percent, was particularly helpful for private sector credit expansion. The Credit to Private Sector (CPS) witnessed growth of 65.0 percent during July-05th May, FY 2017. This credit expansion is instrumental in bolstering further productivity growth in the manufacturing sector. A welcome development is the increasing trend in fixed investment expenditures, particularly in manufacturing, textile, cement, food, electricity generation and other sectors. A sustained growth in credit for fixed investment bodes well for a future increase in Pakistan's overall intensity to invest.

The capital market reaching historically high levels (the stock market index rose above the 52,000 mark in April 2017) is another sign of investor's interest in Pakistan's economy. Revival of investor's confidence and the inclusion in the Emerging Markets Index by Morgan Stanley Capital International has empowered the Pakistan Stock Exchange to outperform its regional peers over the last four years.

Overall fiscal deficit contracted by an annual reduction of over 1 percent of GDP owing to higher revenue receipts, rationalization of subsidies, and stringent control on current expenditure. Due to prudent expenditure management, the budget deficit was successfully brought down to 4.6 percent in

FY2016 from 8.2 percent in FY2013. During the current year, the deficit is expected to remain on the downward trajectory observed over the recent years, despite several growth-stimulating relief measures that have been provided by the government such as tax incentives to the agriculture sector through sales tax exemption on pesticide and fertilizers. Similarly, five major exports-oriented sectors (textile, leather, surgical and sports goods and carpets) were allowed zero rating facility. In addition, petroleum prices were subsidized to provide relief to consumers. Moreover, customs duties on the import of raw cotton, staple, nylon and acrylic fibers were exempted and sales tax exemption was allowed on the import of new textile machinery.

The pace of revenue mobilization has witnessed an upward trajectory since FY2013. Overall revenues increased to 15.3 percent of GDP in FY2016, compared to 13.3 percent of GDP recorded in FY2013. Among those, tax revenues increased from 9.8 percent of GDP in FY2013 to 12.6 percent of GDP in FY2016.

FBR tax revenues recorded a significant increase since FY2013 and gradually grew by 60 percent in FY2016 over FY2013. Surpassing the annual target for the first time in seven years, FBR revenues posted a growth of over 20 percent during FY2016. In percentage of GDP, FBR tax collections increased from 8.7 percent in FY2013 to 10.7 percent of GDP in FY2016. During July-April FY 2017, FBR tax collection posted a growth of 8.0 percent.

The overall performance of the banking sector remained robust during the last couple of years. The alignment of the regulatory capital requirements in Pakistan with best international practices coupled with high profitability has helped achieving strong solvency. The Capital Adequacy Ratio (CAR) of 16.2 percent as of end December 2016 is much stronger and higher than the minimum required level of 10.65 percent.

Financial sector reforms have improved the access to finance, especially for small and medium enterprises through implementation of the National Financial Inclusion Strategy and

legislative measures. The government has considered the financial inclusion strategy as a key policy agenda for inclusive economic development. In order to achieve NFIS objectives / goals relating to Digital Payments, Credit for Microfinance and SME Risk Sharing, the government has approved a PSDP funded projects for an amount of US \$ 137 million to be implemented in five years with World Bank assistance.

The government's efforts to improve Pakistan's business climate to attract higher investment inflows have been underpinned by the National Doing Business Reform Strategy. It outlines key reform measures under each of the ten Doing of Business (DB) indicators, which include regulatory changes and improving technology allowing agencies to increase the speed and to simplify the procedures involved in making businesses operational. The reforms have been designed to effectively address critical bottlenecks faced by small and medium businesses during all stages of its life cycle. Because of the successful implementation of key short term reform measures, Pakistan's ranking in the World Bank's Ease of Doing Business index has improved by four points to 144 out of 190 economies in the Doing Business Report 2017 and the country has been recognized as one of the top ten reformers globally in the area of business regulation.

Necessary amendments in the FRDL Act have been incorporated to provide better operational guidance for fiscal policy making and safeguarding debt sustainability.

The government has updated its Medium Term Debt Management Strategy (MTDS) 2015/16-2018/19 to ensure that both the level and rate of growth in public debt is fundamentally sustainable and can be serviced under different circumstances while meeting cost and risks objectives. In line with the previous MTDS, the guiding principle remains lengthening of the maturity profile of domestic debt and mobilization of sufficient external inflows in the medium term while making appropriate tradeoffs between the cost and risks.

The cost of domestic debt reduced to single digit, while the cost of the external debt contracted by the present government is not only economical but is also mainly based on long term funding.

The government has put special focus on the social sector as well. The performance of the social sector during the current year remains impressive. The government aimed to reduce income inequality to attenuate the degree of poverty by allocating a significant allocation of budgetary resources to implement various social safety net measures. The Benazir Income Support Program (BISP) is the most prominent program to supplement the incomes of the poorest segments of the population. It has been used by the present government to reach out to the most deserving people of the country. The number of beneficiaries has increased from 3.7 million in FY 2013 to 5.4 million at the end of March 2017. BISP's annual disbursement increased from Rs 42.9 billion in FY2013 to Rs 115 billion in FY2017. The quarterly cash grant has also been gradually enhanced by the present government from Rs 3000/- per family in FY 2013 to Rs 4834/- in FY 2017.

In addition, other programs such as the Pakistan Bait-ul-Mal (PBM), Pakistan Poverty Alleviation Fund and Zakat are playing an important role in poverty alleviation. Also the Employees Old Age Benefits (EOBI) provides monetary benefits to the old age workers. In addition, Micro Finance Initiatives help the poor in building their income generating capacities through the provision of better social services such as health and education, food security and access to basic necessities of life.

The Government of Pakistan is cognizant to increase the flows of resources to the education sector by ensuring proper and timely utilization of funds to achieve the target of 4.0 percent of GDP by 2018. The provincial governments are also spending sizeable amounts of their Annual Development Plans (ADPs) on education to achieve the target. Public Expenditure on Education as percentage of GDP is estimated at 2.3 percent in FY 2016 as compared to 2.2 percent of GDP in FY2015.

Various health priority programs with special focus on the major public health problems of the country have been carried out. These include Cancer Treatment, Aids Prevention and Malaria Control Programs. Recently the Federal Government initiated several programs like the Prime Minister Health Program, Expansion of Immunization Program and continued strong focus on polio eradication across the country to meet the needs of health care and keep the people healthy.

The present government has given importance to assess the demographic situation and the long awaited 6th National Population and Housing Census 2017 is under way in Pakistan. The census data will be helpful for government, researchers and planners to enhance critical evidence-based decision making, planning and strategies for demographic policies. The census will provide reliable data on population, its growth and migration trends in different regions/areas, employment, urban-rural population, male-female ratio, Afghan refugees etc. The national population census is also important for the resource allocation formula under the National Finance Commission (NFC) Award.

Sustainable Development Goals are a universal set of goals, targets and indicators that all UN member states are expected to use to frame their development agendas and socio-economic policies during 2015-2030. Sustainable Development Goals are much broader in scope than outgoing MDGs. One of the strengths of the SDG framework is its recognition of the direct linkages among human well-being, economic development and healthy environment. The government has also launched the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly which has focused on social, environmental and economic development. The parliament has become the first entity to adopt the SDGs, and has established exclusive SDG centers in the National Assembly. The government has shown its commitment by setting up SDG units with its own resources in Federal and Punjab while the process of establishing units in other provinces is under

process for the achievement of its goals.

Pakistan is one of the low forest covered countries with only 5 percent of land area under forest and tree cover whereas the international requirement is 25 percent. To increase the forest coverage the government has launched, the Green Pakistan Program with the main objective to facilitate transition towards an environmentally resilient Pakistan by mainstreaming notions for adapting and enabling environmental policies. The objectives of the program will be achieved by implementing different initiatives and projects.

Notwithstanding these reasonable gains on the economic and social front in the outgoing fiscal year, there remained some areas where results did not improve such as in the balance of payments and in the export-import balance in particular.

Pakistan's exports have been facing headwinds for the past 2 years mostly due to weak global demand and lower commodity prices. The analysis of data on exports shows that for many product categories, Pakistan exported higher quantities, but lower international prices meant that the country was unable to realize adequate FX receipts. However, these negative effects on exports are bottoming out. The recent data released by PBS show that the YoY export growth in April improved to 5.22 percent and MOM by 0.22 percent.

The rise in overall import payments was mainly driven by higher purchases of fuel and capital equipment. This is understandable, given that Pakistan is transitioning from a low growth to higher growth economy, and is therefore faced with supply-side bottlenecks in energy and infrastructure. The Power generating machinery imports increased by 76.5 percent, textile 20.8 percent, construction 66.8 percent, agriculture 35.8 percent, other machinery 53.1 percent, signalling increasing productivity in the industrial sector.

FDI amounted to \$1.733 billion during Jul-Apr, FY2017 compared to \$1.537 billion during the same period last year, posting a growth of 12.75 percent. On a YoY basis, it registered

significant growth of 17.1 percent in April 2017. The major FDI inflows during the period under review are from China (\$ 744.4 million), Netherlands (\$478.6 million), France (\$171.0 million), Turkey (\$137.7 million), US (\$103.2 million), U.A.E (\$ 48.4 million), UK (\$47.6 million), Italy (\$ 47.4 million), Japan (\$ 42.1 million) and Germany (\$ 40.5 million). Food, Power, Construction, Electronics, Oil & Gas exploration, Financial Business and Communication remained the main recipient sectors Foreign Portfolio Investment (FPI) increased to \$ 589.7 million during Jul-Apr, FY2017 compared to \$ - 404.3 million last year.

Remittances remained lower by 2.79 percent during Jul-Apr, FY2017. However, the recent development activities in the Qatar FIFA World Cup, Dubai Expo, Saudi Arabia's implementation of its Vision 2030 and particularly the recent visit of the P.M to Kuwait should all be helpful in opening new avenues for employment in these countries and the Ramzan and Eid festivals will also further support remittances. Going forward one can expect improvements in these FX receipts.

The current account deficit during July-Apr, FY17 reached \$7.247 billion (2.38 percent of GDP) as compared to \$2.378 billion (0.85 percent of GDP), thus widening by 204.8 percent.

Export of services increased by 0.64 percent during July-April FY2017 of which travel, construction, insurance, telecommunication, computer and information services and other business services sectors showed positive growth. The Financial account balance improved by 68 percent during Jul-Apr, FY2017 and reached \$ 5.428 billion compared to \$ 3.228 billion in the previous year due to the increased FDI inflows by 12.75 percent and positive net Foreign Portfolio Investment receipts. Inflation was contained at 2.86 percent in FY 2016 which is the lowest in 47 years. On average, CPI inflation stood at 4.09 percent during Jul-Apr, FY 2017 against 2.79 percent in the same period of FY2016 due to the increase in aggregate demand and a trend-reversal in

global commodity prices. However, YoY it increased by 4.8 percent in April 2017 compared to 4.2 percent in April 2016. But the inflation rate will remain significantly below the target of 6 percent.

Pakistan hosted 13th ECO Summit on 1st March 2017 in Islamabad. The Prime Minister of Pakistan assumed Chairmanship of ECO until the next Summit. Theme of the Summit was “Connectivity for Regional Prosperity” which is in line with the government’s priorities of enhancing internal/external connectivity. The ECO Member States agreed to ensure continued and enhanced cooperation in the areas of common interest through effective, timely and result-oriented projects and programs within the organization. It will undertake actions to achieve the long term sectoral priorities of ECO on development of transport and communication infrastructure, facilitation of trade and investment, effective use of the region’s vast energy resources and to consider ways and means to promote ECO’s connectivity with other regions in these areas. It underscores the three core principles of ECO vision 2025, i.e. sustainability, integration and conducive environment, emphasize the need to augment cooperation in the areas of trade, transport and connectivity, energy, tourism, economic growth and productivity and social welfare and environment as identified in vision 2025.

Given these positive developments, the broad-based growth is expected to continue. The country’s outlook is brightened and looks promising on the back of agricultural recovery, rebound in industrial activities and inflow of investment under CPEC. The CPEC will not only further develop Pakistan but also strengthen human ties across both sides of the border. Along the CPEC route, new industrial zones should open opportunities for investment, particularly for small and medium sized auxiliary businesses. Joint ventures between Pakistan and Chinese corporations should promote strategic development and mutual assistance. China is rapidly technologically advancing and therefore business collaboration should bring this knowhow on our doorsteps.

The expected transfer of technology can provide a much-needed boost of the development and modernization of the SME sector which is critically required. CPEC is not only a short term economic growth booster, but its impact is far reaching and will trickle down in future. The development of infrastructure, energy and communication will provide much needed impetus to the growth of capital formation, productivity growth and employment.

WORLD ECONOMIC ENVIRONMENT

World output has grown by 3.1 percent in 2016 and growth is expected to accelerate to 3.5 percent in 2017 according to the IMF’s April 2017 World Economic Outlook. This acceleration is the result of faster growth in the advanced economies (from 1.7 to 2 percent) as well as in the emerging market and developing economies (from 4.1 to 4.5 percent).

Among the Advanced Economies, the United States, United Kingdom and the Euro Area are among Pakistan’s most important export markets. Growth in the US is expected to accelerate significantly from 1.6 percent in 2016 to 2.3 percent in 2017. Acceleration is also expected in the UK from 1.8 to 2.0, whereas it is predicted to remain stable in the Euro Area at 1.7 percent. But recent soft data (including business cycle indicators) suggest that in all these areas, including the Euro Area, the business climate is improving.

Among the emerging market and developing economies, the highest growing region is Emerging and Developing Asia where growth is expected to stabilize at 6.4 percent. In this region, China’s growth rate would marginally decline from 6.7 percent to 6.6 percent in 2017, India’s would rise from 6.8 to 7.2 percent and the ASEAN-5 from 4.9 to 5 percent. Economic growth would also stabilize in emerging and developing Europe at 3 percent in both 2016 and 2017. Growth rates are expected to increase in the Common Wealth of independent states (from 0.3 to 1.7 percent). Similar developments are expected in Latin America and the Caribbean (from -1 to 1.1 percent) and in Sub-Saharan Africa (from 1.4 to 2.6 percent).

On the other hand, economic growth decelerates in the Middle East and North Africa. In Saudi Arabia growth would decline from 1.4 to 0.4 percent driven by lower oil revenues following cuts in production and remaining low oil price levels.

The higher overall world growth prospects will stimulate world trade in the advanced economies, import growth is expected to strengthen from 2.4 percent in 2016 to 4 percent in 2017. An even stronger increase in world import expansion is expected in the emerging markets and developing economies. Pakistan's exports are expected to profit from this favorable development in its export markets.

After the decline in commodity prices in 2016, they are predicted to rebound somewhat in 2017. The average oil price in 2016 was \$42.84 per barrel in 2016. Its average price in 2017 is expected to exceed this level considerably. Also, prices of non-fuel commodities are expected to rise this year, after an observed decline in the previous year.

Higher commodity prices coupled with improved growth prospects are helpful to lift inflation rates in both advanced and emerging markets and developing economies. In the advanced economies, inflation is seen to accelerate towards the 2 percent level. This development may contribute to interest rate normalization, especially in the US where the Federal Reserve is expected to increase its short-term interest rate target three times this year.

The current positive mood in business and consumer confidence may well feed itself in the short run, stimulating consumption and investment expenditures, as well as asset prices globally. In that case, global growth acceleration may even turn out to be higher than expected.

But at the same time, considerable downside risks remain in place.

The expected uptick in economic growth mainly reflects a continuation of the slow cyclical recovery from the 2008-09 and 2011-

12 crises, supported by accommodative monetary policies. The growth rate of potential output remains subdued because of demographic headwinds, especially in advanced economies, and the global slowdown in productivity growth. The considerable decline in the growth rate of total factor productivity, both in advanced and emerging market economies after the 2008-09 crises is believed to be mainly associated with weak investment expenditures.

Against the background of slow potential output growth, large programs of fiscal stimulus, notably in the US, could drive the output gap significantly upwards, followed by monetary tightening and dollar appreciation. Emerging market economies may be adversely affected through capital outflows, higher interest rates and exchange rate volatility.

Potential prospects for disruptions to global trade may increase uncertainty and reduce consumer and investment spending. In the US, authorities have stated their intentions to halt further trade agreements and abolish or renegotiate existing ones. If these would lead to increased tariff and non-tariff protectionism, the increased import costs may undermine consumer's purchasing power, especially in advanced economies, adding to the risk of global international trade expansion. Trade restrictions may therefore significantly hurt export opportunities in emerging market and developing economies.

Current discussions between the UK and the European Union on their future relations following Brexit, do not seem to have raised excessive uncertainty up till now. But if expectations emerge that the UK would end up leaving the EU without a trade deal, the overall positive economic outlook may be compromised. Also in case no deal can be reached, countries exporting to the UK, including Pakistan may have to renegotiate the bilateral trade agreement which may take a considerable amount of time.

The British Government on March 29, 2017 invoked Article 50 of the EU's Governing Treaty to formally begin the process of leaving

the EU. Article 50 gives a member country two years to negotiate terms of its exit, among which issues on trade and immigration. This suggests that for the time being, Pakistan's exports will continue to enjoy duty free export. The Government of Pakistan is looking to win over new friends and revitalize the old friendships in the EU to safeguard Pakistan's interests in the European Parliament and Commission and is also looking for new supporters from within Northern Europe, France and Germany to enjoy the same privileges in the wake of Britain's formal withdrawal from the EU. It will also conduct a round of trade diplomacy with EU member states to strengthen trade relations and augment support in the European Parliament and the European Commission.

In the recent past, global economic uncertainty and volatility were also conditioned by the economic and financial prospects in China. Shifts towards protectionism in the advanced economies may hit the Chinese economy, which is already facing issues in terms of the quantity and quality of debt. Spillovers from turbulence in the Chinese economies to other economies, may be large and fast.

Executive Summary

Growth and Investment

Economy of Pakistan has continued the growth momentum as the GDP growth reached to 5.28 percent in 2016-17 which is the highest in 10 years, on the back of rebound growth in agriculture which registered a growth of 3.46 percent against the growth of 0.27 percent last year. Industrial sector witnessed the growth of 5.02 percent against 5.80 percent last year, large scale manufacturing posted growth of 4.61 percent against 3.29 percent last year, while Services sector surpassed its target and recorded 5.98 percent growth as compared to 5.55 percent last year.

The share of commodity producing sector has reached to 40.41 percent of GDP during outgoing FY2017 as compared to 40.80 percent last year. It grew by 4.3 percent during FY2017 as compared to 3.0 percent during FY2016.

Agriculture accounts for 19.53 percent of GDP and employed bulk of the total work force. Agriculture sector recorded a growth of 3.46 percent in FY 2017 as compared to the growth of 0.27 percent last year. The crops subsector comprises of 37.22 percent of agriculture sector and is the basic driver of growth of the agriculture sector as well as GDP on the whole. Crops sub sector recorded a growth of 3.02 percent as compared to the growth of (-4.97) percent last year. Important crops accounting for 23.85 percent of value added of agriculture, its share in GDP is 4.66 percent. Important crops recorded a growth of 4.12 percent in FY2017 as compared to (-5.47) percent last year. Other crops have contributed 11.03 percent in agriculture sector and its share in GDP is 2.15 percent in FY 2017. This sub-sector has registered a growth of 0.21 percent against the growth of 0.59 percent last year. Cotton Ginning has a 2.34 percent contribution in agriculture sector and in GDP its share is 0.46 percent. This sub-sector grew at 5.59 percent as compared to negative growth of (-22.12) percent. Livestock's share in agriculture sector stood at 58.33 percent while it contributes 11.39 percent in the GDP. Livestock during outgoing fiscal year grew by 3.43 percent as compared to 3.36 percent last year. Forestry subsector has registered a growth of 14.49 percent as compared to growth of 14.31 percent last year. Fisheries contribute 2.12 percent in agriculture and its share in GDP is 0.41 percent; its growth remained at moderate 1.23 percent against the growth of 3.25 percent last year.

Industrial sector contributes 20.88 percent in GDP. This year it recorded a growth of 5.02 percent as compared to 5.80 percent last year. Manufacturing is the most vibrant subsector of the industrial sector having 64.4 percent contribution in the industrial sector and in GDP it accounts for 13.45 percent. Manufacturing sub-sector is further divided in three components including large-scale manufacturing (LSM) with the share of 51.26 percent in industrial sector, small scale manufacturing share is 8.80 percent in industrial sector, while Slaughtering contributes 4.34 percent in the industry. Small scale

manufacturing recorded a growth of 8.18 percent in outgoing fiscal year against the growth of 8.20 percent last year and slaughtering maintained the growth rate of last year at 3.61 percent. Construction as a sub sector contributes 13.13 percent in industrial sector and in GDP its share is 2.74 percent against the share of 2.65 percent last year; it absorbs 7.31 percent of labor force. Construction is considered as one of the potential components of industrial sector in the economy of Pakistan. This sub-sector has witnessed a growth of 9.05 percent against the growth of 14.60 percent last year.

Mining and quarrying contributes 13.91 percent in industrial sector and its share in GDP is 2.90 percent. Mining and quarrying has recorded a growth of 1.34 percent against the growth of 6.86 percent last year. Electricity generation & distribution and Gas Distribution contributes 8.55 percent in industrial sector and in GDP its share is 1.78 percent. This sub-sector has recorded a growth of 3.40 percent during the outgoing fiscal year as compared to 8.43 percent growth last year.

Services sector grew at 5.98 percent against the commodity producing sector growth of 4.26 percent. The share of the services sector has reached to 59.59 percent of GDP in FY 2017. Services sector has witnessed a growth of 5.98 percent as compared to 5.55 percent last year. Wholesale and Retail Trade Sector contributes 18.50 percent in GDP and is also the largest subsector of the services having share of 31.1 percent in the services sector. Wholesale and Retail Trade recorded a growth of 6.82 percent against the target of 5.5 percent, whereas it grew at 4.25 percent last year. Transport, Storage and Communication having a contribution of 13.27 percent in the GDP and has a share of 22.3 percent in services sector; moreover, directly and indirectly it plays an important role in improvement of economic activities in all sectors of the economy. The transport, storage and communication registered a growth of 3.94 percent as compared to 4.82 percent last year.

Finance and Insurance contributes 5.7 percent

in services sector and its share in GDP is 3.37 percent in FY 2017. Finance and Insurance comprises the State Bank of Pakistan; all scheduled Banks (domestic and foreign), Development Financial Institutions (DFIs), all Insurances companies, modaraba/leasing companies, money changers and Stock Exchange Brokers. The financial sub-sector consists of all resident corporations principally engaged in financial intermediations or in auxiliary financial activities related to financial intermediation. Finance and insurance witnessed a significant growth of 10.77 percent as compared to 6.12 percent last year. General government services contribute 12.8 percent in services sector and its share in GDP has reached to 7.61 percent in outgoing FY 2017. It has recorded a growth of 6.91 percent as compared to 9.72 percent last year. Housing Services (Ownership of Dwellings) having contribution of 11.1 percent in services sector and its share in GDP is 6.64 percent during FY 2017. This sub-sector has maintained the growth of 3.99 percent as targeted for FY 2017. Other private services have a share of 17.1 percent in services sector and its contribution in GDP has reached to 10.20 percent in FY 2017. Other private services witnessed a growth of 6.28 percent as compared to 6.78 percent last year.

Consumption, investment and exports are the main drivers of economic growth under the expenditure approach, which is also recognized as aggregate demand side of the economy. During FY2017 the growth continued the previous trend with major contribution by private consumption largely due to remittances inflows, better growth in agriculture, small scale manufacturing and services sector. Consumption shared 7.92 percentage points to overall economic growth, while the investment contributed 1.28 percentage points, and net exports contribution is negative (-3.52) percentage points.

Total investment has reached to the level of Rs 5027 billion as compared to the Rs 4527 billion last year, showing the growth of 11.04 percent in FY 2017. Investment to GDP ratio has reached to 15.78 percent in FY 2017. Fixed

investment have increased to Rs 4517 billion as compared to Rs 4061 billion last year, and recorded growth of 11.23 and fixed investment as percentage of GDP is recorded at 14.18 percent. Private investment has registered a growth of 6.63 percent and private investment as percentage of GDP reached to 9.90 percent. Whereas public investment grew by 23.55 percent and as percentage of GDP it has increased from 3.79 percent to 4.28 percent, which is the clear reflection government expenditure strategy is development oriented. It has spillover effects on private sector investment as private sector development is facilitated through public sector development spending particularly on infrastructure. Public Sector Investment increased by Rs 1363 billion in FY 2017 compared to Rs 1103 billion in FY 2016.

National savings plays a dominant role in achieving desired level of investment to reach the planned target of economic growth. Contribution of national savings to domestic investment is the mirror image of foreign savings required to meet the investment demand. The foreign savings are needed to finance saving investment gap, reflects the current account deficit in the balance of payments. National savings reached to 13.1 percent of GDP in FY2017 against 14.3 percent last year. Domestic savings are recorded at 7.5 percent of GDP in outgoing fiscal year as compared to 8.2 percent of GDP last year.

Per Capita Income in dollar terms has witnessed a growth of 6.4 percent in FY 2017 as compared to 1.1 percent last year. The per capita income in dollar terms has increased from \$ 1,531 in FY 2016 to \$ 1,629 in FY 2017. Main contributing factors for the rise in per capita income are higher real GDP, growth, low population growth and stability of Pak Rupee.

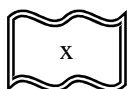
Agriculture

Agriculture is the lifeline of Pakistan's economy accounting for 19.5 percent of the gross domestic product, employing 42.3 percent of the labour force and providing raw material for several value-added industries. It thus plays

a central role in national development, food security and poverty reduction. The rapid growth of Pakistan's urban areas means that demand for high-value perishable products such as fruits, vegetables, dairy, and meat is rising. Government is seeking to increase the yield for rural growers through major infrastructure investments including reliable transport networks and other building blocks for modern supply chains. CPEC will go a long way in the enhancement of agribusiness benefits by exploitation of value-added product innovation and supply chain.

During 2016-17, performance of the agriculture sector remained up to the mark and achieved growth of 3.46 percent close to the target of 3.5 percent and last year's meager growth of 0.27 percent. This was possible by better harvesting of important crops through greater availability of agriculture inputs like water, agriculture credit and intensive fertilizers offtake. The growth in crops was registered at 3.02 percent against the negative growth of 4.97 percent during the same period last year. The growth of sub sector of important crops, other crops and cotton ginning posted growths of 4.12 percent, 0.21 percent and 5.59 percent, respectively against last year growths of -5.47 percent, 0.59 percent and -22.12 percent respectively. Other sub sectors of Agriculture like Livestock, Forestry and Fishing posted a growth of 3.43 percent, 14.49 percent and 1.23 percent, respectively. The upturn in crop yields by significant margins occurred both on account of increase in production and improved yields. Maize production increased by 16.30 percent against 6.77 percent last year, Sugarcane 12.41 percent against 4.23 percent, Cotton by 7.59 percent against -28.96 and Rice 0.71 percent against -2.88 percent last year). Only wheat production growth remained at par low of last year. Other crops accounted for 11.03 percent in value addition of agriculture grew by 0.21 percent during 2016-17 against 0.59 percent during the same period last year due to decline in the production of vegetables and oilseeds by posting negative growth of 0.73 percent and 5.93 percent, respectively.

Livestock account 58.33 percent in the



agriculture and it witnessed a growth of 3.43 percent compared to 3.36 percent during corresponding period last year. The Fishing sector contribution stands at 2.12 percent in agriculture value addition and recorded a growth of 1.23 percent compared to 3.25 percent growth of same period last year. Forestry sector having contribution of 2.33 percent in the agriculture value addition witnessed a significant growth of 14.49 percent during 2016-17 due to higher timber production reported by Khyber Pakhtunkhwa.

Pakistan's agricultural production is closely linked with the availability of irrigation water. During 2016-17, the availability of water for Kharif 2016 stood at 71.4 million acre feet (MAF) showing an increase of 9.0 percent over Kharif 2015 and 6.4 percent more than the normal supplies of 67.1 MAF. During Rabi season 2016-17, the water availability remained at 29.7 MAF, which is 9.7 percent less than Rabi 2015-16 and 18.4 percent less than the normal availability of 36.4 MAF.

The domestic production of fertilizers during 2016-17 (July-March) decreased slightly by 0.3 percent over the same period of last fiscal year. The imported fertilizer also decreased by 5.8 percent. Therefore, total availability of fertilizer also decreased marginally by 1.5 percent during current fiscal year. Total offtake of fertilizer nutrients witnessed increase by 30.5 percent. Nitrogen offtake increased by 33 percent while phosphate increased by 23.2 percent. Potash offtake recorded a significant boost of 82.5 percent during 2016-17 (July-March). Increase in offtake of fertilizer is due to substantial reduction in prices of all fertilizer products as a result of subsidy announcement by the government in June, 2016 as detailed below:

- Cash subsidy on phosphate fertilizer equivalent to Rs 300 per 50 kg bag of DAP.
- Reduction in GST on urea from 17 to 5 percent.
- Cash subsidy on nitrogenous fertilizer equivalent to Rs 156 per 50 kg bag of urea.
- Subsidy of Rs 800 and Rs 500 per bag of SOP and MOP respectively, from 1st

February 2017 by Government of Punjab in order to promote the use of Potash.

Better market prices of agriculture produce especially rice, cotton and sugarcane also had positive effect on fertilizer use.

In backdrop of the government's priority for agriculture sector, Agriculture Credit Advisory Committee (ACAC) has set the indicative agricultural credit disbursement targets of Rs700 billion for FY 2016-17 to 52 participating institutions including 20 Commercial banks, 2 Specialized Banks, 4 Islamic Banks and 10 Microfinance Banks and 16 Microfinance Institutions/Rural Support Programmes (MFIs/RSPs)

Agriculture credit is persistently rising. During FY 2015-16, Rs 598.29 billion was disbursed to the target of Rs 600 billion. For FY 2016-17 the target is Rs 700 billion. During FY 2016-17 (July-March), the banks have disbursed Rs 473.1 billion which is 67.6 percent of the overall annual target of Rs 700 billion and 22.7 percent higher than disbursement of Rs 385.5 billion made during the corresponding period last year.

This indicative agriculture target is 17 percent higher than the last year's disbursement of Rs 598.3 billion. Out of the total target, Rs 340.0 billion have been allocated to five major banks, Rs 102.5 billion to ZTBL, Rs 139.6 billion to 15 Domestic Private banks, Rs 12.5 billion to Punjab Provincial Cooperative bank, Rs 60.1 billion to 10 Microfinance banks, Rs 11.0 billion to four Islamic banks and Rs 34.3 billion to 16 newly inducted MFIs/RSPs for FY 2016-17.

Manufacturing & Mining

During July-March FY 2017, the Large Scale Manufacturing (LSM) registered an impressive growth of 5.1 percent as compared to 4.6 percent in the same period last year. On Year on Year (YoY), LSM recorded exorbitant growth of 10.5 percent in March 2017 compared to 7.6 percent of the corresponding month last year.

The industry specific data shows that Iron &

Steel products recorded highest growth of 16.58 percent, Electronics 15.24 percent, Automobiles 11.31 percent, Food, Beverages & Tobacco 9.65 percent, Pharmaceuticals 8.74 percent, Non Metallic mineral products 7.11 percent, Paper and Board 5.08 percent, Engineering Products 2.37 percent, Fertilizers 1.32 percent, Textile 0.78 percent and Rubber Products 0.04 percent. The other sectors that showed decline included Wood Product -95.04 percent, Leather products -17.97 percent, Chemicals -2.20 percent and Coke & Petroleum Products -0.32.

In automobile sector, there has been surge in productions of all its sub sectors. Remarkable growth has been witnessed in Farm Tractors which is recorded at 72.9 percent, Trucks 39.3 percent, Jeeps & Cars 4.68 percent, motor cycles 21.4 percent, Buses 19.7 percent during July-March FY 2017 as compared to corresponding period last year, whereas LCVs production declined by 36.9 percent. Automobile sector is among the top growth sector in the large scale manufacturing in Pakistan. The negative growth in case of Light Commercial Vehicles (LCVs) resulted from the discontinuation of Apna Rozgar Scheme but was compensated by increased production of other models and growth in tractors and trucks. The trucks production has risen due to economic activity in the country to meet CPEC related material and freight transport needs.

The Mining and Quarrying sector grew by 1.34 percent in FY 2017. Calcite, Bauxite, Ocher, Sulphur, Chromite, Marble, Coal, Quartz, Gypsum and Lime stone posted a positive growth rate of 138.32 percent, 116.25 percent, and 60.27 percent, 55.22 percent, 42.62 percent, 30.14 percent, 22.84 percent, 18.68 percent, 12.69 percent and 8.47 percent, respectively. However, some minerals witnessed negative growth rate during the period under review such as Barytes -73.00 percent, Magnesite -57.73 percent, Dolomite -40.93 percent, Soap Stone -6.11 percent, Rock Salt -1.73 percent and Natural gas -0.10 percent.

Fiscal Development

After having peaked at 8.8 percent of GDP in FY2012 followed by 8.2 percent of GDP in

FY2013, overall fiscal deficit narrowed to 4.6 percent of GDP in FY2016, reflecting sustained and substantial consolidation since FY2013.

Total expenditures witnessed a downward trajectory without compromising the expenditures on development projects and social assistance. Particularly, expenditures under Public Sector Development Program (PSDP) have been raised adequately in order to meet the investment requirements. During FY2017 the size of federal PSDP has increased to Rs 800 billion from Rs 348.3 billion during FY2013, showing a cumulative increase of over 129 percent.

During first nine months of current fiscal year, the fiscal deficit stood at 3.9 percent of GDP against 3.5 percent of GDP recorded in the same period of FY2016 on account of higher development expenditures along with various tax incentives to promote investment and economic activity in the country and security related expenditures. On the basis of previous estimates of GDP at Rs 33,509 billion, fiscal deficit was recorded at 3.7 percent during first nine months of current fiscal year against 3.4 percent registered in the comparable period of FY2016. Total revenues grew at 6.2 percent to Rs 3,145.5 billion during July-March, FY2017 against Rs 2,961.9 in the comparable period of FY2016.

Total expenditure has gone up by 10.4 percent to Rs 4,383.6 billion during July-March, FY2017. Within total expenditures, development expenditure (excluding net lending) grew by 14.9 percent to Rs 803.9 billion during first nine months of current fiscal year as against Rs 699.4 billion in the same period of FY2016. Within development expenditure, the spending under PSDP has posted a growth of 19.8 percent to Rs 746.6 billion during July-March, FY2017 against Rs 623.4 billion in the same period of FY2016. Current expenditures grew by 5.8 percent to Rs 3,605.1 billion during July-March, FY2017 against Rs 3,407.0 billion during the same period of FY2016. The containment in current expenditures primarily stemmed from significant decline in mark-up payments and

subsidies. The mark-up payments grew by 1.4 percent and while current subsidies reduced by 9.8 percent.

During July-April, FY2017 FBR collected Rs 2,518.5 billion as provisional tax revenues against Rs 2,332.1 billion in the same period of FY2016, reflecting a growth of 8.0 percent.

During first nine months of current fiscal year, provincial surplus amounted to Rs 227.6 billion against 221.2 billion in the comparable period of FY2016. During July-March, FY2017, overall tax revenues grew by 14.8 percent to Rs 1,652.6 billion as compared to Rs 1,439.9 billion in the same period of FY2016. Within tax revenues, provincial taxes revenues posted a remarkable growth of 23.5 percent and federal transfers to provinces grew by 13.5 percent.

Money and Credit

Keeping in view the macroeconomic stability, SBP kept the policy rate at 5.75 percent in May 2016 and maintained the same in the subsequent monetary policy decisions, which is the lowest rate since early 1970s.

Healthy credit expansion, along with higher production of Kharif crops, recovery in LSM/industrial growth, uptick in CPEC related activities in energy sector and favourable business environment supported SBP's decision to keep the policy rate unchanged during FY2017.

Credit to private sector increased to Rs 457.4 billion during July-21st April, FY2017 compared to Rs 296.8 billion in the same period of last year, registered a significant growth of 54.1 percent. Private sector borrowed Rs 155.1 billion for fixed investment during Jul-Mar FY2017 as compared to Rs 140.3 billion availed in the corresponding period of last year, registered a growth of 10.5 percent. Loans for working capital increased by Rs 150.9 billion during first nine months of FY2017 compared to Rs 65.4 billion in the same period of last year, witnessed significant growth of 130.7 percent. A healthy uptick in private sector credit augurs well for growth.

During the period July-21st April, FY2017,

Broad Money (M2) witnessed expansion of Rs 762.2 billion (5.94 percent) compared to the expansion of Rs 667.7 billion (5.92 percent) in the same period last year. Within Broad Money, NFA of the banking system during July-21st April, 2016-17 declined by Rs 350.7 billion, which is in sharp contrast to an expansion of Rs 101.9 billion in the same period of last year. The NDA of the banking system observed an expansion of Rs 1,112.9 billion (9.42 percent) during July-21st April, FY 2017 compared to Rs 565.7 billion (5.40 percent) in the same period of last year. Pick up in credit to the private sector, credit to Public Sector Enterprises (PSEs) and rise in government borrowing from the banking system were the major causative factors of monetary expansion during July-21st April, FY2017.

Net government borrowing from the banking system reached to Rs 689.9 billion during July-21st April, FY2017 against the borrowing of Rs 446.0 billion over the previous year. During the period 1st July-21st April FY2017, government borrowing for budgetary support amounted to Rs 805.0 billion against the borrowing of Rs 536.4 billion in the same period of FY2016. Government borrowed Rs 868.5 billion from SBP during July-21st April, FY2017 compared to the retirement of Rs 498.5 billion in the same period last year. On the other hand, government retired Rs 63.5 billion to Scheduled banks during 1st July-21st April FY2017 against the borrowing of Rs 1,034.9 billion last year.

The financial system also remained stable during FY2017. Assets base of the financial sector has expanded at a decent pace of 11.93 percent in CY16 and reached to Rs 15.831 trillion by end December, 2016 as compared to Rs 14.143 trillion as of end December, 2015. NPLs to total loans ratio declined to an eight years' low level of 10.1 percent in Q4CY16. Capital Adequacy Ratio (CAR) at 16.2 percent as of end December 2016 is much stronger and higher than the minimum required level of 10.65 percent.

Capital market

The SECP, being the apex regulator, continues to push with the reform agenda to address

challenges of a fast growing capital market. The reforms agenda, chalked out with support from the stakeholders included the successful integration of the stock exchanges at Karachi, Lahore and Islamabad into a joint trading platform, introduction of a central counterparty for clearing and settlement, transfer of risk management to the clearing company, and promulgation and implementation of modern and comprehensive laws such as the Securities Act and the Futures Market Act.

Instituting a fool-proof procedure of investor protection and building investors' confidence remains the prime goal of SECP's reform agenda. In this regard Securities Exchange Commission of Pakistan has developed a Capital Market Development Plan (CMDP) for (2016-18) devising way forward for the Pakistan capital market. It is a roadmap for initiatives envisaged by the SECP for development of the capital market in the near future and has been formulated after extensive stakeholder consultation including suggestions and feedback from leading market professionals, and includes key reforms based on international best practices and benchmarks.

Pakistan Stock Exchange was ranked the fifth best performing stock market in the world in the year 2016 by Bloomberg on account of total return of 46 percent for the year. The PSX return of 46 percent also stood out as the best in MSCI Frontier Markets and compared favourably with the PSX average gains of 20 percent over the past 10 years and average return of 24 percent over the last 20 years.

The period during July 1, 2016 to May 08, 2017, witnessed an overall positive and bullish trend for the stock market in Pakistan. The KSE-100 Index demonstrated exceptional performance of equity market during the period mainly due to improved macroeconomic indicators, wide-ranging reform measures undertaken by SECP, better security situation and high spirit on Pakistan's reclassification in MSCI EM Index. The KSE-100 index which was at 37,783.54 level as on 30th June 2016 gained 14,604 points and remained at the level of 52,387.87 as on 15th May, 2017 showing a

growth of 38.7 percent. In terms of market capitalization it increased from Rs 7, 588.47 billion as on 30th June 2016 to Rs 10,289.95 billion on 15th May, 2017 depicting a growth of 35.6 percent. During this period, the Index touched its highest point at 52,387.87 on May 15, 2017, whereas its lowest point was at 37,966.76 on July 4, 2016.

Inflation

The current year started with inflation at 4.1 percent in July 2016. It reached to 4.9 percent in March 2017 and then slow down to 4.8 percent in April 2017. On average during Jul-April FY 2017, it recorded at 4.1 percent. The target for current year is 6.0 percent, the present trend suggests that it will remain below the target. Food and non-food inflation have been estimated at 3.9 percent and 4.3 percent as compared to 2.1 percent and 3.3 percent respectively, in the same period last year. Core inflation during July-April recorded at 5.1 percent as against 4.1 percent during the same period last year. The uptick in inflation is due to revival of international commodity and oil prices, along with rise in domestic demand due to pick up of economic activities. .

All inflationary indicators have been contained to single digit during current fiscal year due to better supply position of essential items, and regular monitoring of prices and supply chain by the National Price Monitoring Committee along with District Price Control Committees.

Increasing oil and commodity prices remains a concern. Global commodity and oil prices are expected to move in upward direction, which will be affecting domestic inflation. However, given the increase in agriculture production and sufficient food supplies, stable exchange rate, effective monetary policy, inflation is expected to remain below the target.

Trade and Payments

A reversal in global oil prices accompanied by falling exports the trade deficit widened by 33.1 percent to US\$ 17.8 billion in July-March FY2017, remittances and Coalition Support Fund inflows both remained slower over the same period last year, however, the impact was

offset by an improvement in the income account, mainly due to lower profit repatriations by oil and gas firms. The current account deficit increased to US\$ 6.1 billion in July-March FY2017, against US\$ 2.4 billion in July-March FY2016. As a percentage of GDP it stood at 2 percent compared to 0.9 percent of the comparing period last year.

During July-March FY 2017 exports declined by 1.3 percent and stood at US\$ 16.1 billion as compared to US\$ 16.3 billion in July-March FY2016. However Year on Year exports in March, 2017 increased by 1.4 percent. The imports increased by 14.0 percent in July – March FY2017 as compared to last year. Services trade deficit fell by 1.9 percent during the first nine months of FY2017. This year Pakistan has received inflows amounting to US\$ 550 million on account of CSF during July –March of FY2017 against US\$ 937 million during last fiscal year. Remittances could not continue its upward growth trajectory during July-March FY2017 the remittances remained US\$ 14.058 billion as compared to 14.388 billion during same period last year. Year on year basis remittances inflow dropped marginally by only 1 percent, however, on month on month basis March-February about 20 percent of decent increase is recorded. The trend will continue in coming months and is expected that the target of US\$ 20.2 billion for FY 2017 will likely to be achieved. Net FDI inflows rose 14.8 percent to US\$ 1.6 billion in July- March FY2017, against US\$ 1.4 billion same period last year. In October, FY2017 foreign currency reserves hit all time high at \$ 24.03 billion, of which net reserves with SBP were \$18.93 billion and scheduled banks \$ 5.10 billion. However, with the current account deficit widening and not being fully offset by financial inflows, the country's total liquid FX reserves as on end-March FY2017, declined to US\$ 21.57 billion of which SBP US\$16.47 billion and Commercial Banks US\$ 5.10 billion. The average exchange rate during July-May 04 FY2017, at 104.79 to a dollar, was down marginally (0.5 percent) against last year's comparable average of 104.30. The stability in the exchange rate was a result of the still elevated level of liquid reserves available

with SBP.

Public Debt

Gross public debt was Rs 20,873 billion as at end March 2017 while net public debt was Rs 18,893 billion. Gross public debt recorded an increase of Rs 1,194 billion during first nine months of current fiscal year. Out of this total increase, increase in domestic debt was Rs 1,121 billion while government borrowing from domestic sources for financing of fiscal deficit was Rs 1,018 billion. This differential is mainly attributed to increase in government credit balances with the banking system. Similarly, increase in external debt contributed Rs 73 billion in public debt. Revaluation gains on account of appreciation of US Dollar against other foreign currencies reduced the impact of net external inflows on external public debt portfolio.

Pakistan's public debt dynamics witnessed various positive developments during first nine months of current fiscal year. Some positive developments are as follow:

- Government continued to adhere to the targets set forth in Medium Term Debt Management Strategy (MTDS) to ensure public debt sustainability.
- Weighted average interest rate on the domestic debt portfolio has been further reduced while cost of external debt contracted by the government is not only economical but is also dominated by long term funding.
- Government successfully issued a 5-year US\$ 1,000 million Sukuk at the lowest ever rate of 5.5 percent in international capital market.
- In order to facilitate the investors of Central Directorate of National Savings (CDNS), CDNS has been allowed direct membership of Clearinghouse. Accordingly, CDNS became only non-banking member of National Institutional Facilitation Technologies (Pvt.) Limited (NIFT).
- Government launched first-ever registered premium prize bond which is only issued in

investors' names with unique features of both the profits paid biannually and the prize money through quarterly draws.

An improvement was observed in most of the public debt risks indicators during last three and half years in-line with the objectives set forth in Pakistan's first MTDS (2013). Refinancing risk of the domestic debt portfolio reduced through lengthening of the maturity profile as percentage of domestic debt maturing in one year was reduced to 52.7 percent at the end of December 2016 compared with 64.2 percent at the end of June 2013. Exposure to interest rate risk was also reduced as the percentage of debt re-fixing in one year decreased to 45.5 percent at the end of December 2016 compared to 52.4 percent at the end of June 2013. Similarly, share of external loans maturing within one year was equal to around 31.9 percent of official liquid reserves at the end of December 2016 as compared with around 68.5 percent at the end of June 2013 indicating improvement in foreign exchange stability and repayment capacity.

EDL stock was US\$ 75.7 billion as at end March 2017 out of which external public debt was US\$ 58.4 billion. External public debt recorded an increase of US\$ 0.7 billion during first nine months of current fiscal year. The impact of net fresh external borrowing was partially offset by revaluation gains during first nine months of current fiscal year. Within external debt, the largest component is the multilateral debt and bilateral debt, constituting around 87 percent of the public external debt as at end March, 2017. The loans from multilateral and bilateral development partners are primarily aimed at removing structural bottlenecks from Pakistan's economy and are instrumental in enhancing Pakistan's potential output by promoting efficiency and productivity.

Education

The overall education condition is based on key performance indicators such as enrolments, number of institutes and teachers which has witnessed improvements. The total number of enrolments at national level during 2015-16 stood at 46.223 million as compared to 43.948

million during 2014-15. This shows an increase of 5.2 percent and is estimated to increase 47.834 million during 2016-17. The total number of institutes stood at 252.8 thousands during 2015-16 as compared to 252.6 thousands during last year. However, the number of institutes is estimated to increase to 257.1 thousands during 2016-17. The total numbers of teachers during 2015-16 were 1.630 million as compared to 1.588 million during last year showing an increase of 2.6 percent. This number of teachers is estimated to increase further to 1.667 million during the year 2016-17.

Household Integrated Income and Consumption Survey (HIICS) 2015-16 at National/Provincial levels with urban/rural breakdown, which is especially designed by merging HIES and Family Budget Survey (FBS). The main aim of FBS was to derive weights for rebasing of price statistics, by covering urban and rural areas alongwith income and other social indicators. According to the HIICS, 2015-16, the literacy rate of the population (10 years and above) remained at 58 percent as compared to previous conducted PSLM Survey, which were conducted at both District and Provincial level respectively at alternate years, at National/Provincial level in 2013-14. The data shows that literacy remains much higher in urban areas (74 percent) than in rural areas (49 percent), with male (81 percent) and female (68 percent) in urban areas. Province wise data suggest that Punjab and Sindh leads with 62 percent and 55 percent respectively, followed by Khyber Pakhtunkhwa with 53 percent and Balochistan with 41 percent.

Public expenditure on Education as percentage to GDP increased by 2.3 percentage in FY 2016 as compared to 2.2 percentage of GDP in FY2015. The expenditures on education are increasing gradually since FY 2012. The education related expenditure recorded at Rs 663.36 billion in FY2016 compared to Rs 599.05 billion in FY 2015 registered an increase of 10.74 percent.

The Higher Education Sector plays a critical role in the production of the human capital, and

the generation and transmission of knowledge, critical to achieving a high growth rate and a competitive position in the global knowledge economy. The financial support of the government to Higher Education has resulted in revival of the sector. During first three quarters i.e. 2016-17 (July-March), the government has released Rs 8.0 billion for the development projects reflected under PSDP 2016-17. Similarly, Rs 5.4 billion and 0.574 billion have also been disbursed to the Prime Minister's laptop Scheme and Afghan Scholarship schemes.

- Prime Minister's Fee Reimbursement Scheme for less developed areas (selected regions) was successfully executed and is continued during FY 2016-17. The scheme is focused on building capacities and enabling them to compete in the normal course. And in future it would provide manpower for public sector universities. Reimbursement to around 17,137 students of less developed areas is being carried out this year.
- "An Initiative of Aghaz-e-Haqooq-e-Balochistan (Indigenous and Overseas)" is focused towards providing scholarships in MS leading to PhD and PhD studies to less privileged areas of Balochistan, who despite possessing academic merit are unable to overcome the financial difficulties. This project covers tuition, accommodation and living expenses as well. In FY 2016-17, 31 candidates availed the overseas scholarships while 16 candidates availed the indigenous scholarships.

The project "Provision of Higher Education Opportunities for Students of Balochistan and FATA Phase II (President's Directives)" is based on the provision of higher education opportunities to students from Balochistan and FATA through enrolling them in an educational institution of other province and supporting them by paying their tuition fee and other living expenses. The quantitative target of the programme is to provide financial support to a total of 3900 students (2500 Undergraduate and 1400 Post-graduate). The scholarship

distribution ratio for the students of Balochistan and FATA is 50:50.

Health and Nutrition

To reduce the incidence of disease and to improve the health status, various health priority programs remained operative during fiscal year 2016-17 such as Cancer Treatment, Aids Prevention and Malaria Control Programs. Recently the Federal government initiated several programs like Prime Minister Health Program, Expansion of Immunization Program and continued its strong focus on polio eradication. For the current year, total outlay for health sector is budgeted at Rs 145.97 billion which included Rs 37.5 billion for development and Rs 108.5 billion for current expenditure showing an increase of 9 percent over last year.

Population, Labour Force and Employment

Pakistan is the sixth most populated country in the world with an estimated population of 199.71 millions. The estimated population growth and fertility rate is 1.86 and 3.0 respectively. The government is well aware of the issue of high population growth and fertility rate and trying to overcome through different programs like establishment of Family Welfare Centers (FWC), Reproductive Health Services Centers (RHSC), Regional Training Institutes and Mobile Services Unit. Another major initiative taken by the government is conducting the National Population and Housing Census that would be helpful to government and planners in decision making and formulating a strategy for population control. The census will provide reliable data on population, its growth and migration trends in different regions/ areas, employment, urban-rural population, male-female ratio, Afghan refugees etc. The national population census is also important for the resource allocation formula under National Finance Commission (NFC) Award.

Pakistan is blessed with energetic youth and this workforce can be a productive asset of the country if properly trained through skill development programs. The government is cognizant of this fact and has initiated

different skill development programs and training institutes for the youth which are being imparted through the establishment of vocational training centres. Focus on technical and vocational education will not only improve individual performance but also increase national productivity. There are about 9.0 million overseas Pakistanis working around the globe. The main concentration of overseas Pakistanis is in Middle East 54.80 percent, Europe 26.81 percent and America 11.90 percent. During 2016, around 0.84 million labour force proceeded to different countries, especially Saudi Arabia and Middle East which not only contributed the economies of the host country through their services but also earned remittances for the country.

Transport and Communications

Total length of roads in Pakistan including GB and AJK is 264,401 thousand kilometres. Presently, NHA network comprises of 39 national highways, motorways, expressway, and strategic roads with total stretch of 12,131 kms. NHA existing portfolio consists of 50 on-going projects costing Rs 1,605.6 billion. During last five years, NHA has rehabilitated/constructed the 3,934.04 Kilometers length of roads over the country. NHA successfully attracted private sector investment and has awarded/supported five (05) projects worth over Rs 144 billion. NHA is authorized to plan and develop China-Pak Economic Corridor (CPEC) connecting Khunjrab to Gwadar. Currently CPEC projects worth Rs 700 billion related to NHA are ongoing.

The network of Pakistan Railways comprises of 7,791 route kilometers, 451 Locomotives (DL 439 + Steam 12), 1,732 passengers coaches and 15,948 freight wagons. Prem Nagar dry port Lahore is the first successful model of joint venture between Pakistan Railways and two private parties. Up gradation of Mainline-1 (ML1) and construction of dry port and cargo handling facilities have been included, as Early Harvest Projects (EHP) under China-Pakistan Economic Corridor (CPEC).

For revival of PIA, efforts are underway to

improve the financial health of the Corporation by reducing its losses through various means and modes. Presently, PIA operates to 50 destinations including 28 international and 22 domestic. PIAC have recently signed agreements for acquisition of 20 percent aircraft on dry lease. The average age of fleet has also been reduced presently to 10 years which will further reduce to 8 years after grounding of above 20 years old A-310. PIA is perusing aggressive to induct fuel efficient narrow body aircraft i.e. A320 in order to overcome fleet constraints

PNSC fleet comprises of 09 vessels of various type / size with a total deadweight capacity of 681,806 metric tons being the highest ever carrying capacity since its inception. Direct operating expenses decreased to Rs 6,607 million from Rs 6,734 million. PNSC plans to add more oil tankers to its fleet.

The cargo handled at KPT improved by 15.3 percent in FY 2016 over FY 2015. During July – March FY 2017, the cargo handled data suggests a growth of 6.9 percent over the same period last year showing improved economic activity. Imports and exports through KPT have grown by 8.2 and 2.2 percent respectively during July- March 2016-17 as compared with previous year corresponding period

Test operations of the country's biggest port, the Pakistan Deep Water Container Port, has commenced from dated 09-12-2016 when the first container ship was accommodated at its berth No.4. The new Port is located at the Keamari Groyne East of Karachi Port, and has the capacity to cater for mother ships. This new port is expected to play a major role in the CPEC. In the first phase of development, the terminal operator has constructed berths No.3 and 4 while berths No.1 and 2 are left for completion under second phase. The terminal operator has already brought in equipment, including five ships to shore gantry cranes and a power station with a generation capacity of 28 megawatts is also made available. The port has the capacity to handle 3.1 million TEUs a year and have a storage yard to accommodate 550,000 TEUs per year.

Port Qasim handled 26.677 million tonnes of total cargo during the financial year 2016-17 (July-March) as against the corresponding period 2015-16, reflecting an increase of 12.2 percent

In Balochistan province, Gwadar is the first port on the south western Arabian Sea coastline which is about 635 km from Karachi and 120 km from the Iranian border by road. Gwadar Port is located just outside the Strait of Hormuz, near the key shipping routes from Arabian Gulf to Far East and Europe. Gwadar Port is a strategic warm-water, deep-sea port and phase-1 of the port has been developed jointly by Government of Pakistan and the Government of the Peoples Republic of China with a total cost of US\$ 288.0 million.

Gwadar Port is fully functional with three multipurpose berths, each 200 meters in length dredged to 14.5 meters in depth alongside the berth, handling a ship of 50,000 DWT capacity. By 2055, it is anticipated that Gwadar Port will be the largest site of its kind in Pakistan, with a 50 km sea front and 10,000 hectares of port backup area.

To resolve the port connectivity with the highway network, “Gwadar Port East bay Expressway” project has now been agreed upon for funding under CPEC. The proposed expressway will connect the Gwadar Port with the Mekran Coastal Highway, passing along the east bay of Gwadar City, with a total length of 18.98 Km, including 4.3 Km along-the-shore and 14.6 Km on-shore sections. A double track rail link along the expressway is also part of the project.

The Information Technology sector is exhibiting accelerated progress with total IT turnover of US \$ 3.1 billion, including both exports and domestics revenue. The Broadband penetration has jumped from 3.7 million to 40.7 million. The IT and Telecom sectors are expanding and generating new jobs as businesses utilize modern ICT technologies such as e-commerce, e-banking, e-health, e-education, and business related to IT applications. Telecom operators have invested a significant amount of US\$ 287.6 million during

July-December, 2016. The main driver behind this investment is the cellular mobile sector which has invested US \$262 million during the first two quarters of FY2016-17

By the end of March 2017, the total number of mobile subscriptions in Pakistan reached 139.11 million with the net addition of 5.9 million subscribers during the July, 2016 to March, 2017 of FY 2016-17. 3G and 4G LTE subscribers have reached 39.88 million by March 2017, registering an increase of 10.3 million subscriptions to 3G&4G LTE networks in 09 months (July 2016-March 2017).

At the end of March 2017, broadband subscribers stood at 42.36 million as compared to 32.29 million at the end of last fiscal year depicting 31 percent growth over the last nine months. The number of net subscriber additions in the period stood at 10 million.

There has been an impressive growth rate of approximately 97 percent in IT remittances over the last four years. Hence, Pakistan's IT exports are estimated to have crossed \$2.8 billion a year at present as per estimation standard of Bearing Point. Annual domestic revenue is around \$500 million. Hence, total revenue of IT industry is estimated to be around \$3.3 billion a year at present.

According to estimates there has been a cumulative investment of approximately U.S \$4.0 billion in the electronic media industry in Pakistan. Electronic media sector has generated direct employment for more-than 250,000 people of diversified skills and qualifications. With the current growth rate of more than seven percent per annum, it is estimated that the cumulative investment in the electronic media industry will surpass U.S \$5.0 billion by the end of the current financial year. The Pakistan Electronic Media Regulatory Authority also conducted bidding during the current 2016-17 for award of 52 FM Radio licenses in 50 cities across Pakistan which concluded at Rs 253.690 million

Pakistan Television Corporation Limited (PTV) is the only public sector broadcasting channel which telecast national & international

programs in big cities and also remote and economically backward areas of the country in order to keep the people of remote areas to aware about the current affairs of the country as well as the whole world, At present 7 multiple channels are broadcasting its different programs through PTV Home, PTV News, PTV Sports, PTV Global, PTV National, PTV Bolan and PTV World.

Energy

The critical need for sufficient, reliable and affordable energy supply has taken by the present government on top priority. Right from the beginning, the present government had given high priority to energy sector, thus making significant efforts on all fields ranging from immediate step to long-term plan.

As an immediate step, the government retired the circular debt substantially brought down power subsidies and significantly contained the accumulation of new payable arrears in the power sector by (i) improving DISCOs' performance, (ii) rationalizing tariffs, and (iii) reducing delays in tariff determination. The subsidy for power sector which was Rs 464 billion (2.3 percent of GDP) in FY 2012 has been consistently reduced to Rs 217 billion (0.7 percent of GDP) in FY 2016. During July-March FY 2017, the subsidy for power sector remained at Rs 85 billion compared to Rs 99 billion in the corresponding period last fiscal year. Further, Circular Debt Capping Plan is effectively managing the power sector financial flows, stocks and subsidy budget.

In short run, two critical issues were addressed on fast track. One issue was inefficient recovery system while the other was transmission and distribution losses. It is worth mentioning that Ministry of Water and Power has shown significant improvement in both issues. There was 94.40 percent recoveries during July-March FY-2017, being highest in past ten years while transmission and distribution losses declined to 16.3 percent during the said period.

In the medium term, National Power Policy 2013 had also focused on low cost energy. Altering the fuel mix towards less expensive

fuels will lead to low cost energy. Investments required for the low cost fuel mix will necessitate rationalization of the electricity tariff. In this regard, both Private Power and Infrastructure Board (PPIB) and Alternative Energy Development Board (AEDB) are playing vital role on behalf of the Government of Pakistan in materializing government commitment of adding sustainable and affordable power generation to the national grid. Thus energy imports of liquefied natural gas (LNG) and coal along with utilization of domestic resources like construction of Thar coal mines, hydro power stations, nuclear power plants, as well as several solar and wind farms will significantly reduce the country's reliance on oil in the medium term and improve the energy mix.

In long run, the government plan over a period of next 10 years is China-Pakistan Economic Corridor (CPEC). The CPEC envisages projects in energy and infrastructure, with a total financial outlay of around US\$ 46 billion. Financial outlay of Energy sector's projects are estimated to be US\$ 34.74 billion. Energy sector's projects include power generation and transmission projects to be implemented in IPP mode. Till March 2017, twelve (12) projects have been signed in Energy Sectors with eight (8) projects in PPIB and four (4) projects in AEDB.

During July-March FY 2017, although installed capacity increased to 25.1 million MW from 22.9 million MW during corresponding period last year, however, there was decline in generation as it remained 85,206 GW/h during July-March FY 2017 compared to 101,970 GW/h during July-March FY 2016. The main reason of the decline is slow down in the share of hydro in electricity generation compared to 34 percent during the corresponding period last year mainly occurred due to weather condition and less flow of water in rivers.

Oil (Petroleum Product): Pakistan mainly depends upon oil and gas resources to fulfil energy requirements. The domestic production of crude oil remained 24.2 million barrels during July-March FY 2017 compared to 24.0

million barrels during the corresponding period last year. Indigenous resources of oil are not enough to quench energy thirst of a growing economy. As a result Pakistan has to import large quantity of oil and oil based products from Middle East countries especially from Saudi Arabia. The quantity of crude oil imported remained 5.9 million tones with value of US \$ 1.84 billion during July-March FY 2017 compared to 4.2 million tones with value US \$ 183 billion during the same period last year. Thus, the low international prices of oil helped in saving foreign exchange due to lower import bill.

Transport and power are the two major users of oil. During July-March FY 2017, share of oil consumption in transport increased to 57 from 55 percent during the same period last year, while share of oil consumption in power remained 33 percent during July-March FY 2017 compared to 34 percent during the same period last year due to some of inefficient thermal plants remained closed on account of overhauling during the period under discussion

Natural Gas: Pakistan has an extensive gas network of over 12,202 Km Transmission 119,736 KM Distribution and 32,823 Services gas pipelines to cater the requirement of more than 8.4 Million consumers across the country by providing about 4 Billion Cubic Feet per day natural gas. Government of Pakistan is pursuing its policies for enhancing indigenous gas production as well as imported gas to meet the increasing demand of energy in the country. At present about 600 MMCFD Re-gasified Liquefied Natural Gas (RLNG) is being imported. The average natural gas consumption was about 3,654 Million Cubic Feet per day (MMCFD) including 410 MMCFD volume of RLNG during July 2016 to February 2017. During July 2016 to February 2017, the two Gas utility companies (SNGPL & SSGCL) have laid 814 Km Gas Transmission network, 4,153 Km Distribution and 1,162 Km Services lines and connected 104 villages/towns to gas network. During this period, the gas utility companies have invested Rs 17,925 Million on Transmission Projects, Rs 11,183 Million on Distribution Projects and Rs 14,925 Million on

other projects bringing total investment to about Rs 44,033 Million. During this period, 360,824 additional gas connections including 360,465 Domestic, 339 Commercial and 20 Industrial were provided across the country. It is expected that Gas will be supplied to approximately 414,723 new consumers during the fiscal year 2017-18. Gas utility companies have planned to invest Rs 12,702 Million on Transmission Projects, Rs 43,045 Million on Distribution Projects and Rs 8,462 Million on other projects bringing the total investment of Rs 64,209 Million during the fiscal year 2017-18.

Coal: Constitutionally, minerals other than mineral oil, natural gas & nuclear minerals are provincial subject. Provincial Governments have granted more than 1,100 coal mining concessions to public and private sector companies to carry out exploration and mining operations in the licensed/leased area. Two federally controlled organizations; Pakistan Mineral Development Corporation (PMDC) and Lakhra Coal Development Company [joint venture of PMDC, WAPDA & Government of Sindh] are engaged in extraction of coal in Sindh and Balochistan Provinces, producing about 558,000 tons and 235,000 tons of coal per annum (for 2015-16), respectively. These two companies also supply coal to Lakhra Power Plant of WAPDA.

Social safety Nets

The government has prioritized 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) in the PRSP-II, which provided a link between the policy priorities and the related budget allocations. Expenditure on pro-poor sectors in 2012-13 stood at 8.5 percent of GDP. In 2013-14, these were 7.7 percent of GDP and in 2014-15, 8.3 percent of GDP. During 2015-16, total expenditures of these sectors were increased and reached to Rs 2,694.6.7 billion, which was 9.3 percent of GDP. During July-December of the current fiscal year 2016-17, Rs 1,017.5 billion expenditures have been made in these sectors.

The number of BISP beneficiaries has increased from 1.7 million in FY 2009 to approximately 5.42 million at the end of March 2017. BISP's

annual disbursement increased from 16.0 billion in FY2009 to Rs 115 billion in FY2017. The quarterly cash grant has been gradually enhanced by present government from Rs 3000/- to Rs 4834/- in FY 2016-17.

Pakistan Poverty Alleviation Fund (PPAF) is also contributing a large amount of funds throughout Pakistan to its core projects like microcredit, water and infrastructure, drought mitigation, education, health and emergency response interventions have been widely recognized. The core operating units of the PPAF delivered range of development interventions at the grassroots/community level through a network of 134 Partner Organizations across the country. During July 2016 to March 2017, Pakistan Poverty Alleviation Fund (PPAF) has disbursed an amount of approximately Rs 9.207 billion to its Partner Organizations (POs) under PPAF core interventions administered through various operational units.

Climate Change

Pakistan's vulnerability from climate change is due to geographic, demographic and diverse climatic conditions. Particularly, the environment changes threats to water, energy and food security. Its impacts are being felt

through increasing intensity and frequency of extreme climatic disastrous events, as well as small, but incremental changes gradually affecting many sectors of government activity. Pakistan's response to the challenges of global warming and climate change has been closely aligned with its strategies for environmental protection, Sustainable Development Goals (SDGs) and objectives of the Convention on Climate Change.

Pakistan is one of the low forest cover countries with only 5 percent of land area under forest and tree cover whereas international requirement is 25 percent. To increase the forest coverage the government under the direction of the Prime Minister of Pakistan has launched, the Green Pakistan Program with the objective to facilitate transition towards environmentally resilient Pakistan. The objectives of the program will be achieved by implementing different initiatives and projects. The first project in this program is Green Pakistan Program-Revival of Forestry Resources in Pakistan and estimated cost of this project is Rs 3.652 billion and will be implemented over a period of five years (2017-2021). The second project is Green Pakistan Program - Revival of Wildlife Resources, its estimated cost is Rs 1.065 billion and will be implemented in five years (2017-2021).

Growth and Investment

Introduction

Pakistan has seen a noticeable economic turnaround over the last four years due to the implementation of a comprehensive economic revival programme. Key areas of reforms include fiscal consolidation through improved public financial management and tax administration, energy restructuring of energy sector including capacity enhancement, divestment through strategic private partnerships and strengthening of regulatory framework. These reforms are complemented with a number of growth supporting steps such as National Power Policy, Kissan Package, Automotive Policy, Textile Policy, Strategic Trade Policy Framework (STPF) 2015-18, Prime Minister's Package of Incentives for Exporters, Domestic Resource Mobilization Strategy, PSE Reforms Strategy, CPEC and National Financial Inclusion Strategy. On account of these initiatives the macro-economic performance remains robust, with a steadily rising growth of 4.05 percent in FY2014, 4.06 percent in FY2015 and 4.51 percent in FY 2016. The economy continues to maintain its growth momentum above 4.0 percent for the 4th year in a row with highest growth at 5.28 percent in 10 years in FY2017.

A visible improvement has been witnessed during the FY2017 due to pro-growth policies, especially in agriculture, industrial and services sector. Agriculture sector rebounded to 3.46 percent growth as compared to the muted growth last year and services sector performed better than expected. The LSM sector

performance remained moderate, however, given the decades low policy rate and expansion in credit to private sector, it will improve going forward.

The fiscal deficit has been continuously on low trajectory. It was as high as 8.2 percent in FY2013, which has been brought down to 5.5 percent in FY2014, 5.3 percent in FY2015 and 4.6 percent in FY2016 on account of prudent expenditure management. On the other hand the development budget is continuously rising particularly, Federal PSDP gradually increased from Rs.348.3 billion during FY2013 to Rs.800 billion in FY2017, thus showing a cumulative increase of over 129 percent.

FBR revenues collections remain on upward trajectory, despite the pro-growth incentives provided to various sectors, particularly to exports and agriculture. To sustain higher revenue collection, Pakistan has undertaken various tax measures and some important initiatives, such as the Avoidance of Double Taxation Agreements and the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters. These initiatives would help to reduce and prevent tax evasion in future and further enhance FBR's revenues collection, thus creating space for the government to make more spending for development and growth.

The government's efforts to improve Pakistan's business climate and to attract higher investment inflows have been underpinned by the National Doing Business Reform Strategy

2016, which outlines key reform actions under each of the ten DB indicators, including regulatory changes, improving technology of implementing agencies for reduction in time and simplification of procedures involved in making businesses operational. These reforms have been designed to effectively address critical bottlenecks faced by a small and medium business during all stages of its life cycle. As a result of the successful implementation of key short term reform measures, Pakistan's ranking in the World Bank's Ease of Doing Business index has improved by four points to 144 out of 190 economies in Doing Business Report 2017 and the country has been recognized as one of the top ten reformers globally in the area of business regulation.

The Implementation of National Power Policy 2013 has resulted in the reduction of line losses of power sector's distribution companies and increase in collections due to signing of performance contracts, setting of quarterly performance targets, improved monitoring and enforcement, strengthening of legislations to prevent electricity thefts, up-gradation of electricity transmission and distribution network, provision of incentives to collectors and introduction of mechanism of at-source deduction. In addition, GoP has been able to significantly contain the accumulation of new arrears. Distribution Companies are moving towards the Multi-year Tariff Regime. This will help in implementation of divestment strategy of government for power sector entities.

Over the past four years, Pakistan has witnessed a landmark achievement in the shape of successfully tapping International capital market four times and each time received overwhelming response. The divestment programme, which was resumed after significant gap has helped to raise Rs 173 billion including over US\$ 1.1 billion from foreign investors. Transaction included the sale of minority stakes in United Bank Limited (UBL), Allied Bank Limited (ABL), Habib Bank Limited (HBL), and Pakistan Petroleum

Limited along with the strategic sale of National Power Construction Co. (NPCC).

Under a successful divestment programme, amounting to over \$1.1bn, shares in the banking and oil and gas sectors have been divested and strategic sale of a power company has been carried out. Pakistan Stock Exchange continues to outperform its regional peers over the last four years and has recently been reclassified in the Emerging Markets Index by Morgan Stanley Capital International. Pakistan's economic turnaround has been duly recognized by credit rating agencies, international development partners, think-tanks and independent economists.

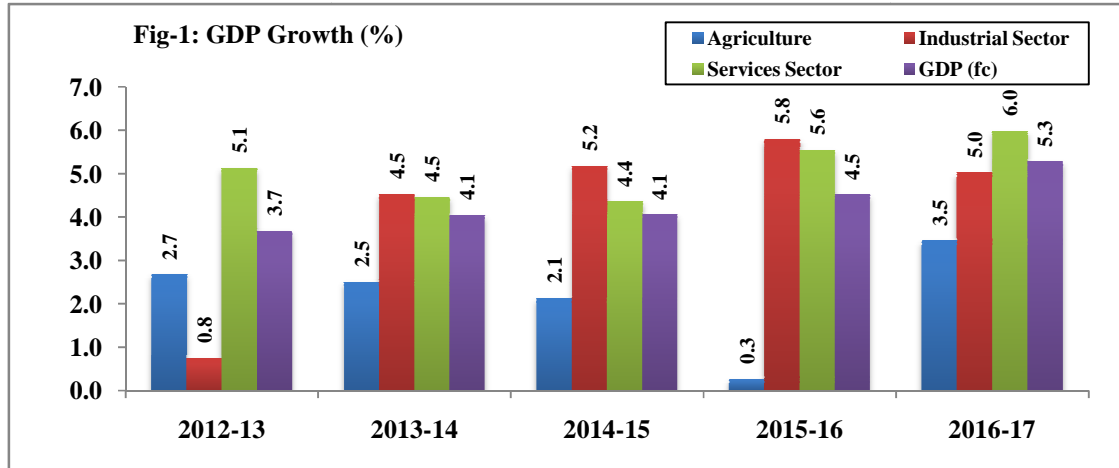
Moody's as well as Fitch have raised Pakistan's economic outlook from negative to stable, while Standards & Poor's revised its rating from stable to positive. The country also successfully completed a \$ 6.64bn Extended Fund Facility programme with the IMF. The IMF in its global economic outlook has added Pakistan in the list of emerging economies.

The maturity of the domestic debt portfolio has also been lengthened and is continuing to diversify our financing sources. All these developments show that Pakistan has made remarkable progress in restoring macroeconomic stability through a combination of stabilization and structural reforms and now all major economic indicators are stable and moving in the right direction.

Economy of Pakistan has continued the growth momentum as the GDP growth reached to 5.28 percent in 2016-17 against the growth of 4.5 percent registered last year. The economic growth in outgoing fiscal year is highest in the last decade, which is an indicator that there is a strong turn around in economic activities of the country. Agriculture sector registered a growth of 3.46 percent against the growth of 0.27 percent last year. Industrial sector witnessed the growth of 5.02 percent against 5.80 percent last year, large scale manufacturing posted growth of 4.61 percent against 3.29 percent last year. Services sector recorded 5.98 percent growth as

compared to 5.55 percent last year. Commodity producing sector on the whole accelerated by 4.26 percent as compared to 3.03 percent last

year. Fig-1 presents an overview of GDP growth and its major sectors over the last years.



Sectoral Performance of Growth

Pakistan has a diverse economy, broadly divided into three main sectors i.e. agriculture, industry and services. A sectoral analysis highlights the performance of various

components of the economy and also establishes interrelationship and importance of various sub-sectors of the economy in the growth process. The sectoral performance of economic growth is presented in Table-1.1.

Table 1.1: Growth Rate (%)

Sectors/Sub-Sectors	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 P
A. Agriculture	2.0	3.6	2.7	2.50	2.1	0.3	3.5
Crops	1.0	3.2	1.5	2.64	0.2	-5.0	3.0
Important Crops	1.5	7.9	0.2	7.22	-1.6	-5.5	4.1
Other Crops	2.3	-7.5	5.6	-5.71	2.5	0.6	0.2
Cotton Ginning	-8.5	13.8	-2.9	-1.33	7.2	-22.1	5.6
-Livestock	3.4	4.0	3.5	2.48	4.0	3.4	3.4
-Forestry	4.8	1.8	6.6	1.88	-12.4	14.3	14.5
-Fishing	-15.2	3.8	0.7	0.98	5.8	3.3	1.2
B. Industrial Sector	4.5	2.6	0.8	4.53	5.2	5.8	5.0
2. Mining & Quarrying	-4.4	5.2	3.9	1.4	5.0	6.91	1.3
3. Manufacturing	2.5	2.1	4.8	5.65	3.9	3.7	5.3
-Large Scale	1.7	1.1	4.5	5.46	3.3	2.9	4.9
-Small Scale	8.5	8.4	8.3	8.29	8.2	8.2	8.2
-Slaughtering	3.7	3.5	3.6	3.38	3.3	3.6	3.6
Electricity Generation & Distribution & Gas Distt.	63.9	1.4	-26.4	-0.74	13.5	8.4	3.4
4. Construction	-8.6	3.1	1.1	5.96	7.3	14.6	9.1
Commodity Producing Sector (A+B)	3.2	3.1	1.7	3.49	3.6	3.0	4.3
Services Sector	3.9	4.4	5.1	4.46	4.4	5.6	6.0
6. Wholesale & Retail Trade	2.1	1.7	3.5	4.77	2.6	4.3	6.8
7. Transport, Storage and Communication	2.4	4.6	4.0	3.90	5.1	4.8	3.9
8. Finance & Insurance	-4.2	1.6	8.3	4.31	6.4	6.1	10.8

Table 1.1: Growth Rate (%)

Sectors/Sub-Sectors	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 P
Housing Services (Ownership of Dwellings)	4.0	4.0	4.0	4.00	4.0	4.0	4.0
General Government Services	14.1	11.1	11.3	2.86	4.8	9.7	6.9
Other Private Services	6.6	6.4	5.3	6.22	6.1	6.8	6.3
GDP (fc)	3.6	3.8	3.7	4.05	4.1	4.5	5.3

Sources: Pakistan Bureau of Statistics

P: Provisional

Commodity Producing Sector

Commodity producing sector includes agricultural and industrial sectors of the economy. It is the most significant component of the economy as it has stronger forward and backward linkages for economic growth and development of the country. The share of commodity producing sector was 40.41 percent of GDP during outgoing fiscal year FY2017 as compared to 40.80 percent last year. It had a share of 41.8 percent in GDP in FY 2013, which is declining over time due to evolutionary stages of economic development as have prevailed in other countries of the world. In commodity producing sector, share of agriculture sector reduced to 19.53 percent due to lower growth in agriculture overtime and share of industry increased to 20.88 percent as compared to 20.4 percent in FY2013 due to better industrial facilitation by the government which led to improve performance of industrial sector in the country. Commodity producing sector has performed better in FY 2017 as compared to last year; it registered a growth of 4.26 percent during outgoing fiscal year as compared to 3.03 percent last year.

Agriculture Sector

Agriculture sector consists of crops, livestock, fishing and forestry sub-sectors. It accounts for 19.53 percent of GDP and employed bulk of the total work force. Agriculture contributes to growth as a supplier of raw materials to industry as well as a market for industrial products and is the major source of foreign exchange. Agriculture sector recorded a growth of 3.46 percent in FY 2017 as compared to 0.27 percent last year. The better performance of

agriculture is due to various measures of government under Kissan package to enhance agriculture produce like support price for production, significant increase in credit to agriculture sector, better arrangements for the provision of inputs like seed, fertilizers, insecticides and better arrangements for marketing. Moreover favorable weather conditions during the FY 2017 also helped to achieve better yield.

Industrial Sector

Industry is the second major component of the commodity producing sector of the economy. It has multi-dimensional direct and indirect linkages, which have spillovers effects on the economy. Industrial sector generates demand for agriculture produce using it as raw materials and also provides supplies of latest machineries and tools to modernize other sectors of the economy. It is a major source of tax revenues and also contributes in the provision of job opportunities to urban and rural labour force. Industrial sector contributes 20.88 percent in GDP; industrial sector recorded a growth of 5.02 percent as compared to 5.80 percent last year. During last three years industrial sector performance remained consistently above 5 percent, which is a clear indicator that industrial revival is taking place due to better policies of the government. It is also an indicator that confidence of businessmen is improving on government policies. Industrial sector has four sub-sectors including mining & quarrying, manufacturing, electricity generation & gas distribution and construction.

Services Sector

Services sector has 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). In Pakistan services sector also has a great potential to grow and the government is making best efforts to provide enabling environment to economic agents to tap its potential.

The performance of services sector has been better as compared to commodity producing sector for quite some time. This trend is continued in FY 2017 and services sector grew at 5.98 percent against the commodity producing sector growth of 4.26 percent. Services sector also surpassed the planned target and has emerged as the most significant driver of economic growth and is contributing a major role in augmenting and sustaining economic growth in the country. The share of the services sector has reached to 59.59 percent of GDP in FY 2017. Services sector has witnessed a growth of 5.98 percent as compared to 5.55 percent last year. Performance of services sector remained broad based, as all components of services contributed significantly in positive term, as Wholesale and Retail Trade grew by 6.82 percent, Transport, Storage and Communication by 3.94 percent, Finance and Insurance by 10.77 percent, Housing Services by 3.99 percent, General

Government Services by 6.91 percent and Other Private Services by 6.28 percent.

Contribution to Real GDP Growth

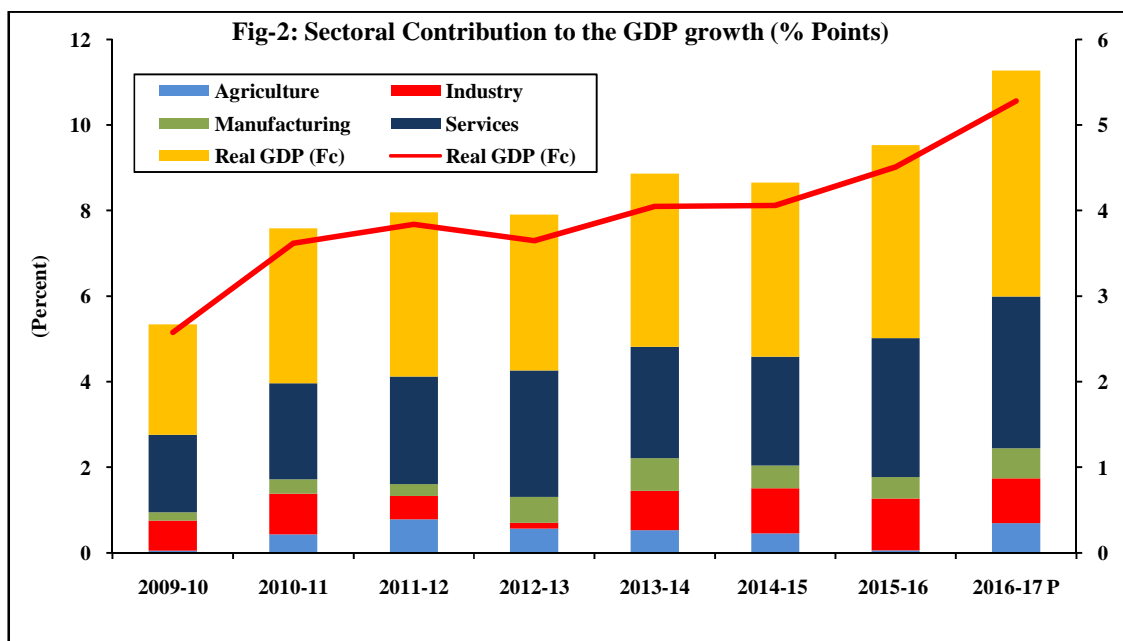
(Production Approach)

During FY2017 services sector remained dominant in the overall economic growth and also the commodity producing sector maintained its trend in supporting the overall magnitude of economic growth. Commodity producing sector contributed 32.96 percent to overall economic growth, out of which agriculture shared 13.07 percent and the industrial contribution remained 19.89 percent. The bulk of growth contribution came from services sector which was 67.05 percent.

GDP growth 5.28 percent is shared between the services and commodity producing (agriculture and industry) sectors of the economy. Out of the commodity producing sector, agriculture sector shared 0.69 percentage points to overall GDP growth as compared to 0.06 percentage points last year, while industrial sector contributed 1.05 percentage points in FY 2017 as compared to 1.21 percentage points of last year. It is encouraging that during FY2017 both components (agriculture & industry) of commodity producing sectors are significantly contributing in overall economic growth. The services sector contributed most dominantly by 3.54 percentage points as compared to 3.25 percentage in last year. An overview of the sectoral point contribution to the GDP growth of previous eight year is presented in Table-1.2.

Table 1.2: Sectoral Contribution to the GDP growth								(% Points)
Sector	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 P
Agriculture	0.05	0.43	0.79	0.57	0.53	0.45	0.06	0.69
Industry	0.71	0.95	0.54	0.13	0.92	1.06	1.21	1.05
- Manufacturing	0.19	0.34	0.28	0.61	0.76	0.53	0.50	0.71
Services	1.81	2.24	2.51	2.95	2.6	2.55	3.25	3.54
Real GDP (Fc)	2.58	3.62	3.84	3.65	4.05	4.06	4.51	5.28

Source: Pakistan Bureau of Statistics



Contribution to Real GDP Growth

(Expenditure Side Analysis)

Consumption, investment and exports are the main drivers of economic growth under the expenditure approach, which is also recognized as aggregate demand side of the economy. Aggregate demand or the output is the sum of consumption (both private and public), investment (public and private) and net exports of goods and services. Consumption is recognized as the largest and relatively smooth component of aggregate demand, as compared to other components including investment and exports. Pakistani society like other most of the developing countries is a consumption oriented society, having high marginal propensity to consume; as a result consumption of private sector is recognized as the largest component of aggregate demand of the economy.

The sectoral analysis of expenditure approach provides a more wide-ranging insight of growth drivers containing consumption, investment and exports. The private consumption expenditure in nominal terms reached to 79.94 percent of GDP in FY 2017 as compared to 77.76 percent last year, whereas public consumption expenditures were 11.78 percent of GDP as

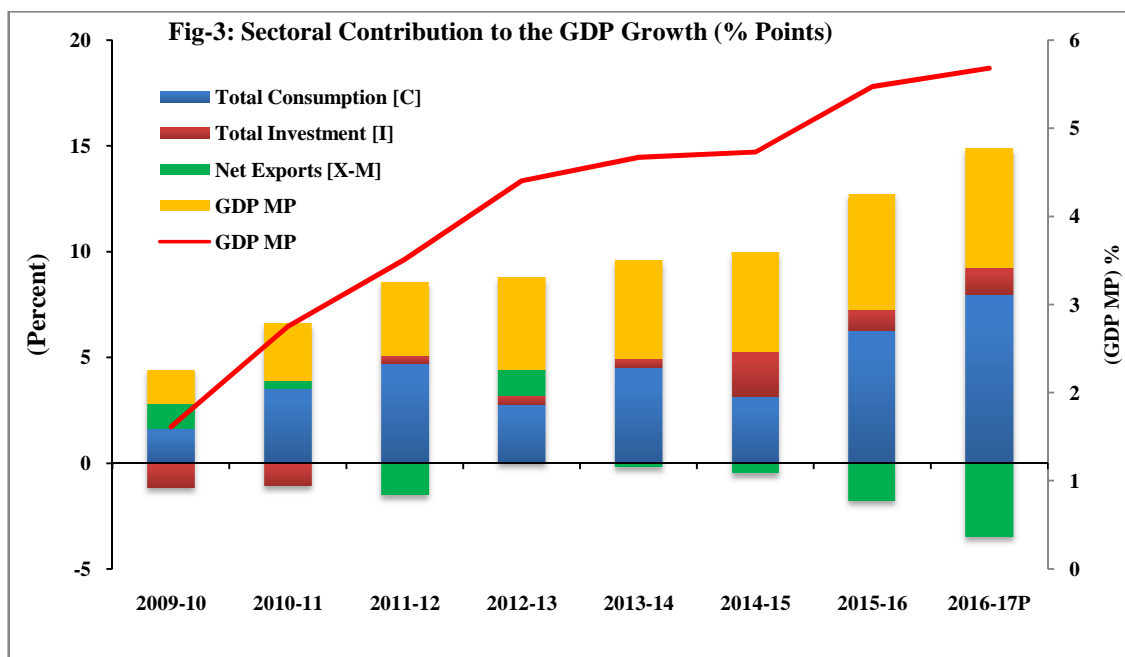
compared to 11.25 percent last year.

During FY2017 the growth continued the previous trend with major contribution by private consumption largely due to remittances inflows, better growth in agriculture, small scale manufacturing and services sector. Consumption shared 7.92 percentage points to overall economic growth, while the investment contributed 1.28 percentage points, and net exports contribution is negative (-3.52) percentage points. Consumption remained the major contributing factor in economic growth; investment also continued its supporting role. The contribution of net exports remained negative due to lower exports and higher imports. However, it is important to note that the imports of machineries and growth supporting inputs have increased significantly, which will increase productive capacity of the economy and boost growth process in coming years. It is encouraging that domestic demand continued for economic growth just like previous years with major contribution from private consumption in sustaining aggregate demand. The point contribution of these determinants to GDP growth is presented in the Table-1.3.

Table-1.3: Composition of GDP Growth**Point Contribution**

Flows	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17P
Private Consumption	3.51	3.92	1.69	4.32	2.26	5.31	6.72
Public Consumption	0.00	0.74	1.05	0.16	0.86	0.90	1.20
Total Consumption [C]	3.51	4.66	2.74	4.49	3.12	6.21	7.92
Gross Fixed Investment	-1.16	0.33	0.34	0.33	2.03	0.95	1.19
Change in Stocks	0.04	0.06	0.07	0.07	0.08	0.09	0.09
Total Investment [I]	-1.11	0.38	0.42	0.41	2.10	1.04	1.28
Exports (Goods & Serv.) [X]	0.33	-2.05	1.53	-0.18	-0.73	-0.17	-0.02
Imports (Goods & Serv.) [M]	-0.02	-0.52	0.28	0.04	-0.24	1.61	3.50
Net Exports [X-M]	0.35	-1.54	1.24	-0.22	-0.50	-1.78	-3.52
Aggregate Demand (C+I+X)	2.73	2.99	4.68	4.71	4.50	7.08	9.18
Domestic Demand (C+I)	2.40	5.04	3.15	4.89	5.23	7.25	9.20
GDP MP	2.75	3.51	4.40	4.67	4.73	5.47	5.68

Source: Pakistan Bureau of Statistics

**Composition of Gross Domestic Product**

Pakistan has been experiencing structural transformation in its economy like other growing economies; its GDP structure has undergone significant changes during last few decades. Developments in the fields of science and technology with latest innovations contributed in picking up all sector of the economy but the pace of transformation varies among various sectors depending on the dynamics of the sectors. Manufacturing and services sectors got relatively more paybacks as compared to agriculture sector. Government's

plans and policy measures also played their role in picking up all sectors of the economy. Like other countries agriculture sector has some obstacles including structural, cultural and climatic factors due to which it could not grow consistently at higher rate in sustainable ways. In Pakistan manufacturing and services sectors performed better and benefitted more from government policies along with scientific and technological developments as compared to agriculture as agriculture is largely weather dependent, which makes it volatile and inconsistent in performance as surplus income

and new investment focused on non-agriculture have higher and consistent profit opportunities. Composition of the economy has changed over time, in 1969-70 agriculture was the largest commodity producing sector with 38.9 percent contribution in GDP, which has reduced to 19.53 percent in FY 2017; indicating that the share of the agriculture has been declining over

time in favor of the non-agriculture sector. The share of services sector has increased to 59.59 percent in FY 2017 showing an increasing share of the services sector in GDP over time. The share of all major sectors and associated sub-sectors of GDP in recent years is presented in Table-1.4.

Table 1.4: Sectoral Share in Gross Domestic Product (GDP)

Sectors/Sub-Sectors	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17P
Commodity Producing Sector (A+B)	42.9	42.6	41.8	41.6	41.4	40.8	40.4
Agriculture	21.7	21.6	21.4	21.10	20.7	19.9	19.5
1. Crops	8.8	8.8	8.6	8.5	8.2	7.4	7.3
Important Crops	5.3	5.5	5.4	5.5	5.2	4.7	4.7
Other Crops	2.9	2.6	2.6	2.4	2.4	2.3	2.2
Cotton Ginning	0.6	0.7	0.6	0.6	0.6	0.5	0.5
2. –Livestock	11.9	11.9	11.9	11.7	11.7	11.6	11.4
3. –Forestry	0.5	0.5	0.5	0.5	0.4	0.4	0.5
4. –Fishing	0.5	0.5	0.4	0.4	0.4	0.4	0.4
B. Industrial Sector	21.2	21.0	20.3	20.5	20.7	20.9	20.9
1. Mining & Quarrying	3.0	3.0	3.0	2.9	3.0	3.2	2.9
2. Manufacturing	13.4	13.2	13.4	13.6	13.6	13.5	13.5
-Large Scale	11.0	10.8	10.8	11.0	10.9	10.7	10.7
-Small Scale	1.5	1.5	1.6	1.7	1.7	1.8	1.8
-Slaughtering	0.9	0.9	0.9	0.9	0.9	0.9	0.9
3. Electricity Generation & Distribution & Gas Distt	2.4	2.4	1.7	1.6	1.8	1.8	1.8
4. Construction	2.4	2.4	2.3	2.3	2.4	2.7	2.7
C. Services Sector	57.1	57.4	58.2	58.4	58.6	59.2	59.6
1. Wholesale & Retail Trade	18.8	18.4	18.4	18.5	18.3	18.2	18.5
2. Transport, Storage and Communication	13.1	13.2	13.3	13.3	13.4	13.4	13.3
3. Finance & Insurance	3.0	2.9	3.1	3.1	3.2	3.2	3.4
4. Housing Services (Ownership of Dwellings)	6.7	6.7	6.8	6.8	6.8	6.7	6.6
5. General Government Services	6.2	6.7	7.2	7.1	7.1	7.5	7.6
6. Other Private Services	9.1	9.4	9.5	9.7	9.9	10.1	10.2
GDP (fc)	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Pakistan Bureau of Statistics

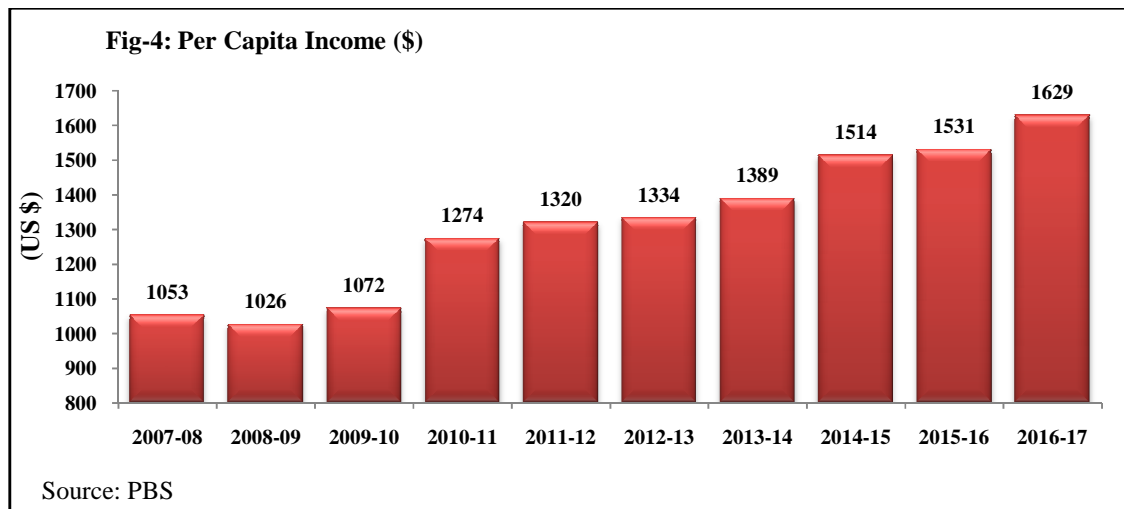
Per Capita Income

Per capita income is one of the main indicators of economic well-being. It is historically one of the most commonly used economic indicator which captures the level of economic development of the country and also compares well-being among different countries of the world. Per capita income reflects average standards of living of people in the country. It is calculated as Gross National Product at market

prices in dollar term divided by the country's population size. Per Capita Income in dollar terms has witnessed a growth of 6.4 percent in FY 2017 as compared to 1.1 percent last year.

The per capita income in dollar terms has increased from \$ 1,531 in FY 2016 to \$ 1,629 in FY 2017. Main contributing factors for the rise in per capita income are higher real GDP growth, lower growth in population and stability of Pak Rupee. Fig-8 shows

improvement in per capita income over last ten years.



Investment and Savings

The process of economic growth and investment/capital formation is closely integrated. According to World Bank (1989), GDP growth is higher for those countries, which have relatively higher investment/GDP ratio. Investment and business environment in Pakistan remained fragile in past years due to internal and external factors. Now situation has improved and investment is moving on an upward trajectory on the back of improved macroeconomic fundamentals and government policies. The government's efforts to improve Pakistan's business climate to attract higher investment inflows have been underpinned by the National Doing Business Reform Strategy 2016. As a result of the successful implementation of key short term reform measures, Pakistan's ranking on the World Bank's Ease of Doing Business index has improved by four points to 144 out of 190 economies in Doing Business Report 2017 and the country has been recognized as one of the top ten reformers globally in the area of business regulation.

The public investment has often been taken as a catalyst for private investment. The government focused on increasing public sector development spending. There is phenomenal

increase in PSDP since 2013 from Rs 348.27 billion during FY 2013 to Rs.800 billion in FY 2017. A number of massive infrastructure, power and other projects have been initiated which remained instrumental in attracting private sector investment. Over the medium term the target is to increase investment to 20 percent of GDP from its present level of 15.78 percent.

Total investment has reached to the level of Rs 5026 billion as compared to the Rs 4526 billion last year, showing growth of 11.05 percent in FY 2017. Investment to GDP ratio has reached 15.78 percent in FY 2017. Fixed investment has increased to Rs 4517 billion as compared to Rs 4061 billion last year recording growth of 11.23 percent, and fixed investment as percentage of GDP is recorded at 14.18 percent. Private investment has registered a growth of 6.63 percent and private investment as percentage of GDP reached 9.90 percent. Public investment grew by 23.55 percent, and as percentage of GDP it has increased from 3.79 percent to 4.28 percent, which is a clear reflection that government expenditure strategy is development oriented. It has spillover effects on private sector investment as private sector development is facilitated through public sector development spending particularly on infrastructure. Public Sector Investment

increased to Rs 1363 billion in FY 2017 compared to Rs 1103 billion in FY 2016.

Savings has long been considered as an engine for economic growth. Countries that had made sustained accumulation of fixed capital have been able to achieve higher and sustained economic growth and development than other countries. The accumulation of fixed capital over long run can only be possible through sufficient savings.

Savings create capital formation and it further leads to technical innovation and progress which help the economies with large-scale production and increases specialization, helps to accelerate the productivity of labour, further resulting in increased GDP.

National savings play a dominant role in achieving desired level of investment to reach the planned target of economic growth. Contribution of national savings to domestic

investment is the mirror image of foreign savings required to meet the investment demand. The foreign savings are needed to finance saving investment gap. National savings were 13.1 percent of GDP in FY2017 against 14.3 percent last year. Domestic savings are recorded at 7.5 percent of GDP in outgoing fiscal year as compared to 8.2 percent of GDP last year. The slight decline in savings may be due to lower profits on saving schemes but government efforts under new initiatives to encourage savings along with higher GDP growth will increase saving capacity and savings will increase in coming period. Net foreign resource inflows finance the saving investment gap. It is essential for sustainable growth that saving investment gap should be filled in a prudent way. The government is trying to gear up both savings and investment to increase required growth and to absorb surplus labour force in development process of the country. Table 1.5 presents saving and investment level over time.

Saving-Investment Gap

Table1.5: Saving-Investment Gap (Rs. billion)			
	Investment	National Savings	Saving-Investment Gap
2005-06	1,588	1,251	-337
2006-07	1,736	1,290	-446
2007-08	2,043	1,175	-868
2008-09	2,316	1,590	-727
2009-10	2,350	2,019	-331
2010-11	2,581	2,599	18
2011-12	3,022	2,607	-416
2012-13	3,348	3,107	-241
2013-14	3,684	3,362	-322
2014-15	4310	4036	-274
2015-16	4527	4173	-354
2016-17	5027	4168	-858

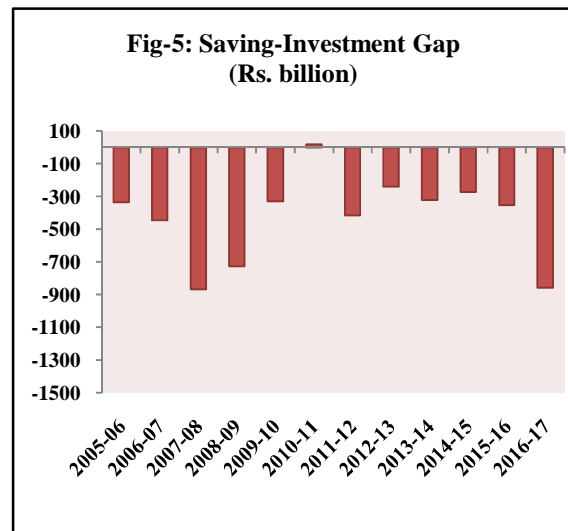


Table 1.6 shows saving and investment as percentage of GDP and Fig-9 indicates saving-investment behaviour. Private investment recorded last year was Rs. 2958 billion and it expanded to Rs. 3154 billion during outgoing

fiscal year. This increase in private investment is an indicator that investment climate is improving in the country and private investors are showing confidence in government policies.

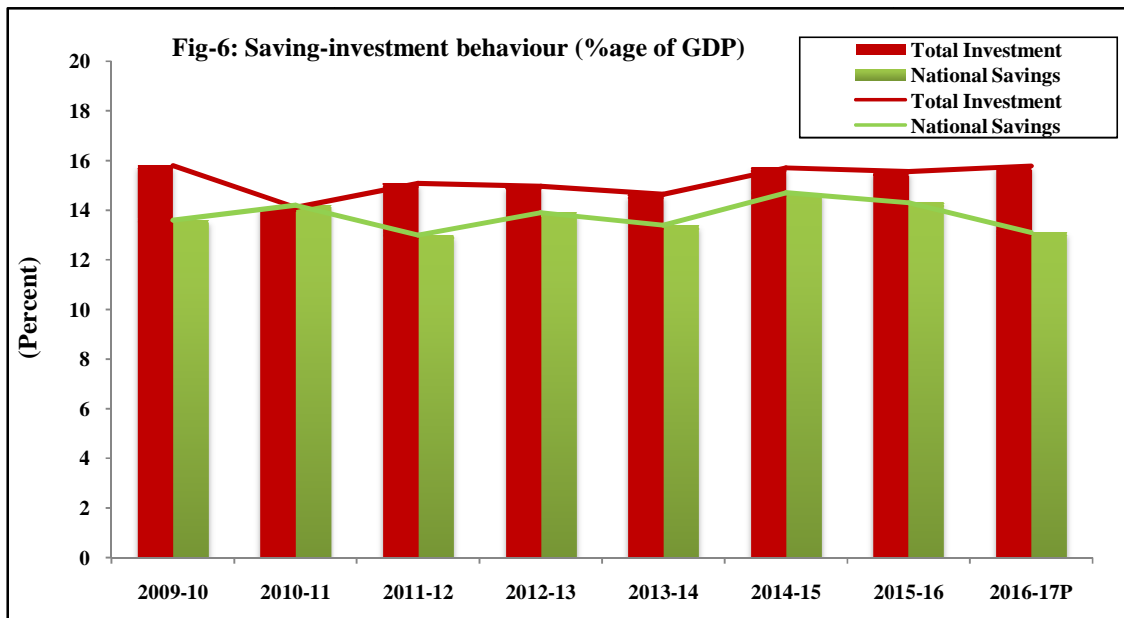
Growth and Investment

Table 1.6: Structure of Savings and Investment (As Percent of GDP)

Description	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17P
Total Investment	14.11	15.08	14.96	14.64	15.71	15.55	15.78
Changes in Stock	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Gross Fixed Investment	12.52	13.48	13.36	13.04	14.11	13.95	14.18
-Public Investment	3.23	3.75	3.52	3.17	3.75	3.79	4.28
-Private Investment	9.29	9.73	9.84	9.87	10.36	10.16	9.90
Foreign Savings	-0.10	2.07	1.08	1.28	1.00	1.22	2.69
National Savings	14.2	13.0	13.9	13.4	14.7	14.3	13.1
Domestic Savings	9.7	7.84	8.7	7.7	8.6	8.2	7.5

Source: EA Wing Calculations

P: Provisional



Foreign Direct Investment

The global integration of economies has provided an opportunity to developing countries to adopt liberalized policies to attract foreign direct Investment (FDI). Special Economic Zones (SEZs) have helped in attracting FDI. Pakistan has a great potential to attract foreign investment due to abundant resources, large market with growing middle class and better geographical location relative to other countries. Due to better policies and initiatives of present government, Pakistan is becoming a favourite destination for investors and investment climate is improving on fast track.

The FDI Strategy 2013-17 outlines a conceptual framework for cooperation of economic sectors in Pakistan in both public and private sectors, towards mobilizing the Private Investments (domestic and foreign) that are required to achieve Pakistan's economic targets. Board of Investment (BOI) is providing orientation and facilitation to investors through a comprehensive facilitation package of investment.

BOI hosted the first meeting of Heads of Economic Cooperation Organizing (ECO) Investment Promotion Agencies (IPAs) in

Islamabad on 26th December, 2016. The representatives of the ECO countries (Afghanistan, Iran, Turkey and Azerbaijan) presented their country statements with regard to Investment policy, business environment, regulatory frameworks, role of IPA's and potential of trade & investment available in their countries. Enhanced cooperation was stressed in investment and trade areas as vital to economic integration of the Member States.

BOI organized Pakistan – Italy Investment and Trade Forum in collaboration with Italian Embassy in Pakistan on 6th December, 2016. A delegation of fifty prominent Italian businessmen belonging to Infrastructure and construction, renewable energy, mechanics for agriculture and food processing, mechanics for textile and leather, and mechanics for marble and stones participated in the forum. It was the first ever comprehensive business mission of Italy in Pakistan and the second largest business delegation to South-East Asia after China, 250 prominent businessmen from Pakistan side participated in the Forum. The event provided an opportunity for Pakistani Business Community to showcase to the Italians, the opportunities that Pakistan has to offer and the potential of its growing market.

The Pakistan-Turkey Investment Round Table meeting was also organized on 17th November, 2016 in Islamabad during the official visit of Turkish President Mr. Recep Tayyip Erdogan to Pakistan. The Investment Round Table was attended by Ministers from Pakistan and Turkey as well as Presidents and CEO's of different National and Multinational Pakistani and Turkish Companies.

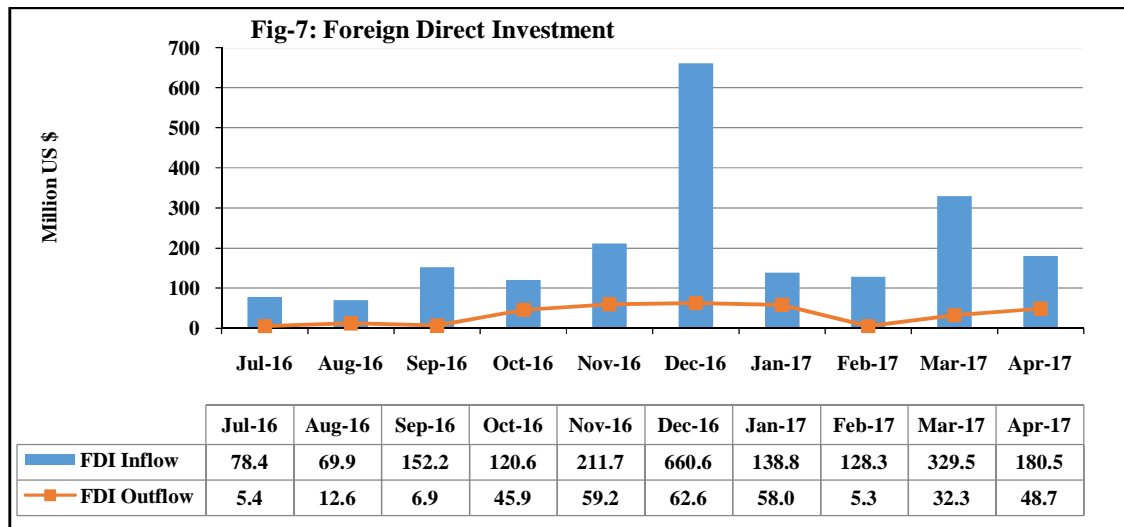
BoI also organized Pakistan-Belarus Investment and Business Forum on 05th October, 2016 at Islamabad during the visit of President of Belarus to Pakistan. The forum was jointly inaugurated by President of Belarus and Prime Minister of Pakistan. A fifty four member Belarusian delegation participated in the event where as 146 officials and private sector businessmen comprising various sectors such

as agriculture, dairy, textile, fertilizer, automotive, machinery and chemicals sectors attended the forum. The Ministries (Industries & production, Petroleum & Natural Resources, National Food Security and Research and Textile) made presentations and highlighted the investment opportunities and sectoral policies.

BoI in coordination with Business France organized roundtable business forum on 13th September, 2016 at Paris, France. Chairman, BOI led a seven member's delegation and made a detailed presentation on Investment Climate in Pakistan. Chairman, BoI also met the representatives from both private and public sectors including French Federation of Energy Producers, President France-Pakistan Friendship Group, Gemalto, Total, Credit Agricole Bank, French Finance Minister etc.

BoI also shared a presentation on Investment Environment, Legal Framework and Special Economic Zones in Pakistan with Chamber of Commerce & Industry, Oman. It highlighted economic turnaround in Pakistan, ongoing FDI activity, potential for exports to Oman, Ports connectivity, ferry service, CPEC and cooperation in Oil & Gas sector.

During July-April FY 2017 FDI amounted to \$1.733 Billion compared to \$1.537 Billion during same period last year, posting growth of 12.75 percent. While on YoY basis, it registered a significant growth of 17.1 percent in April 2017. The major FDI inflows during the period under review were from China (\$ 744.4 Million), Netherland (\$478.6 Million), France (\$171.0 Million), Turkey (\$137.7 Million), US (\$103.2 Million), U.A.E (\$ 48.4 Million), UK (\$47.6 Million), Italy (\$ 47.4 Million), Japan (\$ 42.1 Million) and Germany (\$ 40.5 Million). Food, Power, Construction, Electronics, Oil & Gas exploration, Financial Business and Communication remained the main recipient sectors. FDI inflows continued to maintain a moderate pace marked by improvement in multinationals' confidence in the country's economy.



Worker's Remittances

According to World Bank's Migration and Remittances Report (2017), remittance flows to developing countries are estimated to have declined by 2.4 percent in 2016, after a decline of one percent in 2015. This is the first time in recent history that remittances flows have declined for two successive years. Remittances were impacted by weak economic growth in Europe, the Russian Federation, and the Gulf Cooperation Council (GCC) countries and exchange controls, burdensome regulations, and anti-migrant policies in many countries. Remittances to the South Asia region declined by 6.4 percent in 2016 in the face of lower oil prices and fiscal tightening in the GCC countries. According to the World Bank Report, Pakistan is the fifth top remittance receiving country in the world. In 2016, remittances to India declined by 8.9 percent and in

Bangladesh, declined by 11.1 percent but remittance flows to Pakistan increased by 6.39 percent in the same period. In Pakistan, workers' remittances have contributed positively in the stability of external account balances during recent years.

During July-April FY2017, remittances reached the level of US\$ 15.6 billion compared with US\$ 16 billion in July-April FY2016. During July-April FY2017, the major share of remittances is from Saudi Arabia 29.0 percent (US\$ 4,517.2 million), U.A.E 22.2 percent (US\$ 3,468.4 million), USA 12.4 percent (US\$ 1,929.3 million), Other GCC countries 12.1 percent (US\$ 1,881.2 million), U.K 11.8 percent (US\$ 1,846.7 million), EU 2.4 percent (US\$ 374.4 million) and Other Countries 10.1 percent (US\$ 1,579.0 million). Remittance inflows from 2009-10 onwards are presented in table 1.7.

Table: 1.7 -Country Wise Worker's Remittances Million US\$

Country	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Jul-April
USA	1,771.19	2,068.67	2,334.47	2,186.24	2,467.65	2,702.70	2,522.92	1,929.29
U.K.	876.38	1,199.67	1,521.10	1,946.01	2,180.23	2,376.20	2,579.06	1,846.68
Saudi Arabia	1,917.66	2,670.07	3,687.00	4,104.73	4,729.43	5,630.40	5,968.4	4,517.2
U.A.E.	2,038.52	2,597.74	28,48.86	2,750.17	3,109.52	4,231.80	4,365.27	3,468.41
Other GCC Countries	1,237.86	1,306.18	1,495.00	1,607.88	1,860.03	2,173.00	2,422.68	1,881.22
EU Countries	252.21	354.76	364.79	357.37	431.85	364.1	417.69	374.43
Other Countries	812.08	1,003.88	935.4	969.26	1,059.00	1,241.70	1,638.58	1,579.05
Total	8,905.90	11,200.97	13,186.62	13,921.66	15,837.71	18,719.80	19,914.6	15,596.28

Source :State Bank of Pakistan

It is important to note that slow down in remittances to Pakistan is mainly attributed to the following factors:

- a) Sharp decline in oil prices;
- b) In Middle East work on a number of development projects has been slowed/stopped. Consequently, a number of companies have adopted policies of wage cuts and slashed down employment in different sectors, particularly in construction sector;
- c) Increased customer disclosure requirements in US that raised the compliance cost for Banks/MSBs led to a decline in remittances from US during the current fiscal year;
- d) Money Service Businesses (MSBs) in UK and Australia are facing problems in transferring funds due to closure of bank accounts as banks adopted wholesale de-risking policy in these jurisdictions. MSBs without a bank account have to share their income with other entities for transferring their funds. Consequently, MSBs find third party settlement more convenient than transferring funds through banking system, which is supporting Hawala transactions;
- e) In FY17, decline in remittances from UK is mainly due to solely responsible to a sharp depreciation in British Pound (around 19 percent relative to pre-Brexit poll).

It is expected that inflow of remittances would increase in the last two months of FY2017 on account of month of Ramadan and Eid ul Fiter hat would help compensate the decline in remittances during the entire fiscal year. The present government is trying to increase its labour force participation in infrastructure activities in the Gulf region.

Moreover, Pakistan Remittance Initiative (PRI), jointly launched by Ministry of Finance, State Bank of Pakistan and Ministry of Overseas Pakistanis, is also making efforts to promote the use of formal channels for the remittances transfer by enhancing domestic and overseas outreach of financial sector. PRI, in coordination with banks, is also conducting awareness sessions at Protectorate of Emigrant Offices across Pakistan.

Global Developments

The global dynamics in political economy remained significant and their impact is realized on the global economic activities and trade performance. World growth is forecast to increase from an estimated 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018, with the main impetus to growth in world output coming from buoyant financial markets and recovery in manufacturing and trade. The rise in global activities is mainly from developments in emerging markets and developing economies. Economic performance of many emerging economies and developing countries are projected to pick up noticeably due to expected improvement in commodity exports, supported by the partial recovery in commodity prices.

Growth in the group of emerging markets and developing economies is forecast to remain at 4.5 and 4.8 percent in 2017 and 2018, respectively. In advanced economies, the rising momentum is mainly driven by forecast of higher growth in the United States, from 1.6 percent in 2016 to 2.5 percent in 2018, reflecting the assumed expansionary fiscal policy and an improvement in confidence of economic agents.

The outlook has also improved for Japan and in some members of the Euro area based on a cyclical recovery in global manufacturing and trade that started in the second half of 2016. Growth in the United Kingdom is projected to be 2.0 percent in 2017 before declining to 1.5 percent in 2018 reflecting the stronger-than-expected performance of the U.K in the aftermath of the June 2016 referendum in favour of leaving the European Union (Brexit).The Japanese economy appears better poised for a recovery due to strong net exports. A comprehensive revision of the national accounts led to an upward revision of historical growth rates. Growth prospects in some members of Euro area have improved. France and Portugal observed economic recovery as a result of strong domestic demand.

Turkey, as a free-market economy has

performed well since 2000, in the backdrop of macroeconomic and fiscal stability, making it an upper-middle-income country. In the first-half of 2016, the economy decelerated against the backdrop of political unrest and rising geopolitical conflicts. Following a revised 4.7 percent increase in the first-quarter, GDP expanded 3.1 percent annually in the second-quarter, the slowest increase since 2015.

Growth in commodity-exporting advanced economies is forecasted to recover in 2017 with projected increase of 1.2 percent in Norway, 1.9 percent in Canada, and 3.1 percent in Australia. This recovery is also supported by accommodative monetary policies, supportive fiscal policies, infrastructure investments improving sentiment following the upturn in commodity prices.

Among other advanced economies in Asia, recovery in economic growth for 2017 is projected in Hong Kong 2.4 percent and Singapore to 2.2 percent, partially due to expected recovery in China's import demand. In contrast, a marginal decline in growth is forecasted for South Korea to 2.7 percent in 2017 reflecting weaker private consumption due to expiration of temporary supportive measures, ongoing political uncertainty and high household debt.

Economic performance in emerging markets and developing economies has remained mixed. China growth remains better primarily due to continued policy support in the form of strong credit growth and reliance on public investment to achieve growth targets. Economic activity slowed in India due to impact of currency exchange initiatives. Brazil remained in recession in 2016 but some recovery is expected in 2017 and it will further strengthen in 2018, while geopolitical factors held back growth in parts of the Middle East and Turkey.

The growth outlook for the Middle Eastern countries has weakened in 2017. Saudi Arabia has an oil-based economy. A long-term plan known as Saudi Vision 2030 along with National Transformation Programme has been launched to reshape the economy. By diversifying the economy and implementing a

gradual but sizeable and sustained fiscal consolidation, the kingdom is undergoing the biggest economic shakeup in the country's history in an attempt to reduce its reliance on oil. Lower oil prices continued to spark a domestic financial crisis in 2016. The real GDP growth slowed to 1.4 percent in 2016 from 4.1 percent in 2015. Growth in Saudi Arabia, is forecasted to slow by 0.4 percent in 2017 primarily due to lower oil production and ongoing fiscal consolidation, but it will start picking up to 1.3 percent in 2018.

The UAE is one of the Middle East's most important economic centers. A massive construction boom, an expanding manufacturing base and a thriving services sector are supporting economic diversification. Although UAE has become a regional trading and tourism hub, particularly Dubai, most of the UAE remains heavily dependent on oil revenues. As a result, the economy has been strongly affected by the decreasing oil prices since the second-half of 2014. In 2015, it was hit by low oil prices, a slowdown in government spending, falling real estate prices in Dubai, and lower global trade volumes.

In 2017, UAE is expected to focus on non-oil sectors to drive the GDP growth. The importance of non-oil economic activities has grown steadily. From 2017 onwards, UAE is expected to lead economic growth in the Arabian Gulf as oil production is expected to rise due to investments in oilfield development.

It is expected that most of the of Middle Eastern countries will perform relatively better in 2018. In Egypt, broad reforms are supposed to impact significantly on growth dividends and growth is expected to increase from 3.5 percent in 2017 to 4.5 percent in 2018.

Iran has adopted a comprehensive strategy encompassing market-based reforms as envisaged in the government's 20-year vision document and the sixth five-year development plan for 2016-2021. Afghanistan is strategically located between South and Central Asia and offers lucrative business opportunities. Over 30 years of conflict has left Afghanistan one of the poorest countries in the world. Large population

continues to suffer from shortages of housing, clean water, electricity, medical care, and jobs. Afghanistan's economy is recovering from decades of conflict and has improved significantly, largely because of the international assistance owing to the recovery of the agricultural and service sector. The country is highly dependent on foreign aid despite the progress made over the last decade. In 2017 the government will face multiple challenges as this year was strategically and economically critical for Afghanistan. Stronger growth is predicated on improvements in security, political stability, reform progress, and continued high levels of aid.

Russia has been in recession for nearly two years as oil prices have slumped and western sanctions have been imposed. The combination of falling oil prices and sanctions hit the country hard, causing capital flight. The IMF is of the view that the steps Russia took to mitigate the crisis had helped lessen the impact of recession. According to the IMF and World Bank, Russia's economic outlook has improved and is set to return to growth as soon as next year.

Economic activity is projected to accelerate slightly in 2017 in ASEAN- economies (Indonesia, Malaysia, Philippines and Vietnam). Thailand is forecasted to recover from a temporary dip in tourism and consumption in late 2016. Growth in 2017 is projected to be 5.1 percent in Indonesia, 4.5 percent in Malaysia, 6.8 percent in the Philippines, and 6.5 percent in Vietnam. In these economies, the recovery in growth is strengthened to a significant extent by stronger domestic demand and, in the Philippines, by higher public spending in particular.

Most of the African countries are expected to record a strong to modest economic growth in 2017 which will further strengthen in 2018 on the back of reforms initiatives and increase in domestic and global demand. Despite continuing geopolitical uncertainty, rise in oil prices and concerns about rising fiscal and current account imbalances, the collective impact has so far been significantly muted. While the current regional and global outlook offers some optimism, there are nevertheless some important domestic risks to which all policy makers need to be ready to respond. Macroeconomic imbalances continued to pose a risk to global economic growth.

In South Asia, Pakistan's growth performance is improving continuously as the country continued on the path of achieving higher and broad based economic growth due to comprehensive reform initiatives of the government. The broad based recovery momentum is expected to continue at healthy pace with growth forecast of 6.0 percent in FY 2018 supported by ongoing reforms process and infrastructure development drive under the CPEC.

Pakistan's economy builds on strong economic fundamentals that have undergone substantial structural transformation and in fuelling rapid changes in consumption and production patterns along with infrastructure development spending. The enhanced, cheaper and easy access to credit is boosting new entrepreneurship as well as changing consumption pattern. The emerging and growing middle class is becoming an increasingly dominant force in the development process of Pakistan.

Table-1.8: Comparative Real GDP Growth Rates (%)

Region/Country	2010	2011	2012	2013	2014	2015	2016	2017	2018 (P)
World GDP	5.4	4.2	3.5	3.4	3.5	3.4	3.1	3.5	3.6
Euro Area	2.1	1.5	-0.9	-0.3	1.2	2.0	1.7	1.7	1.6
United States	2.5	1.6	2.2	1.7	2.4	2.6	1.6	2.3	2.5
Japan	4.2	-0.1	1.5	2.0	0.3	1.2	1.0	1.2	0.6
Germany	4.0	3.7	0.7	0.6	1.6	1.5	1.8	1.6	1.5
Canada	3.1	3.1	1.7	2.5	2.6	0.9	1.4	1.9	2.0
Emerging Market and Developing Economies	7.4	6.3	5.4	5.1	4.7	4.2	4.1	4.5	4.8

Growth and Investment

Table-1.8: Comparative Real GDP Growth Rates (%)

Region/Country	2010	2011	2012	2013	2014	2015	2016	2017	2018 (P)
China	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.6	6.2
Hong Kong SAR	6.8	4.8	1.7	3.1	2.8	2.4	1.9	2.4	2.5
Korea	6.5	3.7	2.3	2.9	3.3	2.8	2.8	2.7	2.8
Singapore	15.2	6.2	3.9	5.0	3.6	1.9	2.0	2.2	2.6
Turkey	8.5	11.1	4.8	8.5	5.2	6.1	2.9	2.5	3.3
Russia	4.5	4.0	3.5	1.3	0.7	-2.8	-0.2	1.4	1.4
Vietnam	6.4	6.2	5.2	5.4	6	6.7	6.2	6.5	6.3
ASEAN									
Indonesia	6.4	6.2	6	5.6	5	4.9	5.0	5.1	5.3
Malaysia	7.5	5.3	5.5	4.7	6	5	4.2	4.5	4.7
Thailand	7.5	0.8	7.2	2.7	0.9	2.9	3.2	3.0	3.3
Philippines	7.6	3.7	6.7	7.1	6.2	5.9	6.8	6.8	6.9
South Asia									
India	10.3	6.6	5.5	6.5	7.2	7.9	6.8	7.2	7.7
Bangladesh	6	6.5	6.3	6	6.3	6.8	6.9	6.9	7.0
Sri Lanka	8	8.4	9.1	3.4	4.9	4.8	4.3	4.5	4.8
Pakistan*	2.6	3.6	3.8	3.7	4.05	4.06	4.5	5.3	6.0
Middle East									
Saudi Arabia	4.8	10.3	5.4	2.7	3.7	4.1	1.4	0.4	1.3
Kuwait	-2.4	10.9	7.9	0.4	0.6	2.1	2.5	-0.2	3.5
Iran	6.6	3.7	-6.6	-1.9	4.0	-1.6	6.5	3.3	4.3
Egypt	5.1	1.8	2.2	3.3	2.9	4.4	4.3	3.5	4.5
Qatar	18.1	13.4	4.7	4.4	4.0	3.6	2.7	3.4	2.8
UAE	1.6	4.9	7.1	4.7	3.1	3.8	2.7	1.5	4.4
Africa									
Algeria	3.6	2.8	3.3	2.8	3.8	3.8	4.2	1.4	0.6
Morocco	3.8	5.2	3	4.5	2.6	4.5	1.5	4.4	3.9
Tunisia	2.6	-1.9	3.9	2.4	2.3	1.1	1.0	2.5	3.1
Nigeria	11.3	4.9	4.3	5.4	6.3	2.7	-1.5	0.8	1.9
Kenya	8.4	6.1	4.6	5.7	5.3	5.6	6.0	5.3	5.8
South Africa	3	3.3	2.2	2.5	1.7	1.3	0.3	0.8	1.6

Source: World Economic Outlook (IMF), April 2017.

*: Finance Division, Government of Pakistan, P: Projected.

Conclusion

The present government after coming into power initiated a number of major steps for removal of bottlenecks like energy shortage, restructuring of PSEs, creating conducive

investment climate, bridging fiscal & current account deficits. The government remained successful in achieving macroeconomic stability and is now focused on attaining highest sustainable and inclusive economic growth.

Agriculture

Agriculture is the lifeline of Pakistan's economy accounting for 19.5 percent of the gross domestic product, employing 42.3 percent of the labour force and providing raw material for several value-added sectors. It thus plays a central role in national development, food security and poverty reduction. The rapid growth of Pakistan's urban areas indicate that demand for high-value perishable products such as fruits, vegetables, dairy, and meat is rising. Government is focusing to increase the yield for rural growers through major infrastructure investments including reliable transport networks and other building blocks for modern supply chains. CPEC will go a long way in the enhancement of agribusiness benefits by tapping value-added product innovation and supply chain.

Performance during 2016-17

During 2016-17, performance of the agriculture sector remained up to the mark and achieved growth of 3.46 percent against the target of 3.5 percent and last year's meager growth of 0.27 percent. This was possible by better harvesting of major crops through greater availability of agriculture inputs like water, agriculture credit and intensive fertilizers offtake. The growth in crops was registered at 3.02 percent against the negative growth of 4.97 percent during the same period last year. The growth of sub sector of important crops, other crops and cotton ginning posted growths of 4.12 percent, 0.21 percent and 5.59 percent, respectively against last year growths of -5.47 percent, 0.59 percent

and -22.12 percent respectively. Other sub sectors of Agriculture like Livestock, Forestry and Fishing posted growth of 3.43 percent, 14.49 percent and 1.23 percent, respectively. The upturn in crop yields by significant margins occurred both on account of increase in production and improved yields. Maize production increased 16.30 percent against 6.77 percent last year, Sugarcane 12.41 percent against 4.23 percent, Cotton 7.59 percent against -28.96 and Rice 0.71 percent against -2.88 percent last year. Only wheat production growth remained slightly low at 0.46 percent compared to 2.18 percent last year. Other crops accounted for 11.03 percent in value addition of agriculture grew by 0.21 percent during 2016-17 against 0.59 percent during the same period last year due to decline in the production of vegetables and oilseeds by posting negative growth of 0.73 percent and 5.93 percent, respectively.

Livestock accounts 58.33 percent share in the agriculture. It witnessed a growth of 3.43 percent compared to 3.36 percent during corresponding period last year. The Fishing sector contribution stands at 2.12 percent in agriculture value addition and recorded a growth of 1.23 percent compared to 3.25 percent growth of same period last year. Forestry sector having contribution of 2.33 percent in the agriculture value addition witnessed a significant growth of 14.49 percent during 2016-17 due to higher timber production reported by Khyber Pakhtunkhwa. (Table 2.1)

Table 2.1: Agriculture Growth Percentages (Base=2005-06)

Sector	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (P)
Agriculture	1.96	3.62	2.68	2.50	2.13	0.27	3.46
Crops	0.99	3.22	1.53	2.64	0.16	-4.97	3.02
i) Important Crops	1.50	7.87	0.17	7.22	-1.62	-5.47	4.12
ii) Other Crops	2.27	-7.52	5.58	-5.71	2.51	0.59	0.21
iii) Cotton Ginning	-8.48	13.83	-2.90	-1.33	7.24	-22.12	5.59
Livestock	3.39	3.99	3.45	2.48	3.99	3.36	3.43
Forestry	4.76	1.79	6.58	1.88	-12.45	14.31	14.49
Fishing	-15.20	3.77	0.65	0.98	5.75	3.25	1.23

Source: Pakistan Bureau of Statistics

P: Provisional

Pakistan has two crop seasons, "Kharif" being the first sowing season starting from April-June and is harvested during October-December. Rice, sugarcane, cotton, maize, moong, mash, bajra and jowar are "Kharif" crops. "Rabi", the second sowing season, begins in October-December and is harvested in April-May. Wheat, gram, lentil (masoor), tobacco, rapeseed, barley and mustard are "Rabi" crops. Pakistan's agricultural production is closely

linked with the availability of irrigation water. During 2016-17, the availability of water for Kharif 2016 stood at 71.4 million acre feet (MAF) showing an increase of 9.0 percent over Kharif 2015 and 6.4 percent more than the normal supplies of 67.1 MAF. During Rabi season 2016-17, the water availability remained at 29.7 MAF, which is 9.7 percent less than Rabi 2015-16 and 18.4 percent less than the normal availability of 36.4 MAF. (Table 2.2).

Table 2.2: Actual Surface Water Availability**(Million Acre Feet)**

Period	Kharif	Rabi	Total	% age increase/decrease over the Avg.
Average system usage	67.1	36.4	103.5	-
2008-09	66.9	24.9	91.8	-11.3
2009-10	67.3	25.0	92.3	-10.8
2010-11	53.4	34.6	88.0	-15.0
2011-12	60.4	29.4	89.8	-13.2
2012-13	57.7	31.9	89.6	-13.4
2013-14	65.5	32.5	98.0	-5.3
2014-15	69.3	33.1	102.4	-1.1
2015-16	65.5	32.9	98.4	-4.9
2016-17	71.4	29.7	101.1	-2.3

Source: Indus River System Authority

I. Crop Situation

The important crops (wheat, rice, sugarcane, maize and cotton) account for 23.85 percent of the value added in overall agriculture and 4.66 percent of GDP. The other crops account for 11.03 percent of the value added in overall agriculture and 2.15 percent of GDP. Livestock contributes 58.33 percent to agricultural value

addition and 11.39 percent to GDP. Forestry contributes 2.33 percent to agricultural value addition and 0.46 percent to GDP. Fishing contributes 2.12 percent to agricultural value addition and 0.41 percent to GDP. The production performance of important crops is given in Table 2.3

Table 2.3: Production of Important Crops (Thousand Tonnes)					
Year	Cotton (000 bales)	Sugarcane	Rice	Maize	Wheat
2010-11	11,460 (-11.3)	55,309 (12.0)	4,823 (-29.9)	3,707 (13.7)	25,214 (8.2)
2011-12	13,595 (18.6)	58,397 (5.6)	6,160 (27.7)	4,338 (17.0)	23,473 (-6.9)
2012-13	13,031 (-4.1)	63,750 (9.2)	5,536 (-10.1)	4,220 (-2.7)	24,211 (3.1)
2013-14	12,769 (-2.0)	67,460 (5.8)	6,798 (22.8)	4,944 (17.2)	25,979 (7.3)
2014-15	13,960 (9.3)	62,826 (-6.9)	7,003 (3.0)	4,937 (-0.1)	25,086 (-3.4)
2015-16	9,917 (-29.0)	65,482 (4.2)	6,801 (-2.9)	5,271 (6.8)	25,633 (2.2)
2016-17(P)	10,671 (7.6)	73,607 (12.4)	6,849 (0.7)	6,130 (16.3)	25,750 (0.5)
Growth percent					

Source: Pakistan Bureau of Statistics

P: Provisional (July-March), Figures in parentheses are growth/decline rates

a) Important Crops

i) Cotton

During 2016-17, Cotton production was estimated at 10.671 million bales registering 7.6 percent increase over the production of 9.917 million bales during 2015-16 but was lower than the target of 14.1 million bales by a considerable margin. Cotton crop has 1.0 percent share in GDP and contributes 5.2 percent in agriculture value addition. The weaker than expected recovery in cotton production is mainly due to a sharp decline of 14.2 percent in the sowing area which stood at 2489 thousand hectares during 2016-17 compared to 2902 thousand hectares during the corresponding period of last year due to exceptional losses from previous year's pest infestation and low domestic prices at the sowing time that pushed growers away from

cotton to other competitive crops (sugarcane and maize). The area, production and yield of cotton for the last five years are shown in Table 2.4 and Figure 2.1.

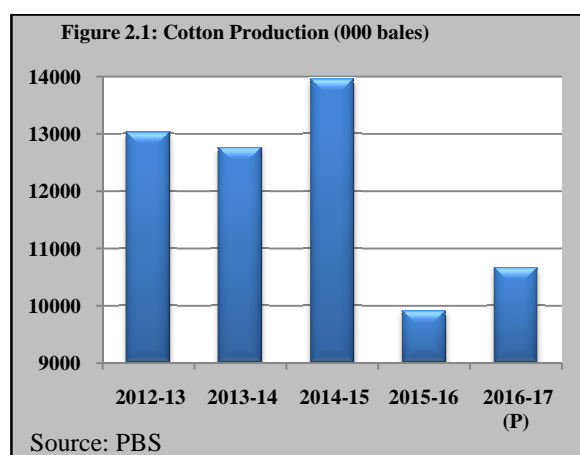


Table 2.4: Area, Production and Yield of Cotton						
Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Bales)	% Change	(Kgs/Hec)	% Change
2012-13	2,879	-	13,031	-	769	-
2013-14	2,806	-2.5	12,769	-2.0	774	0.6
2014-15	2,961	5.5	13,960	9.3	802	3.6
2015-16	2,902	-2.0	9,917	-29.0	582	-27.4
2016-17(P)	2,489	-14.2	10,671	7.6	730	25.4
Source: Pakistan Bureau of Statistics			P: Provisional (July-March)			

Source: Pakistan Bureau of Statistics

P: Provisional (July-March)

World Cotton Outlook

The production and consumption of major cotton growing countries are given in Table 2.5.

Table 2.5: Production and Consumption of Major Cotton Growing Countries (Million Tonnes)			
	2014-15 E	2015-16 P	2016-17 P
Production			
India	6.56	5.75	5.80
China	6.50	4.75	4.74
USA	3.55	2.81	3.75
Pakistan	2.30	1.51	1.68
Brazil	1.56	1.29	1.44
Uzbekistan	0.88	0.83	0.79
Others	4.82	4.10	4.58
World Total	26.19	21.04	22.78
Consumption			
China	7.48	7.44	7.59
India	5.26	5.27	5.12
Pakistan	2.49	2.26	2.23
Europe & Turkey	1.69	1.69	1.63
Vietnam	0.87	1.01	1.14
Bangladesh	1.20	1.32	1.40
USA	0.78	0.75	0.72
Brazil	0.80	0.73	0.72
Others	3.86	3.65	3.54
World Total	24.44	24.13	24.10
Source: Pakistan Central Cotton Committee, Ministry of Textile Industry (April ,2017) E: Estimated, P: Projected			

ii) Sugarcane

During 2016-17, the production of sugarcane portrayed a very promising picture and reached to historical high of 73.6 million tonnes showing an increase of 12.4 percent over the production of 65.5 million tonnes during 2015-16 and comfortably exceeded the target of 67.5 million tonnes by a considerable margin of 9.0 percent. Its production accounted for 3.4 percent in agriculture's value addition and 0.7 percent in overall GDP. The area cultivated for sugarcane crop reached 1217 thousand hectares compared to last year's area of 1131 thousand hectares showing an increase of 7.6 percent. The production increased due to increase in area cultivated as it shifted from other competitive crops facing frequent distress, as for example from cotton crop which suffered on account of pest attacks. The area, production

and yield of sugarcane for the last five years are given in Table 2.6 and Figure 2.2.

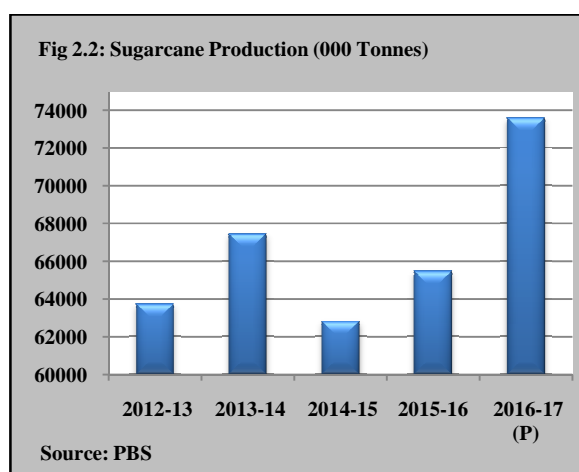


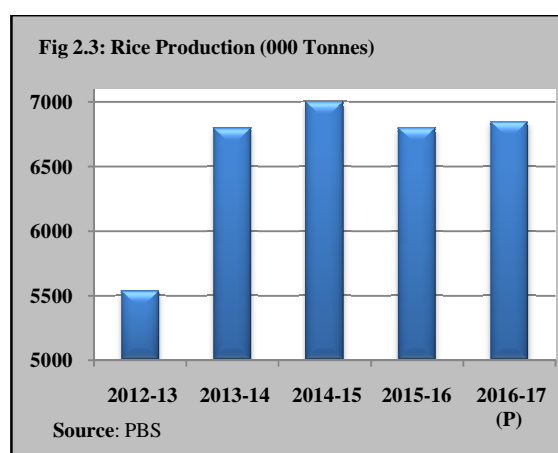
Table 2.6: Area, Production and Yield of Sugarcane

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Tonnes)	% Change	(Kgs/Hec.)	% Change
2012-13	1,129	-	63,750	-	56,466	-
2013-14	1,173	3.9	67,460	5.8	57,511	1.8
2014-15	1,141	-2.7	62,826	-6.9	55,062	-4.3
2015-16	1,131	-0.9	65,482	4.2	57,897	5.1
2016-17(P)	1,217	7.6	73,607	12.4	60,428	4.4

Source: Pakistan Bureau of Statistics
P: Provisional (July-March)

iii) Rice

Rice accounts for 3.0 percent in the value added in agriculture and 0.6 percent of GDP. During 2016-17, rice crop was sown on area of 2724 thousand hectares showing a decrease of 0.6 percent over the last year's area of 2793 thousand hectares. Rice production stood at 6849 thousand tonnes achieving its targeted production of 6838 thousand tonnes and showing an increase of 0.7 percent over corresponding period of last year's production of 6801 thousand tonnes. Rice area decreased due to decline in domestic prices of rice which reduced the area under the crop and growers shifted to sugarcane and maize crop. The area, production and yield of rice for the last five years are shown in Table 2.7 and Figure 2.3.

**Table 2.7: Area, Production and Yield of Rice**

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Tonnes)	% Change	(Kgs/Hec.)	% Change
2012-13	2,309	-	5,536	-	2,398	-
2013-14	2,789	20.8	6,798	22.8	2,437	1.6
2014-15	2,891	3.7	7,003	3.0	2,422	-0.6
2015-16	2,739	-5.3	6,801	-2.9	2,483	2.5
2016-17(P)	2,724	-0.6	6,849	0.7	2,514	1.2

Source: Pakistan Bureau of Statistics
P: Provisional (July-March)

iv) Wheat

Wheat accounts for 9.6 percent of the value added in agriculture and 1.9 percent of GDP of Pakistan. During 2016-17, wheat crop was sown on an area of 9052 thousand hectares witnessing a decrease of 1.9 percent compared to 9224 thousand hectares during same period last year. Wheat production was estimated at 25.750 million tonnes during 2016-17, witnessing an increase of 0.5 percent over the last year's production of 25.633 million tonnes. The production increased due to better supply of inputs which contributed in enhancing per hectare yield. The position is given in Table 2.8

and Figure 2.4.

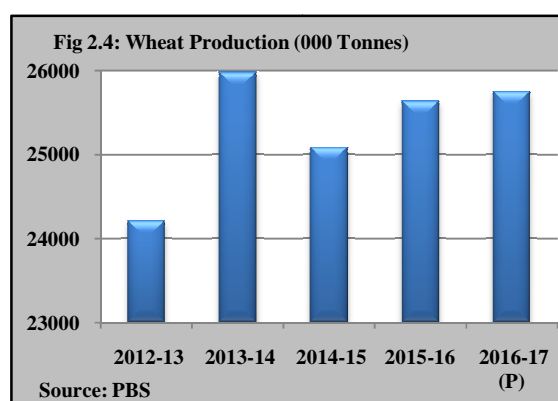


Table 2.8: Area, Production and Yield of Wheat

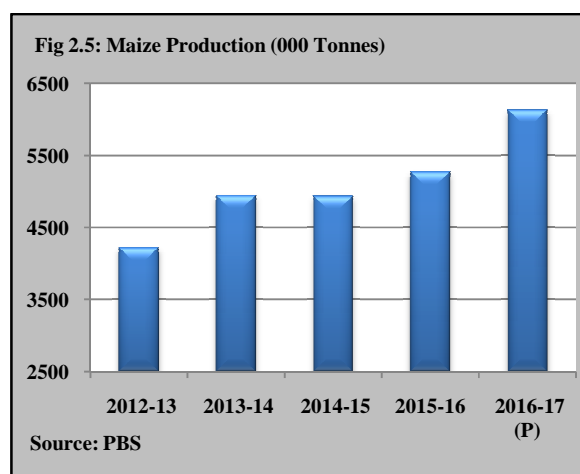
Year	Area		Production		Yield	
	(000 Hectares)	% Change	(000 Tonnes)	% Change	(Kgs /Hec.)	% Changes
2012-13	8,660	-	24,211	-	2796	-
2013-14	9,199	6.2	25,979	7.3	2824	1.0
2014-15	9,204	0.1	25,086	-3.4	2726	-3.5
2015-16	9,224	0.2	25,633	2.2	2779	1.9
2016-17(P)	9,052	-1.9	25,750	0.5	2845	2.4

Source: Pakistan Bureau of Statistics

P: Provisional (July-March)

v) Maize

Maize contributes 2.7 percent to the value added in agriculture and 0.5 percent to GDP. During 2016-17, area sown under maize crop has increased to 1334 thousand hectares, showing a significant increase of 12.0 percent over last year's sown area of 1191 thousand hectares. Maize crop production stood at record high of 6.130 million tonnes during 2016-17, showing a major increase of 16.3 percent over the last year's production of 5.271 million tonnes. The record production has been achieved on the back of intensive use of critical agricultural inputs (fertilizers) coupled with increase in area sown. The position is presented in Table 2.9 and Figure 2.5.

**Table 2.9: Area, Production and Yield of Maize**

Year	Area		Production		Yield	
	(000 Hectares)	% Change	(000 Tonnes)	% Change	(Kgs /Hec.)	% Changes
2012-13	1,060	-	4,220	-	3,981	-
2013-14	1,168	10.2	4,944	17.2	4,233	6.3
2014-15	1,142	-2.2	4,937	-0.1	4,323	2.1
2015-16	1,191	4.3	5,271	6.8	4,426	2.4
2016-17(P)	1,334	12.0	6,130	16.3	4,595	3.8

Source: Pakistan Bureau of Statistics

P:Provisional(July-March)

b) Other Crops

Gram is the largest Rabi pulse crop, accounting for 76 percent of total production of pulses in the country. It registered an increase of 25.5 percent in production during 2016-17. The production of Bajra also posted an increase in its production by 1.7 percent during 2016-17 as

compared to the same period last year. The production of Barley, Jowar, Rapeseed & Mustard and Tobacco has witnessed decrease in production during 2016-17 by posting negative growth of 9.8 percent, 7.5 percent, 3.2 percent and 2.6 percent, respectively over the same period last year due to decrease in area

sown. The area and production of other crops are given in Table 2.10.

Table 2.10: Area and Production of other Kharif and Rabi Crops

Crops	2015-16		2016-17 (P)		% Change in production over Last year
	Area (000 Hectares)	Production (000 Tonnes)	Area (000 Hectares)	Production (000 Tonnes)	
Bajra	486	300	469	305	1.7
Jowar	274	161	257	149	-7.5
Gram	940	286	931	359	25.5
Barley	66	61	59	55	-9.8
Rapeseed & Mustard	201	185	193	179	-3.2
Tobacco	53	116	51	113	-2.6

Source: Pakistan Bureau of Statistics
P: Provisional (July-March)

During 2016-17, the production of Moong, Onion and Chillies recorded positive growth of 27.4 percent, 2.7 percent and 0.2 percent, respectively, comparing to production of corresponding period last year. The reason for increase in production is increase in area

cultivated. However, the production of pulses Masoor (Lentil), Mash and Potato decreased by 17.9 percent 15.3 percent and 3.2 percent, respectively. The area and production of other crops are given in Table 2.11.

Table 2.11: Area and Production of Other Crops

Crops	2015-16		2016-17(P)		% Change in production over Last year
	Area (000 Hectares)	Production (000 Tonnes)	Area (000 Hectares)	Production (000 Tonnes)	
Masoor	17.9	7.8	14.2	6.4	-17.9
Moong	146.3	102.1	178.8	130.1	27.4
Mash	19.2	8.5	17.1	7.2	-15.3
Potato	177.3	3,977.6	179.3	3,849.5	-3.2
Onion	135.9	1,736.4	138.4	1,783.5	2.7
Chillies	64.8	142.2	64.2	143.1	0.6

Source: Pakistan Bureau of Statistics
P: Provisional (July-March)

i) Oilseeds

The major oilseed crops in the country include Sunflower, Canola, Rapeseed/Mustard and Cotton. Total availability of edible oils during 2015-16 remained at 3.726 million tonnes of which local production contributed 0.462 million tonnes (14 percent) and the import share of edible oil/oilseeds was 3.264 million tonnes (86 percent). The import bill of edible oil during 2015-16 was Rs.284.546 billion (US\$ 2.710 billion).

During 2016-17 (July-March), 1.98 million tonnes edible oil of value Rs.152.514 billion (US\$ 1.457 billion) was imported which remained lower by 4.0 percent during the same period of last year. Local production of edible oil during 2016-17 (July-March) is provisionally estimated at 0.446 million tonnes. Total availability of edible oil from all sources is provisionally estimated at 2.426 million tonnes during 2016-17 (July-March). The area and production of oilseed crops during 2015-16 and 2016-17 is given in Table 2.12.

Table 2.12: Area and Production of Major Oilseed Crops

Crops	2015-16 (Jul-Mar)			2016-17 (Jul-Mar) (P)		
	Area	Production		Area	Production	
	(000 Acres)	Seed (000 Tonnes)	Oil (000 Tonnes)	(000 Acres)	Seed (000 Tonnes)	Oil (000 Tonnes)
Cottonseed	7,685	2,966	356	5,931	2,816	338
Rapeseed/ Mustard	543	202	65	494	190	61
Sunflower	215	95	35	216	109	41
Canola	35	15	6	33	15	6
Total	8,478	3,278	462	6,674	3,130	446

Source: Pakistan Oilseed Development Board (PODB), Pakistan Bureau of Statistics
P: Provisional

II. Farm Inputs

i) Fertilizers

Fertilizer is the most important and expensive agricultural input. Its contribution in increase in crop yield is from 30 to 50 percent. Almost all of our soils are deficient in nitrogen, 90 percent soils have deficiency of phosphorus while 40 percent are deficient in potash.

The domestic production of fertilizers during 2016-17 (July-March) decreased slightly by 0.3 percent over the same period of last fiscal year. The imported fertilizer also decreased by 5.8 percent. Therefore, total availability of fertilizer also decreased marginally by 1.5 percent during current fiscal year. Total offtake of fertilizer nutrients witnessed increase by 30.5 percent. Nitrogen offtake increased by 33 percent while phosphate increased by 23.2 percent. Potash offtake recorded a significant boost of 82.5 percent during 2016-17 (July-March). Increase in offtake of fertilizer is due to substantial reduction in prices of all fertilizer products as a result of subsidy announcement by the government in June, 2016 as detailed below:

- Cash subsidy on phosphate fertilizer equivalent to Rs. 300 per 50 kg bag of DAP.
- Reduction in GST on urea from 17 to 5 percent.
- Cash subsidy on nitrogenous fertilizer equivalent to Rs. 156 per 50 kg bag of urea.
- Subsidy of Rs. 800 and Rs. 500 per bag of SOP and MOP respectively, from 1st

February 2017 by Government of Punjab in order to promote the use of Potash.

Better market prices of agriculture produce especially rice, cotton and sugarcane also had positive effect on fertilizer use.

Total availability of urea during Kharif 2016 was 4278 thousand tonnes comprising of 1200 thousand tonnes of opening inventory and 3078 thousand tonnes of domestic production (Table 2.13). Urea offtake was about 2704 thousand tonnes, leaving inventory of 1565 thousand tonnes for Rabi 2016-17. Availability of DAP was 1151 thousand tonnes comprising of 253 thousand tonnes of opening inventory, 482 thousand tonnes of imported supplies and 416 thousand tonnes of local production. DAP offtake was 697 thousand tonnes leaving an inventory of 458 thousand tonnes for upcoming Rabi 2016-17.

Rabi 2016-17 started with an opening balance of 1565 thousand tonnes of urea (Table 2.13). Domestic production during Rabi 2016-17 was estimated around 2840 thousand tonnes. Urea offtake during current Rabi 2016-17 was around 3085 thousand tonnes, against 4405 thousand tonnes of total availability, leaving a closing balance of 1318 thousand tonnes for next season. DAP availability for Rabi 2016-17 was around 1673 thousand tonnes, which included 458 thousand tonnes of opening inventory, 843 thousand tonnes of imported supplies and domestic production of 372 thousand tonnes. Offtake of DAP during Rabi season was around 1503 thousand tonnes,

leaving a balance of 177 thousand tonnes for next season.

Total availability of urea during Kharif 2017 will be about 4018 thousand tonnes comprising of 1318 thousand tonnes of opening balance and 2700 thousand tonnes of domestic production (Table 2.13). Urea offtake is

expected to be around 3000 thousand tonnes, reflecting a closing balance of 1018 thousand tonnes. Total availability of DAP will be 639 thousand tonnes against expected offtake of 900 thousand tonnes. Thus, there is gap of 261 thousand tonnes of DAP which should be met through imports by private sector.

Table 2.13: Fertilizer Supply Demand Situation					(000 Tonnes)	
Description	Kharif (Apr-Sep) 2016		Rabi (Oct-Mar) 2016-17		Kharif (Apr-Sep) 2017*	
	Urea	DAP	Urea	DAP	Urea	DAP
Opening stock	1200	253	1565	458	1318	177
Imported supplies	0	482	0	843	0	40
Domestic Production	3078	416	2840	372	2700	422
Total Availability	4278	1151	4405	1673	4018	639
Offtake/Demand	2704	697	3085	1503	3000	900
Write on/off	-9	4	-2	7	0	0
Closing stock	1565	458	1318	177	1018	-261
Source: National Fertilizer Development Center						
*: Outlook						

Source: National Fertilizer Development Center

*: Outlook

ii) Improved Seed

Federal Seed Certification & Registration Department (FSC&RD) is an attached department of Ministry of National Food Security & Research, with the mandate to regulate quality of seeds of various crops. Seed quality being a key input in crop production plays a vital role for sustainable agricultural production and national food security. Brief activities performed by department are as followed:

1. Achievements

a) Registration of Seed Companies

- i. As per decision of the Working Group (for registration of new seed companies) in its 55th meeting, the registration of Seed Companies and other related issues were withheld till notification of Seed (Business Regulation) Rules, 2016.
- ii. The Gazette Notification of Seed (Business Regulation) Rules, 2016 took place on 28th September, 2016. The **Registration to do seed business comes** under Section 22B with prescribed amount of fee for Seed Certification and Registration Services that will generate a sustainable amount to the government exchequer.

b) Field Crop Inspection: A total of 199819.54 acres of different crops (wheat, cotton, paddy, maize, pulses, oilseeds, vegetables, fodders, barley and potato) offered by the public and private seed agencies were inspected for certification purposes.

c) Seed Sampling & Testing: A total quantity of 428112 m.tons locally produced seed of major and minor crops was sampled and tested for purity, germination and seed health purposes.

d) Seed Quality Monitoring in the Markets: Under the Seed Act Enforcement, 91 cases were filed in different Courts of Law against the seed dealers found selling substandard seeds and 24.69 m.tons seeds of different crops were seized.

e) Imported Seed Consignments: A total quantity of 39.784 thousand m.tons of imported seed of various crops/hybrids (maize, paddy, sunflower, canola, fodders, potato, vegetables etc.) were tested under Seed (Truth in Labeling) Rules, 1991 at the port of entries i.e. Lahore and Karachi.

f) Central Seed Testing Laboratory, Islamabad: Central Seed Testing Laboratory (CSTL) Islamabad received approximately

1126 seed samples from FSC&RD field stations through Quality Manager/Director. One thousand and thirty seven (1037) seed samples of different crops i.e. Wheat, Paddy, Cotton, Pulses and vegetables were tested for seed purity, seed moisture and other components. CSTL being International Seed Testing Association (ISTA) member laboratory participated in ISTA proficiency tests and CSTL received one sample (B. brizantha) from ISTA for seed purity, moisture determination and Other Seed Determination (OSD).

CSTL applied to ISTA through electronic communication for getting Accreditation status. Quality documents i.e. Standard Operating Procedures (SOP), quality forms and technical procedures were prepared in compliance with ISTA accreditation procedures. Formal application and quality documents have already been submitted to ISTA secretariat for pre-evaluation. CSTL has qualified this pre-evaluation and final evaluation would be done by ISTA audit team tentatively in April, 2017. CSTL has also submitted quality and technical manuals to Pakistan National Accreditation Council (PNAC) for final audit for getting national accreditation.

g) Seed Health Testing: Seed Health Testing Laboratory, FSC&RD has made headway towards laboratory accreditation by starting Inter Laboratory Comparison (ILC). Proficiency Testing (PT) or ILC with world renowned accredited laboratories is indispensable for laboratory accreditation. Subsequent upon the guidelines of ISTA, Seed Health Testing Committee, Department of DUS Testing and Seed Inspection, Centre for Seeds and Seedlings, NARO (NCSS), Japan has acceded to commence Inter Laboratory Comparison studies with Seed Health Testing Laboratory. In this connection, Seed Health Laboratory has received paddy seed samples infected with various diseases from Japan Laboratory. Results of the said analyses will be sent to Japan for ILC studies.

2. Up-dation of Seed Regulatory Framework

a) Plant Breeders' Rights Act, 2016

Pakistan being a member of World Trade

Organization (WTO) is obliged to provide rights to the breeders of new plant varieties under Article 27.3(b) of Trade Related Aspects for Intellectual Property Rights (TRIP's) Agreement. This protection to the breeders of new plant varieties in various countries is provided in the shape of Plant Breeders' Rights Law.

The Plant Breeders' Rights Bill, 2016 was passed by the National Assembly on 5th September, 2016 and transferred to the Senate. The Senate Standing Committee on National Food Security and Research approved the Plant Breeders' Rights Bill, 2016 on 26th October, 2016. On 23rd November, 2016, the Senate passed the Plant Breeders' Bill, 2016. The Plant Breeders' Rights Bill, 2016 after being approved by both the houses of the Parliament, was signed by the President of Islamic Republic of Pakistan on 5th December, 2016.

b) Importance of the Plant Breeders' Rights Act, 2016

In Seed Act, 1976, only the public sector was given the dominant role in seed development and registration processes and no role in this regard was assigned to the private sector.

- The promulgation of PBR law in the country will not only complement the recently passed Seed (Amendment) Act, 2015 but would also assist the seed industry to usher in a new era of research based innovations and technology led developments;
- At present the Plant Breeders' Rights law is enforced in more than 74 countries of the world;
- Many foreign companies are reluctant to invest in our seed sector due to lack of protection for their products because of the absence of an effective variety protection system;
- We are hopeful that after the promulgation of PBR law our seed industry would experience a quantum jump in terms of investment and transfer of modern technologies to harness the potential of

hybrid plant varieties and other emerging technologies.

c) Formulation of Plant Breeders' Rights Rules, 2017

An inter-ministerial and inter-departmental committee constituted by the Ministry of National Food Security and Research has finalized Draft Rules under the PBR Act, 2016, which have been circulated to concerned stakeholders to seek their viewpoints.

d) Passage and Implementation of Seed (Amendment) Act, 2015

After the passage of Seed (Amendment) Act, 2015 by the Parliament, Seed Rules, 2016 have been approved and circulated. Implementation of activities as a result of amendments in the Seed Act, are being expedited.

e) Impact of Seed (Amendment) Act, 2015 Rules

- Private sector has been given larger role in all areas of seed testing, production, multiplication and processing;
- Accredited seed testing laboratories allowed to be established by public and private seed sectors to enhance internal seed quality assurance and to link with national and international seed markets for export;
- Effective deterrence is expected to be created by enhancement of penalties against sale of fake and substandard seed;
- To bring discipline in the seed industry, mandatory registration of seed business has been introduced.

3. Distinctness, Uniformity & Stability (DUS) Examination

The DUS trials are performed by the FSC&RD. The Breeders have to submit seed sample of candidate variety along with the following to the FSC&RD of DUS testing:

- Application for registration of the new variety;

- Detailed botanical description of the variety along with comparable variety closely resembling to candidate variety. It also includes parentage and brief breeding history;
- Data regarding Value for Cultivation and Use (VCU);
- True specimens of plants of the variety and plant parts.

- On receiving seed samples, crop variety registration trials are carried out for two years at suitable locations, to determine DUS characteristics of the variety according to the stabilized descriptors.

A total of about 57 new candidate lines have been studied for DUS trials.

4. Fruit Plant Certification

- FSC&RD has registered one new fruit plant nursery established at Quetta to promote production and dissemination of disease free and true-to-type nursery fruit plants;
- Registration cases of ten fruit plant nurseries are in-process;
- Minimum Fruit Plant Certification Standards for citrus, mango and guava have been drafted and submitted to National Seed Council for approval;
- Minimum Fruit Plant Certification Standards for olive have been drafted and are ready for submission to National Seed Council.

5. FSC&RD Development Initiatives

Following two developmental projects have been drafted by FSC&RD and submitted to Ministry of National Food Security & Research for approval:

- Up-gradation and Accreditation of Seed Testing Laboratory, FSC&RD, Karachi;
- Up-gradation of seed certification services in Balochistan.

6. International Collaboration

For seed sector development in Pakistan, FSC&RD International Cooperation section was in the process of deliberations during the period FY 2016-17 (July-March) through

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different cooperation proposals with the following countries and international organizations; ECO, Jordan, Senegal, Uzbekistan, Turkmenistan, Middle East,

Germany, Bahrain, Qatar, Italy, FAO, Tajikistan, Japan, Thailand, Turkey, SAARC, China, Brazil, D-8 and Papua New Guinea.

The detail is given in Table 2.14.

Table 2.14: Area ,Seed Requirements and Seed Availability*

Crop	Sowing Area 000 Ha	Total Seed Requirement MT	Targeted Seed Requirement MT	Seed Availability(Metric Tonnes)			
				Public	Private	Imported	Total (Loc+Imp)
Wheat	9,045	1,085,400	217,080	86,200	335,415	-	421,615
Cotton	3,200	40,000	40,000	687	28,677	-	29,364
Paddy	2,830	44,800	12,744	3,322	43,097	619	47,038
Maize	1,109	33,270	9,981	656	17,078	9,302	27,036
Pulses	1,337	47,496	9,499	704	2,436	0	3,140
Oilseeds	830	10,582	2116	3	529	99	631
Vegetables	254	5,570	5,070	96	874	6,872	7,841
Fodders	1,942	40,138	40,138	5	7	16,054	16,065
Potato	149	372,725	74,545	-	-	6,839	6,839
Total	20,696	1,679,981	411,173	91,673	428,112	39,784	559,569

Source: Federal Seed Certification & Registration Department

* : Provisional 2016-17 (July-March)

iii) Mechanization

During 2016-17 (July-March), a total number of 37,634 tractors were locally manufactured compared to the production of 21,229 during same period last year witnessing a significant increase of 77.3 percent as the GST on locally manufactured/imported tractors have been reduced from 10 percent to 5 percent that has increased the demand of tractors. On positive

note the import of agriculture machinery has witnessed a significant growth of 25.6 percent during FY 2016-17(July-March) compared to the corresponding period of last year as customs duty on import of harvesters and planters was reduced to zero to promote mechanized harvesting and planting operations in the country. The production and price of locally manufactured tractors are given in Table 2.15.

Table 2.15: Prices and Production of Locally Manufactured Tractors 2016-17 (July-March)

Tractors Model – HorsePower (HP)	Price/Unit Excluding GST (Rs)	Price/Unit Including GST (Rs)	Production (in Nos.)	Actual Sale (in Nos.)
M/s Al-Ghazi Tractors				
NH 480-S (55 HP)	684,000	718,200	3,989	4,116
NH 480-S-W.P (55 HP)	690,000	724,000	1,692	1,720
NH-Ghazi (65 HP)	775,000	813,750	5,295	5,331
NH-Ghazi WDB(65 HP)	782,000	821,100	306	362
NH- 640 (75 HP)	984,000	1,033,200	1,669	1,669
NH -640 WDB (75 HP)	990,000	1,039,500	126	131
NH -640-S (85 HP)	1,027,000	1,078,350	77	77
NH -640-S WDB (85 HP)	1,041,000	1,093,050	27	28
NH-70-56 (85 HP)	1,540,000	1,617,000	5	5
Dabung- (85-HP)	1,041,000	1,617,000	489	487
M/s Millat Tractors				
MF-240 (50 HP)	682,500	716,625	8,837	8,697

Table 2.15: Prices and Production of Locally Manufactured Tractors 2016-17 (July-March)

Tractors Model – HorsePower (HP)	Price/Unit Excluding GST (Rs)	Price/Unit Including GST (Rs)	Production (in Nos.)	Actual Sale (in Nos.)
MF-350 Plus (50 HP)	699,500	734,475	28	33
MF-260 (60 HP)	782,300	821,415	5,819	5,894
MF-360 (60 HP)	798,500	838,425	324	458
MF-375-S (75 HP)	1,014,500	1,065,225	1,792	1,808
MF-385 (85 HP)	1,073,200	1,126,860	6,840	6,951
MF-385 4WD (85 HP)	1,613,500	1,694,175	319	318
Grand Total			37,634	38,085

Source: Tractor Manufacturer Association, Federal Water Management Cell

Note: GST @ 5 percent

iv) Irrigation

During the monsoon season (July-September) 2016, the normal average rainfall is 140.9 mm, while the actual rainfall received was 176.2 mm, which is 25.1 percent above normal rainfall. During the post-monsoon season (October-December) 2016, the normal average rainfall is 26.4 mm, while the actual rainfall

received was 3.0 mm, which was 88.6 percent below the normal rainfall. During winter season (January-March) 2017, normal average rainfall is 74.3 mm and the actual rainfall received was 75.5 mm, which was 1.6 percent above the normal average rainfall. Rainfall recorded during the monsoon, post monsoon and winter season is given in Table 2.16.

Table 2.16: Rainfall* Recorded During 2016-17 (in Millimeters)

	Monsoon Rainfall (Jul-Sep) 2016	Post Monsoon Rainfall (Oct-Dec) 2016	Winter Rainfall (Jan-Mar) 2017
Normal**	140.9	26.4	74.3
Actual	176.2	3.0	75.5
Shortage (-)/excess (+)	+ 35.3	-23.4	+1.2
% Shortage (-)/excess (+)	+25.1 %	- 88.6 %	+ 1.6 %

Source: Pakistan Meteorological Department

*: Area Weighted **: Long Period Average (1961-2010)

During Kharif (April-September) 2016, canal head withdrawals stood at 71.35 million acre feet (MAF) showing an increase of 9 percent as compared to 65.47 MAF during same period last year. During Rabi (October-March) 2016-

17, the canal head withdrawals decreased by 10 percent and stood at 29.66 MAF, compared to 32.90 MAF during same period last year. The province-wise detail is shown in Table 2.17.

Table 2.17: Canal Head Withdrawals (Below Rim Station) Million Acre Feet(MAF)

Province	Kharif (Apr-Sep) 2015	Kharif (Apr-Sep) 2016	% Change in Kharif 2016 Over 2015	Rabi (Oct-Mar) 2015-16	Rabi (Oct-Mar) 2016-17	% Change in Rabi 2016-17 Over 2015-16
Punjab	32.53	36.39	12	16.87	15.93	-6
Sindh	30.55	32.13	5	14.57	12.04	-17
Balochistan	1.62	1.93	19	0.98	1.10	12
Khyber Pakhtunkhwa	0.76	0.92	20	0.48	0.59	23
Total	65.47	71.35	9	32.90	29.66	-10

Source: Indus River System Authority

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Water Sector's present and future strategies/policies are aimed at meeting the widening gap between demand and supply. It centers around two dimensional strategies; a) demand management and b) enhancing the water availability. The important mechanisms are to initiate market forces to convert water from social good to socio-economic good. The technical solution will be based on Integrated

Water Resources Management (IWRM) approach.

An amount of Rs.31.716 billion was allocated for water sector's development projects/programmes during the FY 2016-17, out of which more than Rs.24.00 billion (76 percent) are expected to be utilized by the end of June, 2017. The major water sector projects under implementation are shown in Table 2.18.

Table 2.18: Major Water Sector Projects under Implementation

Project	Location	App. cost (Rs. in million)	Live Storage	Irrigated Area (Acres)	Status
Gomal Zam Dam	Khyber Pakhtunkhwa	20,626	0.892 MAF	191,139 (17.4 MW Power Gen.)	Substantially completed
Rainee Canal	Sindh	17,643	-	412,400 (Phases-I)	Physically completed.(Phase-I)
Kachhi Canal (Phase-I)	Balochistan	80,352	-	55,000 upto (August 2017) & it increased upto 72,000 (upto December ,2017)	About 94% Physically completed
Darawat Dam	Sindh	9,300	89,192 (Ac.Ft)	25,000 (0.30 MW Power Gen.)	Physically completed
NaiGaj Dam	Sindh	26,236	160,000 (Ac.Ft)	28,800 (4.2 MW Power Gen.)	48 % Physical work completed
KurramTangi Dam	Khyber Pakhtunkhwa	12,662	0.90 MAF	84,380 New 277,500 Existing	Works of Phase-I at initial stage
Naulong Dam	Balochistan	18,027	0.20 MAF	47,000 (4.4 MW Power Gen.)	Work at initial stage.
Mohmand Dam (Detailed Design)	Khyber Pakhtunkhwa	937.00	0.676 MAF	16,737	Detailed Engg. Design in progress
Right Bank Outfall Drain (RBOD)				ROBD-II will help to dispose 3,520 cusecs of drainage effluent into Sea	
RBOD-I	Sindh	17,505	-	received from RBOD-I &	Substantially completed
RBOD-II	Sindh	61,985	-		Substantially completed
RBOD-III	Balochistan	10,804	-	III	Substantially completed

Source: Ministry of Planning, Development and Reform

Box-1: Landmark for FY 2016-17

- Substantial completion (phase-I) of Kachhi Canal in Balochistan & Rainee Canal Sindh for irrigating 0.168 million acres (Phase-I).
- Completion of Gomal Zam Dam in FATA/Khyber Pakhtunkhwa and Darwat Dam (Sindh).
- A sum of Rs 1,000 million will be expended for on-going works of Nai Gaj dam (Dadu, Sindh) to irrigate 28,800 acres of land and Power Generation of 4.20 MW.
- Initiation physical works on Kurram Tangi Dam (Phase-I) in North Waziristan Agency and Mohmand Dam in Mohmand Agency FATA.
- To save the water losses of existing irrigation system, about Rs 900 million will be utilized for lining of small canals & minors in Punjab and Sindh during the FY 2016-17.
- For the rehabilitation and improvement of existing irrigation canals in Punjab, Sindh & Khyber Pakhtunkhwa an amount of Rs 1,100 million are expected to be utilized during FY 2016-17.
- In Balochistan, Sindh, Punjab and Khyber Pakhtunkhwa about Rs 7.436 billion are expected to be utilized during FY 2016-17 on construction of new small/delay action dams and recharge dams. Province-wise

detail is as under:

a)	Punjab	Rs. 550 million (Ghabir & Papin dam)
b)	Sindh	Rs. 500 million (Kohistan & Nagarparkar areas of Sindh)
c)	Khyber Pakhtunkhwa	Rs. 1,450 million (Kundal/Sanam dam, Baran dam & 20 small dams in districts Nowshera, Karak, Swabi, Haripur & Kohat)
d)	Balochistan	Rs. 4,936.37 million (Shadi Kaur, Bathozai, Construction of 100 small dams (Package-II & III), Basol dam, Mangi dam & others)

- Due to above mentioned water sector's development programme it is expected that water availability at farm gate will remain about 132.70 MAF.
- In drainage sector a sum of Rs. 4.80 billion are expected to be utilized for the implementation of RBOD-I, II & III Projects to protect & reclaim waterlogged & salt effected irrigated land and Manchar Lake for water pollution.

Source: Ministry of Planning, Development and Reform

iv) Agricultural Credit

In backdrop of the government's priority for agriculture sector, Agriculture Credit Advisory Committee (ACAC) has set the indicative agricultural credit disbursement targets of Rs700 billion for FY 2016-17 to 52 participating institutions including 20 Commercial banks, 2 Specialized Banks, 4 Islamic Banks and 10 Microfinance Banks and 16 Microfinance Institutions/Rural Support Programmes (MFIs/RSPs)

This indicative agriculture target is 17 percent higher than the last year's disbursement of Rs 598.3 billion. Out of the total target, Rs 340.0 billion have been allocated to five major banks, Rs 102.5 billion to ZTBL, Rs 139.6 billion to 15 Domestic Private banks, Rs 12.5 billion to Punjab Provincial Cooperative Bank Limited (PPBCL), Rs 60.1 billion to 10 Microfinance banks, Rs 11.0 billion to four Islamic banks and Rs 34.3 billion to 16 newly inducted MFIs/RSPs for FY 2016-17.

Agricultural Credit Disbursements Recent Trends

During FY 2016-17 (July-March), the banks disbursed Rs.473.1 billion which is 67.6 percent of the overall annual target of Rs 700 billion and 22.7 percent higher than disbursement of Rs.385.5 billion made during the corresponding period last year. The outstanding portfolio of

agriculture loans has also been increased by Rs.45.3 billion i.e. from Rs.333.8 billion to Rs.379.1 billion with 13.6 percent growth at end March 2017 as compared to same period last year. Despite having various real sector challenges, the overall performance of banks remained encouraging and witnessed 22.7 percent growth in disbursement during the period under review.

Five major banks as a group have disbursed Rs 236.6 billion or 69.6 percent of its annual target, ZTBL disbursed Rs.57.5 billion or 56.1 percent of its target of Rs.102.5 billion while PPCBL disbursed Rs.6.9 billion i.e. 55.1 percent against its target of Rs.12.5 billion during the period under review.

Fifteen Domestic Private Banks collectively disbursed Rs 90.2 billion or 64.6 against their target of Rs.139.6 billion. Ten Microfinance banks have disbursed Rs.61.3 billion and as a group has already surpassed their annual targets while under Islamic mode of financing, Islamic Banks collectively disbursed Rs.8.4 billion or 76 percent against their targets of Rs.11.0 billion to agriculture borrowers. Further, under MFIs/RSPs category Rs12.2 billion has been disbursed to small and marginalized farmers. The group wise performance of banks during FY 2016-17 (July-March) is summarized below in Table 2.19.

Table 2.19: Supply of Agricultural Credit by Institutions							(Rs in billion)
Banks	Target 2015-16	2015-16 (July-March)		Target 2016-17	2016-17 (July-March)		% Change over the Period
		Disbursement	Achieved (%)		Disbursement	Achieved (%)	
5 Major Commercial Banks	305.7	198.8	65.0	340.0	236.6	69.6	19.0
ZTBL	102.0	55.3	54.2	102.5	57.5	56.1	3.9
PPCBL	12.5	6.1	48.8	12.5	6.9	55.1	12.8
DPBs (15)	131.8	84.8	64.4	139.6	90.2	64.6	6.4
Islamic Banks (5)	7.9	6.0	76.4	11.0	8.4	76.0	39.3
MFBs (10)	40.1	34.5	86.0	60.1	61.3	102.1	77.7
MFIs/RSPs	-	-	-	34.3	12.2	35.6	-
Total	600.0	385.5	64.3	700.0	473.1	67.6	22.7
Source: State Bank of Pakistan							

Source: State Bank of Pakistan

Box-2: Credit Disbursement to Farm and Non-Farm Sector

The sector wise breakup of disbursements witnessed that the farm sector has received Rs.232.0 billion or 49 percent while non-farm sector absorbed Rs.241.1 billion or 51 percent during FY 2016-17 (July-March). Under farm credit sector disbursement, Rs.102.6 billion or 21.7 percent were disbursed to subsistence land holding, Rs.46.1 billion or 9.7 percent to economic holding, Rs.83.3 billion or 17.6 percent to above economic holding category. However, in non-farm credit sector disbursement, Rs.155.6 billion or 32.9 percent were disbursed to large farm while Rs. 85.5 billion or 18.1 percent to small farms category. The increasing trend of non-farm sector is mainly due to more opportunities for Agricultural Value Chain Financing (AVCF) especially in Livestock/Dairy and Poultry sectors. The sector-wise comparative details of credit disbursements are provided in Table 2.20.

Table 2.20 : Credit Disbursement to Farm & Non-Farm Sectors					(Rs. in billion)
Sector		2015-16 (July-March)		2016-17 (July-March)	
		Disbursement	% Share in Total	Disbursement	% Share in Total
A	Farm Credit	188.1	48.8	232.0	49.0
1	Subsistence Holding	99.5	25.8	102.6	21.7
2	Economic Holding	41.2	10.7	46.1	9.7
3	Above Economic Holding	47.4	12.3	83.3	17.6
B	Non-Farm Credit	197.4	51.2	241.1	51.0
1	Small Farms	69.7	18.1	85.5	18.1
2	Large Farms	127.7	33.1	155.6	32.9
Total (A+B)		385.5	100	473.1	100

Source: State Bank of Pakistan

SBP's Initiatives for the Promotion of Agriculture Financing

SBP, in collaboration with banks, federal & provincial governments, farming community and other stakeholders has been encouraging banks to adopt agricultural lending as a viable business line. Recently a number of policy and regulatory initiatives have been taken to remove the bottlenecks and enhance access to financial services for the farmers, especially smaller ones. Some of the major initiatives are as under;

- 1. Framework for Warehouse Receipt Financing (WHRF):** 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. SECP in consultation with banks and other

stakeholders has developed Collateral Management & Warehousing Rules for WHRF system in Pakistan. The regulatory framework for collateral management companies and warehouse operators are being finalized by SECP.

2. **Credit Guarantee Scheme for Small and Marginalized Farmers (CGSMF):** SBP implemented the Credit Guarantee Scheme for Small & Marginalized Farmers, in line with the budgetary announcement 2014-15. The CGSMF, with funding support of federal government, with objective to sensitize financial institutions to lend to small farmers who do not have adequate collateral (acceptable to banks) in order to meet their working capital requirements. The scheme is providing 50 percent credit risk coverage to Participating Financial Institutions (PFIs) on loans up to Rs 100,000 extended to small farmers having upto 5 acres canal-fed or 10 acres rain-fed land.
3. **Crop Loan Insurance Scheme (CLIS):** To reduce vulnerability of small farmers, SBP in collaboration with GoP introduced CLIS in 2008 for five major crops i.e. wheat, rice, sugarcane, cotton and maize for mitigating the default risk due to natural calamities and provide repayment assurance to banks. The scope of CLIS covers payment of insurance premium of the farmers with landholding up to 25 acres. Under the mandatory scheme, the government is bearing the cost of premium up to 2 percent per crop per season.
4. **Livestock Loan Insurance Scheme**

(LLIS) was launched in November 2013 which covers all livestock loans up to Rs 5 million for purchase of animals. Under LLIS, the borrowers are covered against death of animals due to disease/natural death due to flood, heavy rains, wind storm and accidental death. Under this scheme, the GoP is bearing cost of premium (up to 4 percent annum) of small farmers obtaining loan from banks for up to 10 animals.

III. Livestock and Poultry

a) Livestock

Livestock contributed approximately 58.3 percent to the agriculture value added and 11.4 percent to the overall GDP during 2016-17 compared to 58.3 percent and 11.6 percent during the corresponding period last year, respectively. Gross value addition of livestock at constant cost factor of 2005-06 has increased from Rs. 1288 billion (2015-16) to Rs. 1333 billion (2016-17), showing an increase of 3.4 percent over the same period last year.

Livestock has an important and crucial role in rural economy and rural socio economic development. Nearly 8 million families are involved in livestock raising deriving more than 35 percent income from livestock production activities. It is central to the livelihood of the rural poor in the country. It is a source of cash income, providing a vital and often the only source of income for the rural and most marginal people. It can play an important role in poverty alleviation and foreign exchange earnings for the country.

The livestock population for the last three years is given in Table 2.21.

Table 2.21: Estimated Livestock Population			(Million Nos.)
Species	2014-15 ¹	2015-16 ¹	2016-17 ¹
Cattle	41.2	42.8	44.4
Buffalo	35.6	36.6	37.7
Sheep	29.4	29.8	30.1
Goat	68.4	70.3	72.2
Camels	1.0	1.0	1.1
Horses	0.4	0.4	0.4
Asses	5.0	5.1	5.2
Mules	0.2	0.2	0.2

Source: Ministry of National Food Security & Research

¹: Estimated figure based on inter census growth rate of Livestock Census 1996 & 2006

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The major products of livestock are milk and meat for the last three years is given in Table 2.22.

Table:2.22 Estimated Milk and Meat Production			
	(000 Tonnes)		
Species	2014-15¹	2015-16¹	2016-17¹
Milk (Gross Production)	52,632	54,328	56,080
Cow	18,706	19,412	20,143
Buffalo	32,180	33,137	34,122
Sheep ²	38	39	39
Goat	845	867	891
Camel ²	862	873	885
Milk (Human Consumption)³	42,454	43,818	45,227
Cow	14,965	15,529	16,115
Buffalo	25,744	26,510	27,298
Sheep	38	39	39
Goat	845	867	891
Camel	862	873	885
Meat⁴	3,696	3,873	4,061
Beef	1,951	2,017	2,085
Mutton	671	686	701
Poultry meat	1,074	1,170	1,276

Source: Ministry of National Food Security & Research

- 1: The figures for milk and meat production for the indicated years are calculated by applying milk production parameters to the projected population of respective years based on the inter census growth rate of Livestock Census 1996 & 2006.
- 2: The figures for the milk production for the indicated years are calculated after adding the production of milk from camel and sheep to the figures reported in the Livestock Census 2006.
- 3: Milk for human consumption is derived by subtracting 20% (15% wastage in transportation and 5% in calving) of the gross milk production of cows and buffalo.
- 4: The figures for meat production are of red meat and do not include the edible offal's.

The estimated production of other livestock products for the last three years is given in Table 2.23.

Table: 2.23 Estimated Livestock Products Production				
Species	Units	2014-15¹	2015-16¹	2016-17¹
Eggs	Million Nos.	15,346	16,188	17,083
Hides	000 Nos.	15,368	15,886	16,421
Cattle	000 Nos.	7,816	8,111	8,416
Buffalo	000 Nos.	7,447	7,669	7,897
Camels	000 Nos.	105	106	108
Skins	000 Nos.	53,060	54,278	55,526
Sheep Skin	000 Nos.	11,132	11,264	11,397
Goat Skin	000 Nos.	26,359	27,073	27,807
<u>Fancy Skin</u>	<u>000 Nos.</u>	<u>15,569</u>	<u>15,941</u>	<u>16,322</u>
Lamb skin	000 Nos.	3,306	3,345	3,385
Kid skin	000 Nos.	12,263	12,595	12,937
Wool	000 Tonnes	44.6	45.1	45.7
Hair	000 Tonnes	25.8	26.5	27.2
Edible Offal's	000 Tonnes	383	394	405
Blood	000 Tonnes	64.4	66.1	67.8
Guts	000 Nos.	53,603	54,833	56,094
Casings	000 Nos.	16,347	16,895	17,461
Horns & Hooves	000 Tonnes	55.5	57.2	58.9
Bones	000 Tonnes	827.2	852.3	878.2

Table: 2.23 Estimated Livestock Products Production

Species	Units	2014-15 ¹	2015-16 ¹	2016-17 ¹
Fats	000 Tonnes	263.3	271.0	279.0
Dung	000 Tonnes	1,171	1,207	1,244
Urine	000 Tonnes	358	368	379
Head & Trotters	000 Tonnes	238.8	245.6	252.5
Ducks, Drakes & Ducklings	Million Nos.	0.5	0.5	0.5

Source: Ministry of National Food Security & Research

¹: The figures for livestock product for the indicated years were calculated by applying production parameters to the projected population of respective years.

The population growth, increases in per capita income and export opportunities are fueling the demand of livestock and livestock products in the country. The overall livestock development strategy aims to foster "private sector-led development with public sector providing enabling environment through policy interventions". The regulatory measures are aimed at improving per unit animal productivity by improving health coverage, management practices, animal breeding practices, artificial insemination services, use of balanced ration for animal feeding, and controlling livestock diseases of trade and economic importance. The objective is to exploit the livestock sector and its potential for economic growth, food security and rural socioeconomic uplift.

b) Poultry

Poultry sector is one of the vibrant segments of livestock sector in Pakistan. This sector provides employment (direct /indirect) to over 1.5 million people. The current investment in

Poultry Industry is more than Rs. 700 billion. Poultry has not only been a balancing force to keep check on the prices of mutton and beef, but also serving as backbone of agriculture sector, as it consumes over 7 million metric tons of agro residues. Poultry meat contributes 31 percent of the total meat production in the country. The commercial layer, breeders and broiler stocks showed estimated growth of 7.0 percent, 5.0 percent and 10 percent respectively while rural poultry developed @ 1.5 percent when compared to 2015-16. The poultry has contributed 1.4 percent in GDP during 2016-17 while its contribution in agriculture and livestock value added stood at 7.1 percent and 12.2 percent respectively. The poultry value added at current factor cost has increased from Rs. 151.1 billion (2015-16) to Rs.162.8 billion (2016-17) showing an increase of 7.7 percent compared to the same period last year. The estimated production of commercial and rural poultry and poultry products for the last three years is given in Table 2.24.

Table 2.24: Estimated Domestic/Rural & Commercial Poultry

Type	Units	2014-15 ¹	2015-16 ¹	2016-17 ¹
Domestic Poultry	Million Nos.	83.32	84.58	85.86
Cocks	Million Nos.	10.95	11.24	11.55
Hens	Million Nos.	40.18	40.90	41.64
Chicken	Million Nos.	32.19	32.43	32.67
Eggs ²	Million Nos.	4,018	4,090	4,164
Meat	000 Tonnes	112.99	115.24	117.54
Duck, Drake & Duckling	Million Nos.	0.48	0.46	0.44
Eggs ²	Million Nos.	21.25	20.36	19.52
Meat	000 Tonnes	0.65	0.62	0.59
Commercial Poultry	Million Nos.	53.4	56.9	60.6
Layers	Million Nos.	42.65	45.64	48.83
Broilers	Million Nos.	794.63	874.09	961.50
Breeding Stock	Million Nos.	10.70	11.24	11.80
Day Old Chicks	Million Nos.	829.99	912.99	1,004.29

Pakistan Economic Survey 2016-17

Eggs ²	Million Nos.	11,307	12,077	12,900
Meat	000 Tonnes	960.65	1,054.46	1,157.51
Total Poultry				
Day Old Chicks	Million Nos.	862	945	1,037
Poultry Birds	Million Nos.	932	1,016	1,108
Eggs	Million Nos.	15,346	16,188	17,083
Poultry Meat	000 Tonnes	1,074	1,170	1,276

Source: Ministry of National Food Security & Research

1 : The figures for the indicated years are statistically calculated using the figures of 2005-06.

2 : The figures for Eggs (Farming) and Eggs (Desi) are calculated using the poultry parameters for egg production.

Government Policy Measures

Livestock Wing of Ministry of NFS&R with its redefined role under 18th Constitutional amendment continued regulatory measures that included allowing import of high yielding animals, semen and embryos for the genetic improvement of indigenous dairy animals, allowing import of high quality feed stuff/micro ingredients for improving the nutritional quality of animal & poultry feed and allowing import of veterinary, dairy and livestock machinery / equipment at reduced duty rates in order to encourage establishment of value added industry in the country. Livestock insurance scheme for farmers having 10 animals or more, introduced during 2014-15 promoted cooperative dairy farming in the country. Zero rating on processed valued added chicken products has been withdrawn.

Livestock Wing also provided facilitation for export of red meat. A total of 41.286 thousand tons of red meat was exported during 2016-17 (July-Mar). The export of meat fetched US \$ 135.036 million. This meat was exported from private sector slaughterhouses. During same period export facilitation was also provided for livestock by-products like animal casing, bones, horns & hooves and gelatin. The effort continued for market access with the concerned authorities of Russia, China, South Africa, Egypt, Hong Kong and Indonesia through diplomatic channel for export of our meat and meat products.

Livestock Wing regulated import of superior quality semen and high yielding exotic dairy cattle of Holstein-Friesian & Jersey breeds for genetic improvement of indigenous dairy

animals. During 2016-17 (July-March), 556,565 thousand doses of semen and 9,123 exotic dairy cows were imported. The exotic dairy cows added approximately 70 million tons of milk per annum in the commercial milk chain/system.

In order to facilitate dairy farmer, duty free import of calf milk replacer & cattle feed premix was allowed. During 2016-17 (July-March), 310.2 metric tons of calf milk replacer & 298.9 metric tons of cattle feed premix was imported. Similarly, to promote and encourage value added livestock processing industry in the country, duty free import of machinery for milk, beef, mutton & poultry processing was allowed.

During 2016-17 (July-March), the Animal Quarantine Department (AQD) provided quarantine services and issued 28,217 Health Certificates for the export of live animals, mutton, beef, eggs and other livestock products having value of US\$ 294.414 million. The AQD generated non-tax revenue of Rs. 103.232 million during 2016-17 (July-March) as certificate / laboratory examination fee of animal and animal products exported during the year.

The National Veterinary Laboratory (NVL), Islamabad is a national institution for service and regulatory support to national livestock wealth with mission to promote greater productivity and profitability from the livestock industries in Pakistan. The NVL conducted surveillance and diagnostics on highly contagious diseases of animals. It also carried out activities on National and Regional Projects regarding prevention and control of

Transboundary Animal Diseases in Pakistan. During 2016-17 (July-March), 10,264 samples were analyzed for disease diagnosis surveillance, veterinary vaccines and residue testing. These samples were submitted from provincial livestock departments, development projects, ICT, AJK and FATA besides animal product exporters.

Livestock Wing also collaborated with international (Office International des Epizooties OIE, Food and Agriculture Organization FAO) and regional organizations (South Asian Association for Regional Cooperation (SAARC), Economic Cooperation Organization (ECO), Animal Production & Health Commission for Asia (APHCA) and European Union (EU) for human resource development (HRD) and capacity building of national and provincial livestock institutions for diagnosis and control of animal diseases. Inter Provincial Coordination is being done by the Livestock Wing to implement the National Programme to Control Foot & Mouth Disease (FMD) and Peste des Petitis Ruminants (PPR) disease in Pakistan. Pakistan has been progressing on OIE FMD freedom pathway and moved to stage 02 of the 06 stage pathway. A National FMD Control Programme at a cost of Rs.764 million for the period of six years has been through from competent forums to sustain and continue project activities during the subsequent years. This will help in improving animal health status of the country regarding transboundary animal diseases.

On account of concerted efforts, two members of UAE technical team visited Pakistan from 16th-20th January, 2017. The delegation visited National Reference Laboratory for Poultry Diseases (NRLPD), NARC, National Veterinary Laboratories, Islamabad; Poultry Research Institute, Rawalpindi, Diagnostic Laboratory of University of Veterinary and Animal sciences (UVAS), Lahore; Quarantine facilities, poultry farms/hatcheries and poultry processing plants, in order to witness/examine the diagnostic facilities, test protocols, inspection services, bio security/ bio safety measures, standard operating procedure, (SOP), good management practices (GMP) and

sanitary/hygiene etc., at these places. On receipt of inspection report from UAE technical team, Government of UAE has lifted ban on import of poultry and poultry products from Pakistan. This would go a long way in promoting export of poultry and poultry products from the country.

In December, 2016, Royal Friesland Company acquired 51 percent of Engro Food Pakistan. This is one of the largest private sector Foreign Direct Investment in dairy sector of Pakistan amounting to investment of US \$ 450 Million. Under new deal and 2020 strategy arrangements, Engro food will go for higher milk quality, variety of milk packages and products and farmers' capacity building leading to reduction in poverty. This has given, a positive signal and more investments in dairy sector are expected during the coming years.

Moreover, to attract further investment in dairy sector, protect the small dairy farmers and the corporate dairy sector, beside discouraging import and mitigate use of synthetic milk and recipe products, regulatory duties to the tune of 25 percent have been imposed on import of Skimmed Milk Powder (SMP) and Whey Powder (WP).

Future Plans

The Future Plans will continue to focus on i) Inter-Provincial Coordination for development of livestock sector, ii) Coordination with private sector to promote value addition livestock industry and diversification of livestock products, iii) Controlling Trans-boundary Animal Diseases (FMD, PPR, Zoonotic diseases) of trade and economic importance through provincial participation, iv) Bringing more investments in livestock sectors and v) Exploring new markets for export of meat and dairy products with focus on Global Halal Food Trade Market.

IV. Fisheries

Fishery plays an important role in Pakistan's economy and is considered to be a source of livelihood for the coastal inhabitants. Apart from marine fisheries, inland fisheries (based in rivers, lakes, ponds, dams etc.) is also very

important activity throughout the country. Fisheries' share in GDP is 0.41 percent but has a value addition in export earnings.

During 2016-17 (July-March), total marine and inland fish production was estimated at 520,000 m. tons out of which 375,000 m. tons was marine production and the remaining catch came from inland waters. Whereas the production for the period 2015-16 (July-March), was estimated to be 501,000 m. tons in which 368,000 m. tons was marine and the remaining was produced by inland fishery sector.

A total of 103,277 m. tons of fish and fish preparations was exported during 2016-17 (July-March). Pakistan's major buyers are China, Thailand, Malaysia, Middle East, Sri Lanka, Japan, etc. Pakistan earned US \$ 276.269 million. Whereas the export of fish and fish preparations for 2015-16 (July-March) was 92,046 m. tons amounting to US \$ 240.038 million. The exports of fish and fish preparations have increased by 12.20 percent in quantity and 15.09 percent in value during 2016-17 (July-March).

Government of Pakistan is taking a number of steps to improve fisheries sector. A number of initiative are being taken by federal and provincial fisheries departments which includes *inter alia* strengthening of extension services, introduction of new fishing methodologies, development of value added products, enhancement of per capita consumption of fish, and up-gradation of socio-economic conditions of the fishermen's community.

i) Biological and Hydrological Research

During 2016-17 (July-March), samples of seawater collected from coastal areas were analyzed to determine parameters which affect fish distribution. Fish samples of different species were examined for study of length-weight relationship, sex ratio, maturity, food and feeding habit and fecundity etc. Monitoring for fish landing to determine stock position was also carried out at Karachi Fish Harbour.

ii) Quality Control Services

Marine Fisheries Department (MFD) is responsible to regulate quality and promote export of fish and fishery products and to prevent export of substandard quality of seafood products. In this connection, during 2016-17 (July-March), the Quality Control Section of MFD has issued 14,174 certificates of Health and Quality & Origin for seafood commodities exported from Pakistan.

iii) Turtle Excluder Device (TED) and Trials of TED by Local Fishermen

A training course on construction, installation and use of TED was also conducted for the fishermen of shrimp trawlers. Fifty Five fishermen including representatives of the other organizations participated in this meeting. The primary purpose of introduction of TED is to reduce the mortality of sea turtles in fishing nets and to fulfill the obligatory requirement of United States regulation for the export of shrimp to USA.

Pakistan is also a signatory to the FAO's Code of Conduct for responsible fishing. The federal and provincial governments have assigned the task to the Maritime Security Agency for ensuring compliance with the TED on all the fishing boats in the sea.

v) Modernized Fishing Fleets

To meet the requirement of EU and other importing countries, technical assistance in respect of modification of fishing boats was rendered to provincial governments and relevant stakeholders, as a result a total number of 1300 fishing boats have been modified. Monitoring of modification is carried out by MFD.

vi) Deep Sea Fishing

During the period under report no deep sea fishing vessel was not in operation. As per direction Prime Minister's Deep Sea Fishing Policy is being revised in consultation with all relevant stakeholders.

Manufacturing and Mining

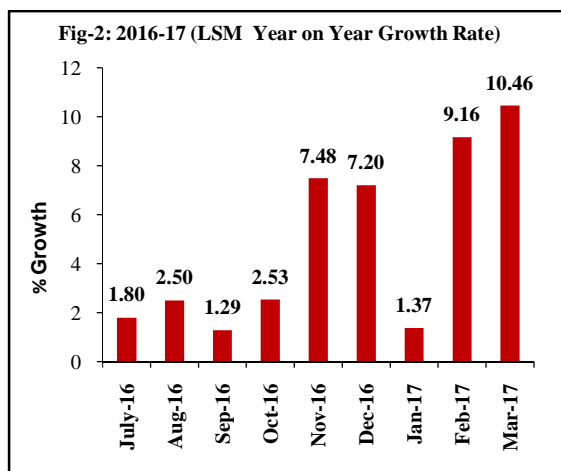
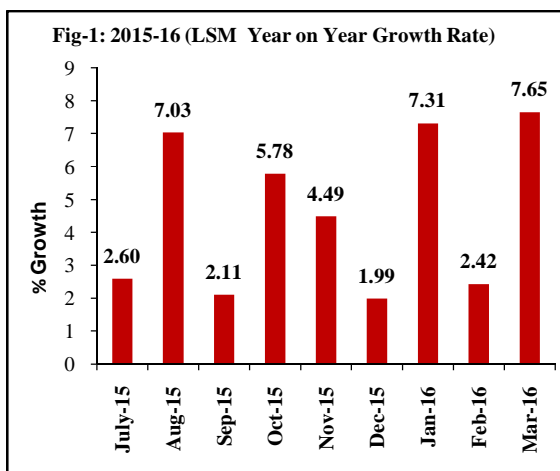
3.1 Introduction

Manufacturing sector is the backbone of Pakistan's economy and constitutes the second largest sector of economy contributing 13.5 percent to Gross Domestic Product (GDP) and generating biggest number of industrial employment with technology transfer. It comprises mainly of Large Scale Manufacturing (LSM) with 80 percent share in Manufacturing and 10.7 percent in GDP whereas small scale manufacturing accounts for 1.8 percent in total GDP and 13.7 percent share in manufacturing. The third component of the sector is slaughtering and accounts for 0.9 percent in overall GDP and its share in manufacturing is 6.7 percent. The overall manufacturing sector continued to maintain its growth momentum with more vigor during the current fiscal year. During FY 2017, it recorded an impressive growth of 5.3 percent against 3.7 percent of last year which helped overall

industrial sector to improve by 5.0 percent against 5.8 percent last year.

During July-March FY 2017, the Large Scale Manufacturing (LSM) registered an impressive growth of 5.1 percent as compared to 4.6 percent in the same period last year. The Year on Year (YoY), LSM recorded significant growth of 10.5 percent in March 2017 compared to 7.6 percent of March 2016. The production data of Large Scale Manufacturing (LSM) received from the Oil Companies Advisory Committee (OCAC) comprising 11 items, Ministry of Industries and Production 36 items and Provincial Bureau of Statistics 65 items have contributed in LSM period average growth by 0.03 percent, 3.97 percent and 1.07 percent, respectively.

The Year on Year performance of LSM sector over corresponding period of last year is given in graph below.



The industry specific data shows that Iron & Steel products recorded highest growth of 16.58 percent (compared to -7.48 percent), Electronics 15.24 percent (compared to -5.69 percent last year), Automobiles 11.31 percent (compared to 23.51 percent last year), Food, Beverages & Tobacco 9.65 percent (compared to 3.77 percent last year), Pharmaceuticals 8.74 percent (compared to 6.85 percent last year), Non Metallic mineral products 7.11 percent (compared to 10.28 percent last year), Paper and Board 5.08 percent (compared to -2.93 percent last year), Engineering Products 2.37 percent (compared to -14.04 percent last year), Fertilizers 1.32 percent (compared to 15.92 percent last year), Textile 0.78 percent (compared to 0.66 percent last year) and Rubber Products 0.04 percent (compared to 9.17 percent last year). The other sectors that showed decline included Wood Product -95.04

percent (compared to -58.09 percent last year), Leather products -17.97 percent (compared to 10.13 percent last year), Chemicals -2.20 percent (compared to 10.28 percent last year) and Coke & Petroleum Products -0.32 (compared to 2.40 percent last year).

In March 2017, highest increased was recorded in Automobiles 20.97 percent, Food, Beverages & Tobacco 20.80 percent, Iron & Steel Products 19.52 percent, Fertilizer 10.00 percent, Pharmaceuticals 7.79 percent, Non metallic mineral product 7.12 percent, Wood Products 4.14 percent, Chemicals 3.23 percent, Textile 2.25 percent, Rubber products 1.65 percent and Paper & Board 0.12 percent.

Group wise growth and points contribution of LSM for the period of July-March FY 2016 versus July-March FY 2017 are given in the following Table-3.1.

Table 3.1: Group wise growth and Point Contribution rate of LSM for the Period of Jul-Mar 2016-17 Vs Jul-Mar 2015-16

S.No.	Groups	Weights	% Change		% Point Contribution	
			July-Mar		July-Mar	
			2015-16	2016-17	2015-16	2016-17
1	Iron & Steel Products	5.392	-7.48	16.58	-0.40	0.89
2	Electronics	1.963	-5.69	15.24	-0.11	0.30
3	Automobiles	4.613	23.51	11.31	1.08	0.52
4	Food, Beverages & Tobacco	12.370	3.77	9.65	0.47	1.19
5	Pharmaceuticals	3.620	6.85	8.74	0.24	0.32
6	Non-Metallic Mineral Products	5.364	10.28	7.11	0.55	0.38
7	Paper & Board	2.314	-2.93	5.08	-0.07	0.12
8	Engineering Products	0.400	-14.04	2.37	-0.06	0.01
9	Fertilizers	4.441	15.92	1.32	0.71	0.06
10	Textile	20.915	0.66	0.78	0.14	0.16
11	Rubber Products	0.262	9.17	0.04	0.02	0.00
12	Wood Products	0.588	-58.09	-95.04	-0.34	-0.56
13	Leather Products	0.859	10.13	-17.97	0.09	-0.15
14	Chemicals	1.717	10.28	-2.20	0.18	-0.04
15	Coke & Petroleum Products	5.514	2.40	-0.32	0.13	-0.02

Source: Pakistan Bureau of Statistics (PBS)

The Iron & Steel sector recorded a growth of 16.58 percent during Jul-March FY 2017 compared to negative growth of 7.48 percent in the same period last year. The growth in the sector was mainly came from Billets/Ingots 24.86 percent and H/C.R sheets/strips/coil/plats

9.83 percent. The robust construction activities also led to an increase in demand for steel and allied products. The improved energy supply as well as industry gained some comfort after recovery in global prices provided room to local players to increase their prices which ultimately

helped them to enhance their capacity utilization.

The performance of cement remained encouraging and recorded a growth of 7.19 percent which pushed up non metallic mineral product to 7.11 percent during July-March FY 2017 despite negative growth of 1.58 percent recorded in glass plates & sheets. Cement growth derived from robust domestic demand which allowed manufacturers to enhance their capacity utilization. The outlook is encouraging on account of firm demand due to flourishing of housing schemes, rising development spending along with anticipated CPEC related projects.

Electronics witnessed a sharp turnaround of 15.24 percent growth as against a contraction of 5.69 percent during July-March FY 2016. Consumer durables like refrigerators recorded 25.68 percent and deep freezers 45.29 percent which contributed to its improved performance. The increase in consumer financing due to low interest rate environment, foreign investment and better market access for the rural population helped to spur the growth.

The Pharmaceutical industry recorded a growth of 8.74 percent during the period under review on account of growth in injections 18.38 percent, Liquids/Syrups 9.33 percent, Capsules 3.27 percent and Tablets 5.44 percent. The government focus on this sector has helped reduce raw material costs, population growth and launch of new dengue vaccine helped to improve the sector.

The Food, Beverages & Tobacco recorded a growth of 9.65 percent on account of sharp increase in production of sugar at 29.33 percent, which is on account of better sugarcane crop over last year by 12.4 percent, rising domestic prices and wide usage of sugar by product such as ethanol in power generation by manufacturers. The other items which recorded positive growth are soft drinks which improved by 18.08 percent, juices, syrups & squashes by 8.98 percent, Tea blended by 5.34 percent and Vegetable Ghee by 2.68 percent, respectively.

Automobile recorded growth at 11.31 percent during July-March FY 2017 and its sub sector such as Tractors recorded growth of 72.90

percent, Trucks 39.31 percent, Buses 19.71 percent, Jeeps and Cars 4.68 percent and motor cycles 21.35 percent. During Jul-March, 2016-17, LCVs posted a negative growth of -36.89 percent on account of closure of Apna Rozgar scheme. The new Auto policy favoring new entrant in automobile sector such as Hyundai Motor Company planning to set up a car assembly plant in Pakistan in a joint venture with local textile firm Nishat Mills, French carmaker Renault agreed to invest in a new factory in Pakistan and South Korean carmaker Kia Motor Co would start assembling cars in a joint venture with Lucky Cement. Another pleasing development is the success of Millat Tractors to convert their vintage engine into Euro II and would facilitate the export of tractors immensely. The demand for heavy vehicles increased as the CPEC related activities going forward with the passage of time.

Fertilizers registered a growth of 1.32 percent July-March FY 2017. The production of Nitrogenous Fertilizer posted a growth of 1.46 percent while Phosphorous Fertilizer grew by 0.23 percent. The performance remained slower compared to last year on account of large inventories of last year. Going forward, domestic demand is expected to remain strong in response to government's decision to maintain subsidy along with adequate gas supplies to the fertilizer industry.

The performance of Textile sector having highest weight of 20.91 in Quantum Index Manufacturing (QIM) remained subdued on account of lackluster performance of cotton yarn 0.78 percent and cotton cloth 0.51 percent having a combined weight of 20.15 in textile sector. The production of cotton declined by 29 percent during last year while it recorded an increase of 7.6 percent in FY 2017 along with rise in cotton prices in international market and export bailout package bode well for its performance in future.

The engineering products recorded a growth of 2.37 percent which came from Diesel Engines 154.13 percent, Power looms 12.54 percent and safety razor blade 11.57 percent.

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Item wise review of production of selected items of Large Scale Manufacturing during July-March FY 2017 is given in Table-3.2.

Table-3.2 : Production of Selected Industrial Items of Large Scale Manufacturing							
S. No.	Items	Unit	Weight	July-Mar		% Change (Jul-Mar) 2016-17	% Point Contribution (Jul-Mar) 2016-17
				2015-16	2016-17		
1	Deep Freezers	(Nos.)	0.1622	55,206	80,208	45.29	0.07
2	Jeep & Cars	(Nos.)	2.8183	137,688	144,129	4.68	0.13
3	Refrigerators	(Nos.)	0.2394	1,008,265	1,267,235	25.68	0.06
4	Upper Leather	(000 sq.m.)	0.3924	18,849	19,687	4.45	0.02
5	Cement	(000 tonnes)	5.299	25,912	27,775	7.19	0.38
6	Liquids/Syrups	(000 Liters)	1.1361	79,946	87,403	9.33	0.11
7	Phosphatic Fertilizer	(N tonnes)	0.3996	502,555	503,723	0.23	0.00
8	Tablets	(000 Nos)	1.9143	20,499,188	21,613,529	5.44	0.10
9	Cooking Oil	(Tonnes)	2.2271	285,017	290,859	2.05	0.05
10	Nitrogenous Fertilizer	(N tonnes)	4.0411	2,256,438	2,289,342	1.46	0.06
11	Cotton Cloth	(000 sq.m.)	7.1858	780,233	784,250	0.51	0.04
12	Vegetable Ghee	(000 tonnes)	1.1444	930,676	955,610	2.68	0.03
13	Cotton Yarn	(tonnes)	12.9646	2,552,654	2,572,613	0.78	0.10
14	Sugar	(tonnes)	3.5445	4,949,653	6,401,398	29.33	1.04
15	Tea Blended	(tonnes)	0.3818	105,923	111,577	5.34	0.02
16	Petroleum products	(000 Liters)	5.4096	10,763,001	10,811,086	0.45	0.02
17	Cigarettes	(Million Nos.)	2.1252	42,892	24,678	-42.46	-0.90
18	Billets/Ingots	(Tonnes)	1.5234	2,416,258	3,017,000	24.86	0.38
19	H/C.R sheets/ Strips/ Coils/	(Tonnes)	2.2841	2,354,200	2,585,700	9.83	0.22

Source: Pakistan Bureau of Statistics (PBS)

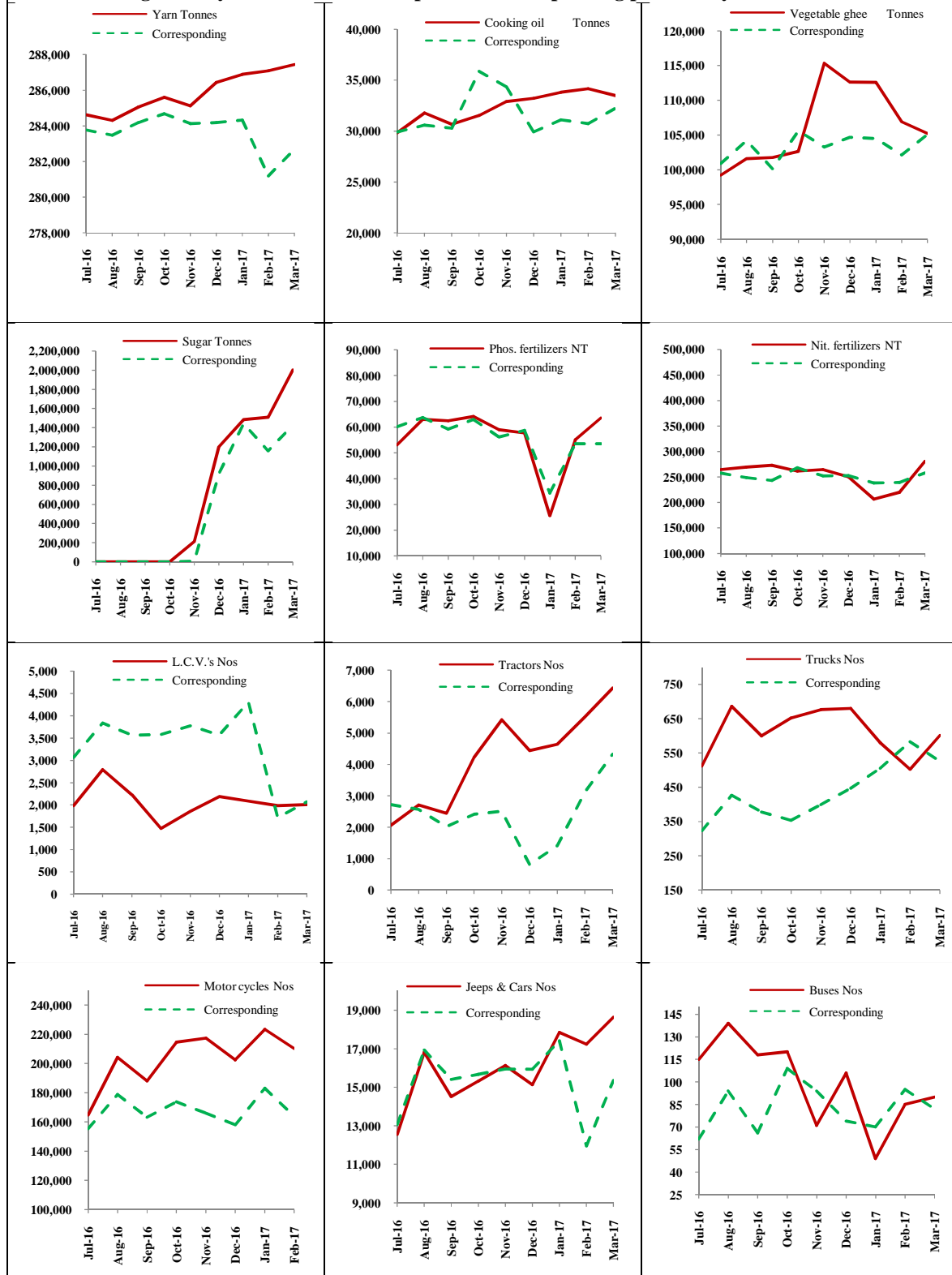
A notable decline of 42.46 percent occurred in the production of cigarettes mainly due to closure of cigarettes factory at Mandra on account slow demand as well as annual maintenance of Pakistan Tobacco Company Ltd. The Jute goods recorded a decline of 7.95 percent on account of closure of Pakistan Jute Mills due to financial constraints as well as stoppage of raw Jute from Bangladesh due to political and other reasons. Chip Board Production is nil during the period which dragged wood products growth during the period. It is because one manufacturing unit (Sindh Particle Board Mills Ltd, Kotri) has been closed in April 2014 due to losses and

other Pakistan Chip Board (Pvt) Limited Jhelum has stopped its operation since November, 2015.

A host of factors are likely to provide impetus to Large Scale Manufacturing (LSM) such as low interest rate, higher PSDP spending, recently announced incentives for export industries, strong domestic consumer demand and smooth energy supplies.

The production trends of items in Large Scale Manufacturing (LSM) sector during July-March FY2017 compared to same period of last year is given below.

Fig-3: Monthly Production trends of major Large Scale Manufacturing (LSM) sector items during the July-March 2016-17 compared to corresponding period July-March 2015-16



3.2 Textile Industry

Pakistan has an inherent advantage of being 4th largest producer of cotton in the world with a huge potential to further increase crop yield. For success of any export led industry, local availability of basic raw material is an added advantage being a key factor in reducing cost of doing business. The textile value chain consists of multiple industrial sub-sectors. The value chain is quite long starting from cotton picking to a finished garment of the latest fashion. The end product of one sub-sector is the raw material for the other. Each sub-sector in the value chain contributes to value addition and employment generation. As the change moves downstream, each link creates larger number of jobs with relatively lower investments.

Performance of Textile Industry

Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. The sector contributes nearly one-fourth of industrial value-added and provides employment to about 40 percent of industrial labor force. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 62 percent in national exports. The export performance during the period under review is given in the Table 3.3.

Table 3.3: Export of Pakistan Textiles								(US\$ Millions)
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Jul-Mar
Cotton & Cotton textiles	9755	13147	11803	12628	13348	13139	12168	9112
Synthetic textiles	446	608	546	406	383	331	288	167
Sub Total textiles	10201	13755	12349	13034	13731	13470	12456	9279
Wool & woolen textiles	137	132	121	122	125	119	98	61
Total textiles	10338	13887	12470	13156	13856	13589	12553	9340
Total exports	19290	24810	23624	24515	25131	23885	20802	15119
Textile as % of Exports	54	56	53	54	55	57	60	62

Source: Ministry of Textile

3.2.1 Ancillary Textile Industry

The ancillary textile industry includes cotton spinning, cotton cloth, cotton yarn, cotton fabric, fabric processing, home textiles, towels, hosiery and knitwear and readymade garments, these components are being produced both in the large scale organized sector as well as in the unorganized cottage / small and medium units. The performance of these various ancillary textile industries is illustrated as under:-

i. Cotton Spinning Sector

The Spinning Sector is the backbone of the Pakistan's textile industry. At present, as per record of Textile Commissioner's Organization (TCO), it comprises 523 textile units (40 composite units and 483 spinning units) with 13.269 Million Spindles and 185 thousand Rotors installed and 11.083 million spindles

and 140 thousands rotors in operation with capacity utilization of 84 percent and 76 percent respectively, during Jul-Mar, 2017.

ii. Cloth Sector

There are three different sub-sectors in weaving viz, Integrated, Independent Weaving Units, and Power Loom Units. There is investment in the shuttle-less looms both in integrated and independent weaving sector. This trend is likely to intensify in the country. The power loom sector modernized and registered a phenomenal growth over the last two decades. The growth of power loom sector is due to favorable government policies as well as market forces. The production of cloth in Mill Sector is reported while the production in Non-Mills Sector is not reported and therefore, is estimated.

Table 3.4: Production and export of Clothing Sector

Production	July-March 2016-17	July-March 2015-16	% Change
Mill Sector (M. Sq. Mtrs.)	783.250	780.233	0.39
Non Mill Sector (M. Sq. Mtrs.)	6098.220	6091.972	0.10
Total	6881.470	6872.205	0.13
Cloth Exports			
Quantity (M.SqMtr.)	1410.359	1659.455	-15.01
Value (M.US\$)	1581.174	1685.264	-6.18

Source: Ministry of Textile

iii. Textile Made-Up Sector

Being value added segment of Textile industry made-up sector comprises different sub groups namely Towels, Tents & Canvas, Cotton Bags, Bed-Wear, Hosiery, Knitwear & Readymade

Garments including Fashion Apparels. The table given as below compares export performance of made-up sector during the period 2017. Export performance of made-up sector during the period July-Mar FY 2016 is presented in Table 3.5.

Table 3.5: Export of Textile Made-Ups

	July-March 2016-17	July-March 2015-16	% Change
Hosiery Knitwear			
Quantity (M.DoZ)	89.520	85.460	4.75
Value (M.US\$)	1745.663	1746.917	-0.07
Readymade Garments			
Quantity (M.DoZ)	24.823	23.704	4.72
Value (M.US\$)	1704.064	1608.717	5.93
Towels			
Quantity (M.DoZ)	132.723	135.646	-2.15
Value (M.US\$)	578.024	597.001	-3.18
Tents/Canvas			
Quantity (M.DoZ)	33.907	25.989	30.47
Value (M.US\$)	107.053	68.361	56.60
Bed Wears			
Quantity (M.DoZ)	263.814	244.295	7.99
Value (M.US\$)	1585.691	1508.609	5.11
Other Made up			
Value (M.US\$)	485.148	471.618	2.87

Source: Ministry of Textile

a) Hosiery Industry

There are about 13372 Circular Knitting Machines, 10646 Flat Knitting and 23241 Socks knitting machines spread all over the country. The capacity utilization is approximately 70%. There is greater reliance on the development of this industry as there is

substantial value addition in the form of knitwear. Besides locally manufactured machinery, liberal import of machinery under different modes is also being made and the capacity based on exports is being developed. The export performance of knitwear during the period under review is given below in Table.3.6.

Table 3.6: Export of Knitwear

	July-March 2016-17	July-March 2015-16	% Change
Quantity (000.Doiz)	89.520	85.460	4.75
Value (M.US\$)	1745.663	1746.917	-0.07

Source: Ministry of Textile

b) Readymade Garment Industry

Readymade garment industry has emerged as one of the important small scale industries in Pakistan. Its products have large demand both at home and abroad. The local requirements of readymade garments are almost fully met by this industry. Garment industry is also a good source of providing employment opportunities to a large number of people at a very low capital investment. Production of garments by units depends on export orders directly or

indirectly. These orders have somewhat risen in terms of value, but they have fluctuated widely in terms of quantity. Generally export earnings from garments have increased significantly. Exports increased from 23.704 million dozens in various types of readymade garments worth US\$ 1608.72 million during Jul-March FY 2016 as compare to 24.823 million dozens worth US\$ 1704.06 million during Jul-March FY 2017, thus showing an increase of 4.72 percent in terms of value and 5.93 percent in term of quantity.

Table 3.7: Export of Readymade Garments

	July-March 2016-17	July-March 2015-16	% Change
Quantity (M.Doiz)	24.823	23.704	4.72
Value (M.US\$)	1704.064	1608.717	5.93

Source: Ministry of Textile

c) Towel Industry

There are about 10,000 Towel Looms including shuttle and shuttle less in the country in both organized and unorganized sector. This industry is dominantly export based and its growth has

all the time depended on export outlets. During Jul-March FY 2017, exports in term of quantity recorded at 132.723 million kg as compared to 135.646 million kg showing a decrease of 2.15 percent. Export performance of towel sector during the period is given below in Table 3.8.

Table 3.8: Export performance of Towel sector

	July-March 2016-17	July-March 2015-16	% Change
Quantity (M.Kgs)	132.723	135.646	-2.15
Value (M.US\$)	578.024	597.001	-3.18

Source: Ministry of Textile

d) Canvas

The production capacity of this sector is more than 100 million Sq. meters per year. This sector is also known as raw cotton consuming sector. This value-added sector also has a great potential for export. This sector recorded \$ 107.427 million during Jul-March FY 2017, as

compared to \$ 68.361 million in comparable period last year, thus showing an increase of 56.60 percent. In terms of quantity during Jul-March FY2017 it is recorded at 33.907 million kg. as compared to 25.989 million kg. thus showing an increase of 30.47 percent.

Manufacturing and Mining

Table 3.9: Export performance of Tent and Canvas Sector

	July-March 2016-17	July-March 2015-16	% Change
Quantity (M.Kgs)	33.907	25.989	30.47
Value (M.US\$)	107.053	68.361	56.60

Source: Ministry of Textile

iv) Synthetic textile fabrics

During July-March FY 2017, synthetic textile fabrics worth \$ 166.958 million were exported as compared to \$ 222.114 million showing a decline of 24.83 percent as compared to last year. Even in Quantity term the exports of synthetic decreased by 56.05 percent.

industry are carpets and rugs. During Jul-March FY 2017, carpets and rugs worth \$ 61.206 million were exported as compared to \$ 74.030 million showing a decline of 17.32 percent.

In terms of quantity the exports of carpets and rugs also decreased by 3.64 percent. The exports of carpets during the period July-March FY 2017 is given in the Table 3.10.

v) Woollen industry

The main products manufactured by the woollen

Table 3.10: Exports of Carpets and Rugs (Woollen)

	July-March 2016-17	July-March 2015-16	% Change
Quantity (M.Sq.Mtr)	1.322	1.372	-3.64
Value (M.US\$)	61.206	74.030	-17.32

Source: Ministry of Textile

vi) Jute industry

The main products manufactured by the Jute industries are Jute Sacks and Hessian cloth,

which are used for packing and handling of Wheat, Rice and Food Grains. The installed and working capacity of jute industry is given in the Table 3.11.

Table 3.11: Installed and working capacity of Jute

	July-March 2016-17	July-March 2015-16	% Change
Total No. of Units	10	10	0
Spindles Installed	24272	24272	0
Spindles Worked	13794	12976	6
Looms Installed	1138	1134	0.3
Looms Worked	725	568	28

Source: Ministry of Textile

The production of the Jute goods during July-March FY2017 remained at 41,793 metric tons and last year was 45,402 metric tons, respectively showing a decrease of 8 percent.

primarily on the development of engineering goods and services sector on modern lines enabling it to become technologically sound and globally integrated. Engineering Development Board has so far taken the following initiatives.

3.3 Other Industries

3.3-1 Engineering Sector

Engineering Development Board (EDB) is the apex government body under Ministry of Industries & Production entrusted to strengthen engineering base in Pakistan. EDB focuses

CPEC Summit & Expo

Engineering Development Board (EDB) had setup a stall with collaboration of Ministry of Industries and Production in CPEC Summit &

Expo held in Pak China Friendship Center, Islamabad from August 29th to August 30th, 2016, organized by Ministry of Planning, Development and Reforms. MOI&P/EDB stalls were source of attraction for both Chinese and local visitors in respect of information pertaining to the role of MOI&P and its attached organizations with reference to Engineering Industry, Economic Zones and Industrial Parks. Substantial number of Chinese businessmen visited MOI&P/EDB stalls and showed keen interest to have joint partnership with the Pakistani companies. EDB placed promotional/introductory materials of all the attached departments working under MOI&P.

Pakistan at Hannover Messe 2016&17

Engineering Development Board organized Pakistan's Pavilion at the world's largest trade fair of industrial technologies "Hannover Messe-Germany" 2016. Thirty two (32) prominent engineering companies from Pakistan participated in the event. The trade fair presented a wide spectrum of products of top engineering companies in the industrial supply category.

Pakistan's Pavilion was branded as "Vibrant Pakistan" with a theme of "One Nation One Vision". The pavilion was the hub of activities and Pakistani stands were among the most visited stalls due to group participation, quality of exhibits, decor of the stalls and excellent give away items promoted the soft image of Pakistan as an emerging engineering

destination. Besides the visit of hundreds of customers, general visitors, and many delegations/businessmen from the world known technology providers and manufacturers visited Pakistan pavilion. After a successful show at Hannover Messe-Germany 2016, Export Development Fund Board, Ministry of Commerce allowed funding for participation of 50 exhibitors to EDB for organizing Hannover Messe scheduled from 24th to 28th April, 2017. For five days across the packed exhibition ground, 6500 exhibitors from 70 countries were showcasing intelligent robots, 3D printers, solution for industry and highly efficient energy systems. EDB brought Pakistan's best emerging companies to showcase Pakistan's engineering manufacturing products at leading technology fair. Pakistan's delegation comprised five professors from the country's leading engineering universities.

3.3-2 Automobile Industry

In automobile sector, there has been a surge in productions of all its sub sectors. Remarkable growth has been witnessed in Farm tractors which is recorded at 72.9 percent, Trucks 39.3 percent, Jeeps 30.8 percent, two/three wheelers 21.2 percent, Buses 19.7 percent and Cars 4.6 percent during July-March FY 2017 as compared to corresponding period last year, whereas LCVs production declined by 36.9 percent.

Table below shows comparative position of the production during the year July-March FY 2017 and FY2016.

Table 3.12: Production of Automotive Industry			No of units produced	
Category	Installed Capacity	2015-16 (July-Mar)	2016-17 (July-Mar)	% Change
Cars	240,000	137,067	143,317	4.6
LCVs	43,900	29,529	18,637	-36.9
Jeeps	5,000	621	812	30.8
Buses	5,000	746	893	19.7
Trucks	28,500	3,940	5,489	39.3
Farm Tractors	65,000	21,942	37,938	72.9
Two/Three Wheelers	2,500,000	998,040	1,209,504	21.2
Source: Pakistan Automotive Manufacturer Association				

Automobile sector is among the top growth sectors in the large scale manufacturing in

Pakistan. As stated earlier, the negative growth in case of Light Commercial Vehicles (LCVs)

resulted from the discontinuation of Apna Rozgar Scheme but was compensated by increased production of other models and growth in tractors and trucks. The trucks production has risen due to economic activity in the country to meet CPEC related material and freight transport needs. There is still enormous potential of growth in buses, given an opportunity to local manufactures by the government and serious measures taken in formulating and implementing urban transport schemes along with replacing the old dilapidated buses presently plying on the roads of metropolitan areas. The cars growth during the period was not up to the mark despite impressive sale of some new models. The factual position is that used cars still hold about 20 percent of the market share. The two/three wheeler sector offers most preferred and economical means of transport and best alternative in the absence of public transport and thus holds considerable opportunity of growth. The figures of two/three wheelers essentially represent the organized sector and leading producers and shall be higher as there are 2/3 wheeler assemblers outside PAMA.

The new auto policy has already been welcomed by the manufacturers as it provides a long term predictable framework. There is strong possibility for market expansion as about one year down the line interest by new players is quite visible to enjoy low entry threshold and avail investment opportunity in the fast growing auto sector and growing economy of Pakistan. The tariff incentives offered to the new comers are unprecedented which indeed is aimed to develop the industry.

The auto industry is also expected to benefit from launch of new models by existing manufacturers, the revival of dormant players Kia motors and Hyundai besides the entry of new players. The new investors are already leading players in cement and textiles besides having interests in this vibrant sector. Some European brands are also studying the Pakistani auto market for establishing manufacturing facilities.

The new entrant policy provides incentives to

the new investors as the condition of matching the localization level of vehicles at par with domestically produced similar models in three years has been extended to five years. The new entrants would be able to import completely built units at concessional duties for five years.

Another pleasing development is the success of Millat tractors to convert their vintage engine into Euro II and it would facilitate the export of tractors immensely.

3.3-3 Fertilizer Industry

The fertilizer industry is an integral part of Pakistan's economy. The Pakistan fertilizer industry produces imports and distributes various types of fertilizers. The government has pursued a policy of supporting the industry in the form of feed gas subsidies, GST relaxation and increasing support prices for commodities.

There are ten urea manufacturing plant, one DAP, three NP, three SSP, two CAN and one plant of blended NPKs having a total production capacity of 8,983 thousand product tonnes per annum. Although, the installed production capacity for all products has attained the level of 8,983 thousand tonnes per annum, the actual production for all products remained at 8,015 and 8,065 (estimated) thousand product tones for 2015-16 and 2016-17 respectively. The entire fertilizer products are manufactured by the private sector.

At present, the installed production capacity (6,323 thousand tonnes) of urea fertilizer is more than the national demand of about 6,000 thousand tonnes per annum. The annual production of urea for 2016-17 is estimated as 5,900 thousand tonnes, which is less by 6.7 percent of installed capacity of urea fertilizer.

The recommended level of fertilizer use in Pakistan for Nitrogen (N), Phosphate (P) & Potash (K) is 2:1:0.5. The government has been endeavoring hard to boost the agriculture sector of economy, for which government has subsidized the nitrogen and phosphate fertilizer under Kissan Package. During current fiscal year FY2017 estimates shows that nitrogen (N) Potash (K) off take has jumped by 33.0 and

82.5 percent while phosphate off take has surged by 23.2 percent respectively, during first nine months current fiscal year as compared with same period last year. The rise in off take of nitrogen and phosphate fertilizer is due to subsidy provided by the government.

The government has allocated Rs. 27 billion as cash subsidy on fertilizer sales in fiscal year budget 2016-17 but it was discontinued as the entire amount was consumed. Later on, Prime Minister of Pakistan directed that cash subsidy on fertilizer would be continued till the end of fiscal year 2016-17. To support the domestic fertilizer industry, the government this year has allowed the export of 300,000 tonnes of urea fertilizer without the subsidy.

3.3-4 Cement Industry

Cement dispatches reached historic heights in March 2017 touching almost 4 million tons as the factories utilized their full production capacity to meet robust demand in the local market. The ever increasing domestic market has vindicated the manufacturers thrust on adding new capacities. The cement industry is playing its due role to get the momentum going and in April 2017 the industry dispatched 3.576 million tons of cement against 3.551 million tons dispatched during the corresponding month

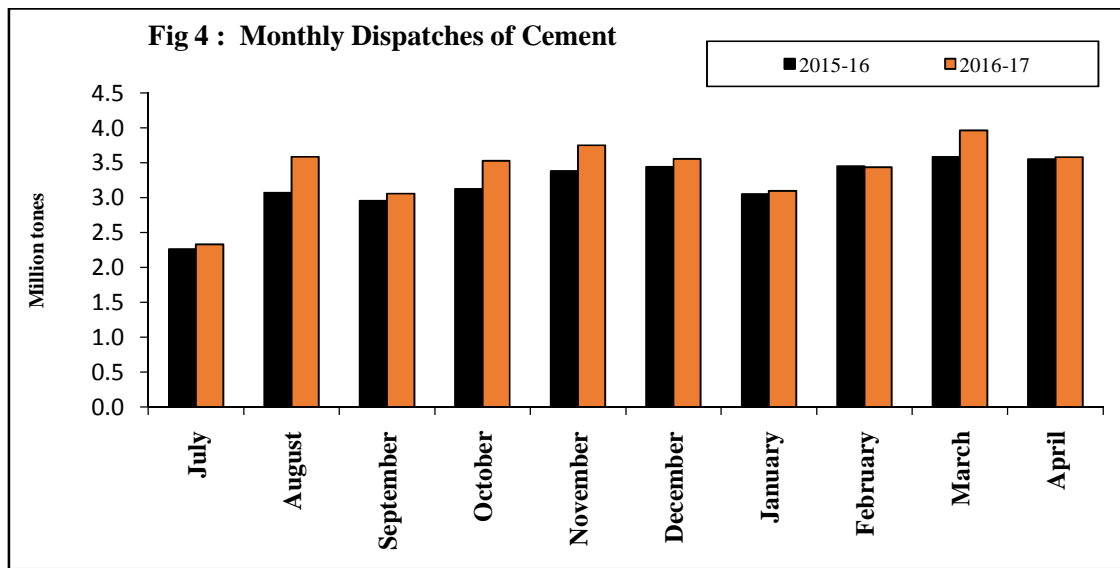
of last year.

In the first ten month of this fiscal year the industry has dispatched 33.880 million tons cement showing an overall growth of 6.21 percent over the corresponding period of last fiscal year. During the period the domestic consumption increased by 10.74 percent but exports declined by 18.63 percent. It is worth noting that the domestic cement consumption during July-April FY 2017 increased by 10.22 percent in the North and by 13.14 percent in the Southern part of the country. In contrast the exports from North declined by 14.42 percent compared with a decline of 26.19 percent in the South. This should be a matter of concern as in the past the South based mills being nearer to sea were leading cement exporters. The capacity utilization during first ten months of current fiscal is 87.64 percent.

The domestic dispatches in April 2017 were 9.53 percent higher than the dispatches in April 2016. The exports in contrast declined by a whopping 50.75 percent. This massive decline in exports reduced the dispatches growth in April 17 to only 0.70 percent. In the first ten months of this fiscal year the domestic dispatches increased by 10.74 percent while the exports registered a decline of 18.63 percent.

Table 3.13: Cement Production Capacity & Dispatches					(Million Tonnes)
Years	Production Capacity	Capacity Utilization (%)	Local Dispatches	Exports	Total Dispatches
2006-2007	30.50	79.23	21.03	3.23	24.26
2007-2008	37.68	80.14	22.58	7.72	30.30
2008-2009	42.28	74.05	20.33	10.98	31.31
2009-2010	45.34	75.46	23.57	10.65	34.22
2010-2011	42.37	74.17	22.00	9.43	31.43
2011-2012	44.64	72.83	23.95	8.57	32.52
2012-2013	44.64	74.89	25.06	8.37	33.43
2013-2014	44.64	76.79	26.15	8.14	34.28
2014-2015	45.62	77.60	28.20	7.20	35.40
2015-2016	45.62	85.21	33.00	5.87	38.87
July-April					
2015-16	45.62	83.91	26.97	4.93	31.90
2016-17	46.39	87.64	29.87	4.01	33.88

Source: All Pakistan Cement Manufacturers Association (APCMA)



3.4: Small and Medium Enterprises

Small and Medium Enterprises Development Authority (SMEDA) is the apex organization for development of the SME sector in Pakistan. It has an all-encompassing mandate towards fostering growth of SMEs along with a broad service portfolio spread across various SME

sectors and clusters, skill development through training, industry support for productivity enhancement, business development services and collaborative projects with international development partners. Salient activities/achievements of SMEDA during July-March FY 2017 are given below:-

i. SMEDA's Regular Business Development Support Services, Research & Advocacy

Walk-ins facilitated:	Around 5,240 (including PMYBL)
Investment Facilitation:	PKR 137.6 Million (Approx.)
Pre-feasibility Studies Developed:	25(15 new, 10 updated)
Business Plans Developed:	22
Training Programs/workshops	181 programs
SMEDA Newsletter (Quarterly):	3 Issues, containing information on SME development initiatives and guidance for SMEs
SME Observer (Bi-Annual):	1 Issue with 5 research articles for policy advocacy
SMEDA Research Journal	1 Issue with 5 research papers for policy advocacy
Annula Report	Annual Publication
SMEDA Web Portal Downloads	176,875

ii. Special projects with international development partners

a) Industry Support Services

SMEDA in collaboration with various international development agencies such as Japan International Cooperation agency (JICA), German International Cooperation

(GIZ), Training and Development Centers of the Bavarian Employers Association (bfz), Germany and local experts, is providing technical assistance to SMEs across a range of industries to upgrade their skills and improve systems. Over 50 international technical experts have been engaged by SMEDA and demonstrated best

practices for improving Productivity & Quality, reducing energy wastages and improving workplace environment of SME sectors. During Jul-March 2016-17, 75 industrial units (33 new and 41 follow-ups) have been the direct beneficiaries of this program in the areas of energy efficiency, productivity improvement, and environment/green productivity. In addition, 11 training workshops/seminars were conducted with international and local consultants on the subject of productivity & quality improvements, green productivity and energy efficiency.

b) Technical support to auto parts manufacturing industry

In order to broaden the scope of productivity and improvement activities across the value chain of auto sector and subsequently improving the share of localization of auto parts, SMEDA in collaboration with JICA has initiated a technical support program of Japanese for improving the productivity and quality. SMEDA's efforts have resulted in the

launch of a 4 years project for Technical Support to Auto Parts Manufacturing Industry of Pakistan. The program was launched in collaboration with JICA in FY 2014-15. During this 4 years program, technical support will be extended to 50 auto parts manufacturing units of Pakistan through five (05) JICA technical experts. During Jul-March 2016-17, technical support to 29 auto parts manufacturing units has been provided under the project.

c) Economic Revitalization of Khyber Pakhtunkhwa and FATA (ERKF)

The Multi Donor Trust Fund(MDTF) project 'Economic Revitalization of Khyber Pakhtunkhwa and Federally Administered Tribal Areas (FATA)' is a joint initiative for both Khyber Pakhtunkhwa and FATA to provide support to SMEs, attract investment, and strengthen institutional capacities to foster investment and implement regulatory reforms. The total cost of the SME development is US\$ 20 million.

Table 3.14: ERKF SMEDA Grant Approval/Disbursement KP only July-March 2016-17

Components	No of Grants approved	Amount of Grants Approved (Rs.)	No of Grants Disbursed	Amount of Grants Disbursed (Rs.)
Rehabilitation	80	67,634,500	78	63,384,500
Up-Gradation	7	5,621,300	5	4,287,300
Total	87	73,255,800	83	67,671,800

Source: SMEDA

d) Youth Employment Project (YEP)

SMEDA in Collaboration with United Nations Development Program (UNDP) has initiated Youth Employment Project (YEP) to provide better self-employment opportunity to the youth of Karachi. YEP aims to facilitate creation of 500 small enterprises by training the youth in garments sector. The training programs will enable them to develop their small ventures and earn sustainable income. During November 2016-March 2017, 11 training programs with over 500 participants have been conducted.

iii. SME Development Projects under Public Sector Development Program (PSDP)

In Pakistan, lack of infrastructural development and technology are the major constraints that hinder SME productivity and competitiveness. To cope with this challenge and to have a demonstration effect through use of modern technologies, SMEDA has been implementing projects across Pakistan. These projects are financed through the Public Sector Development Program (PSDP). Currently, SMEDA is implementing five (05) PSDP projects at a total cost of Rs. 688.35 million. List of PSDP projects being implemented by

SMEDA during July-March 2016-17 is as follows:

Sr.No	Project Name	Status
1	Red Chillies Processing Center, Kunri	Operational and providing services to the cluster
2	Woman Business Development Center, Mingora, Swat	Operational
3	Establishment of CFC for Honey Processing and Packaging, Swat	Operational
4	Sialkot Business & Commerce Center, Sialkot	Under execution
5	Establishment of CFC for Silk Cluster at Mingora, Swat	Under execution
Source: SMEDA		

iv. Prime Minister's Youth Business Loans (PMYBL)

- At the launch of PMYBL in 2013, Eighty Five (85) Business pre-feasibility Studies (also translated into Urdu) were developed along with information resources and tools including, FAQs on pre-feasibility studies, Financial Calculators (4), Guidelines/template on developing business plan, and training video documentaries (7) developed on various aspects of business.
- 17.11 million pre-feasibility studies and other tools and resources were downloaded from SMEDA website and 25,077 prospective loan applicants facilitated through SMEDA helpdesks after the launch of PMYBL. (0.53 million downloads were recorded during the period July-March FY2017).
- Information dissemination of PMYBL has been enhanced through SMEDA regular training programs across the country.

v. China-Pakistan Economic Corridor (CPEC)

The China-Pakistan Economic Corridor offers immense opportunities for achieving Pakistan's development objectives. SMEDA, in this regard, provided policy inputs on draft long term plan of China-Pakistan Economic Corridor (CPEC) to capture key areas to mobilize investment for the benefit for the SMEs sector for both countries. SMEDA proposed 70 direct interventions under 13 economic sectors for fast track development. The proposed interventions are based on SMEDA's 5-year SME development plan that has been

included in Pakistan Vision 2025. During July-March 2016-17, SMEDA's activities in this area were as follows:

- SMEDA facilitated Memorandum of Understanding (MoU) between All Pakistan Business Forum (APBF) and Zhimakaimen Economic and Trading Industrial Zone Management Company Limited, China. According to the MoU, local SMEs will be offered facilities for setting up shops in the centers being developed by the Chinese company.
- Identification of clusters based on regional endowment along the proposed CPEC route (including 100 KM of route).
- Participation in "CPEC celebrations and summit" held on August 29, 2016, Islamabad.

3.6: Mineral Sector

In the wake of the 18th Amendment, provinces enjoy great freedom to explore and exploit the natural resources located in their jurisdiction, with the result that they are undertaking number of projects from their own resources, or in collaboration with federal government or donors to tap and develop these resources.

Pakistan is bestowed with all kinds of resources which also include mineral resources. Pakistan possesses a large number of industrial rocks, metallic and non-metallic which have not been evaluated. The mineral wealth of Pakistan contributes meagerly to its GDP. This is due to application of outdated management techniques, inadequate capital and antique technical know-how besides unsatisfactory law

Pakistan Economic Survey 2016-17

& order situation in the areas where major bulk of our mineral resources lie.

The Mining and Quarrying sector grew by 1.34 percent in FY 2017 as against 6.86 percent last year. Calcite, Bauxite, Ocher, Sulphur, Chromite, Marble, Coal, Quartz, Gypsum and Lime stone posted a positive growth rate of 138.32 percent, 116.25 percent, 60.27 percent,

55.22 percent, 42.62 percent, 30.14 percent, 22.84 percent, 18.68 percent, 12.69 percent and 8.47 percent respectively. However, some witnessed negative growth rate during the period under review such as Barytes 73.00 percent, Magnesite 57.73 percent, Dolomite 40.93 percent, Soap Stone 6.11 percent, Rock Salt 1.73 percent and Natural gas 0.10 percent (Table 3.15).

Table 3.15: Extraction of Principal Minerals

Minerals	Unit of Quantity	2014-15	2015-16	2016-17	% Change FY17/FY16
Coal	M.T	3,406,851	3,749,312	4,605,807	22.84
Natural Gas	MMCF	1,465,759	1,481,551	1,480,092	-0.10
Crude Oil	US B(000)	34,490	31,652	32,258	1.91
Chromite	M.T	100,516	69,333	98,882	42.62
Magnesite	M.T	4,611	35,228	14,890	-57.73
Dolomite	M.T	223,117	716,611	423,296	-40.93
Gypsum	M.T	1,417,007	1,871,716	2,109,152	12.69
Lime Stone	M.T	39,819,401	48,296,551	52,386,080	8.47
Rock Salt	M.T	2,136,361	3,552,984	3,491,691	-1.73
Sulphur	M.T	19,730	14,869	23,080	55.22
Barytes	M.T	118,568	157,407	42,506	-73.00
Calcite	M.T	1,694	1,610	3,837	138.32
Soap Stone	M.T	100,724	125,330	117,668	-6.11
Marble	M.T	2,520,170	4,748,715	6,179,867	30.14
Bauxite	M.T	24,689	57,024	123,316	116.25
Quartz	M.T	38,016	88,171	104,645	18.68
Ocher	M.T	33,909	68,352	109,550	60.27

Source: Pakistan Bureau of Statistics (PBS)

Punjab:

Punjab, being second largest (area-wise) province of the country, has vast mineral potential like coal, salt, iron ore, limestone, gypsum, silica sand and fire clay etc. The government of Punjab is striving to follow a road map on mineral exploration projects.

- To enhance the contribution of mineral sector to GDP through improved production.
- To expand mining sector by focusing on exploration and evaluation of mineral resources.
- To enhance public sector investment on resource mapping, Geo-database development and provision of physical infrastructure, roads and electricity etc. in

the potential areas.

- To promote facilitation role of the government for the prospective investor.
- To encourage and support exploration of minerals, particularly through private sector.
- To promote environment friendly mining practices and to take measures for mitigation of environmental hazards for sustainable development of mineral sector.

Following achievements have been made by the Government of Punjab.

i. Geophysical Survey of Sub Surface Pre-Cambrian Shield Rocks in Punjab for Metallic Mineral Deposits

Iron ore and metallic mineral resource estimation in Chiniot-Rajoa project led the

mineral department to undertake geophysical survey of the areas where Indian shield rocks are sub-merged in the Punjab plans including the districts Chiniot, Faisalabad, Sargodha, Sheikhupura, Nankana Sahib, Kasur, Hafizabad etc. Geological Survey of Pakistan (GSP) was engaged to undertake the job. It has completed the following scope of work.

- Semi-detailed magnetic survey on 28 topo sheets covering 18000 sq.km area. Total magnetic survey data was recorded using Proton Precession Magnetometer, Geometric G856AX, and after applying necessary corrections prepared 2D contour maps using surfur-11.
- Thirty two (32) anomalous zones of different intensities were discovered,
- Three (3) out of thirty two (32) so far detected anomalies zones were selected for integrated geophysical surveys.
- Gravity, Magnetic and IP surveys on three selected anomalies near Wad Sayyidan, Ghutti Sayyidan and Chak Jhumra are completed.

Based on the above geophysical data, further evaluation and resource estimation of the metallic minerals in entire Punjab is underway in a separate project.

ii. Construction of road network to facilitate supply of coal to power plant site

Mines & Minerals Department is responsible for Exploration, Development and Economic Exploitation of Mineral Resources of the province along with the development of access roads to the mining fields. The province is blessed with a resource of 596 million tons coal and about 600 operational coal mines are operational in the province. The condition of above said available road network is not conducive for transportation of coal. In order to facilitate the transportation of coal, the road network from operational mines to the main

roads and to the consumer industry is imperative to be improved via roads in the far flung hilly areas.

iii. Underground Coal Mine Survey

Directorate General Mines and Minerals has engaged German Consultant (SST-Fugro) consortium for third party validation of the coal mining survey data collected by the department. The study will cover the following goals:-

- Conduct a mining lease based available coal and/or coaly shales/high carbonaceous shales resource estimation and verify the coal mines survey data through review of existing data and conducting fresh survey of coal mines in Salt Range and Surghar (Trans-Indus) Range; and
- Assess and evaluate as to whether or not the mineable coal resources of Salt Range and Surghar (Trans-Indus) Range are sufficient for supply to the proposed coal based power plants(s) for thirty years.
- As a result of this study total coal resources in the salt range and Surghar range would be determined and its potential to install coal based power plant on indigenous coal resources would be determined uptill mid of May 2017.

iv. Special Economic Zone in District Minawali Near CPEC Western Rout

In Mianwali district, industrial mineral resources of limestone, Silica Sand, Fireclay, Gypsum, Rock Salt are available for installation of industrial units of cement, glass, ceramic and chemical. The CPEC route is passing near Daud Khel-Kalabagh (District Mianwali), therefore mineral bases industrial zone near Daud-Khel interchange (CPEC route) has been proposed. The industrial department has been requested to declare the SEZ as per their SOPs.

v. Installation of Cement Plants at Salt Range

After the completion of study for “delineation of positive and negative areas for installation of cement plants”, Directorate General of Mines & Minerals will offer solicited proposal and

process applications for installation of new cement plants in Salt Range to meet the demand of around 105 million metric tonnes of cement in coming four years in wake of CPEC.

vi. Capacity Building & Strengthening of Directorate General of Mines & Minerals Punjab, Lahore

- a. Construction of Office Building and Residence for Deputy Director Mines & Minerals Khushab
- b. Construction of Office and Residences for the Deputy Director Mines & Minerals Mianwali
- c. Construction of Office and Residences for the Assistant Director Mines & Minerals Chiniot

Khyber Pakhtunkhwa

After the implementation of 18th Amendment, a comprehensive legislation is being carried out by the Government of Khyber Pakhtunkhwa to make the mineral sector an inclusive component of the economy as the province has immense mineral resources. Along with the preparation of this province legislation the existing law of 2005 is also being reviewed.

The objective is to harmonize the mineral sector in accordance with the international requirement and also to encourage international investment in the sector. For the financial year 2016-17, the government has planned to extract valuable minerals from Chitral and Kohistan by using modern technology. Under these projects, the government will establish metallurgical industrial centers. The government plans to setup a development center comprising of cutting edge technology for the finishing of marble and granite with the funding from World Bank. With assistance from the World Bank and multilateral donors, road construction projects are also underway so that minerals can easily be transported from mines to metallurgical centers. These projects will also generate employment opportunities and will also help in imparting professional training to the workers employed in these industries.

The provincial government also ensures transparency in excavation and further

processing of the minerals. In this regard, a project is also in pipeline to devise a system so that people can easily get information regarding development, research and investment in the mineral sector. This project will be carried out in line with the international standards of sharing information. In view of the importance of the mining sector for Khyber Pakhtunkhwa economy, five industrial zones are proposed to be set up along the CPEC route in the province.

Sindh

The Sindh Province has large quantities of minerals. In all there are 24 minerals which are being mined at present. Among these province has large quantities of coal and granite reserves. The granite area which was inaccessible has now been connected with Karachi by a network of roads and other facilities like Rest House facility etc.

It is also proposed that a Granite Park will be established at Nagarparkar. Karunjhar range of mountains in Nagarparkar has huge reserves of granite and other rock types of extractable thickness which has the potential to compete the international market. It spreads over vast area and its estimated reserves are around 10 billion tons.

The Directorate of Mines & Mineral Development, Sindh is sponsoring a scheme for study through consultant "Feasibility Study of Granite Deposits in Tharparkar, Sindh". Previously leases were granted in haphazard manner without any policy.

The department has now constituted a policy for judicious and transparent award of leases in this area. It will be ensured that 03 large granite factories will be set up by year 2030 in this remote area. This will not only generate large employment opportunities for poor and downtrodden masses of this far flung area but will also get world class granite for local consumption and export which will help in poverty reduction and increase in government revenues.

Sindh has the largest coal reserves in the country. It is estimated that around 185 billion

tons of coal reserves are available in Lakhra, East of Indus and Thar. At present percentage of coal in the energy mix, is negligible. The department is in the process of carrying out assessments and exploitation studies of these coal reserves for setting up Power Houses / Projects running on coal.

Balochistan

Balochistan is the largest province (area wise) of the country constituting about 42 percent of the total national landmass. The country, in general, and this part/province of the country in particular, is endowed by nature with substantial mineral wealth. Mineral industry can play an important role in boosting the socio-economic conditions in Balochistan like agriculture in other parts of the country but due attention could not be given to the exploration and development of mineral sector due to financial constraints, heavy risk investment and lack of infrastructure as the deposits are located in remote and far flung areas. Nature has gifted Balochistan with vast natural resources. Efforts are being made for scientific exploration and exploitation of minerals resources. Major mineral potentials are described as under:

1. Metallic Minerals:

i) Chromite

Chromite is found at Muslimbagh, Kharan and Wadh areas in reasonable quantities and variable qualities which are suitable for metallurgical and chemical uses. Pakistan is one of the few countries which have this very useful raw material.

ii) Iron Ore

Several deposits of iron ore have been found in Chagai district of Balochistan. Most of these are fairly rich in iron but small in size. Notable deposits of iron ore occur at Dilband district Mastung, Pachinkoh, Chigendik and Chalgazai in Chagai district.

iii) Copper/Gold

Copper ores are most commonly found in the form of sulphides, carbonates and oxides. Vast resources of copper have been

discovered in Chagai district of Balochistan at Saindak, Koh-i-Dalil, Dasht-i-kain, Durban Chah, Kabul koh, Ziarat Pir Sultan and a number of other places.

iv) Lead-Zinc Ore

Lead and Zinc ore are present in nature in the form of sulphides. A number of lead-zinc occurrences have been identified in Lasbella and Khuzdar districts. Three of these occurrences, at Duddar, Gunga and Surmai, have been evaluated by the Geological Survey of Pakistan (GSP). Total reserves of lead-zinc, estimated so far, stand at over 26 million tons.

v) Titanium Potential of Ziarat

Recently, titanium metal has assumed great importance and fetches very high price and critical material extensively used for high performance of military and civil aircraft, rockets, missile, electric generating plants. However, only 5 percent of the world annual production of Titanium is used as metal and rest is used primarily to make white titanium pigment. Preliminary investigation by GSP have indicated that laterite zone developed in the vicinity of Ziarat contains over 5 percent titanium oxide along with high iron and Aluminum contents.

vi) Antimony Ore

Antimony ore is found near Qila Abdullah. These occurrences are small and the total estimated reserves are not exactly known.

2. Non Metallic Minerals:

i) Gypsum

Widespread and large gypsum deposits occur in Sibi, Kohlu, Barkhan and Loralai districts of Balochistan.

ii) Fluorite

Substantial reserves of fluorite are found at Maran, Phad-i-Maran and Dilband areas of Mastung district. The total estimated reserves are about 100,000 tons. Fluorite is presently being mined by open-pit and underground mining methods and production is very small.

iii) Magnesite

Magnesite occurs at Wad in Khuzdar district and Muslimbagh area of Qila Saifullah district. Total estimated reserves are not exactly known. However, the deposits are small. Magnesite is mined by open pit method. On the average about 17000 tons per year is being mined.

iv) Baryte

Huge reserves of baryte are found in Lasbella and Khuzdar districts of Balochistan. Total estimated reserves are over 1.25 million tons. The Khuzdar baryte is being mined by open-pit method. The mining is being carried out by M/S Bolan Mining Enterprise which is a subsidiary of M/S Pakistan Petroleum Limited.

Fiscal Development

Fiscal Development

Fiscal policy is an effective tool for resource mobilisation that works through appropriate changes in government expenditures and revenues. It additionally assumes an important part in making economic growth more inclusive. However, maintaining fiscal sustainability is also necessary for achieving macroeconomic stability and empowering the nation to react well in times of economic crisis.

Pakistan's economy has faced enormous challenges in the past owing to longstanding structural issues. Particularly, problems in the energy sector, security related issues and difficult investment climate coupled with persistent fiscal imbalances widely contributed to hampering economic growth of Pakistan. Consequently, the average growth rate remained less than 3 percent between FY2009 and FY2013. However, during the period of incumbent government, the country has been successful in revitalising the economy through a combination of stabilisation and structural reforms.

Following nearly four years of wide-ranging agenda of economic reforms, Pakistan's economy has witnessed a complete turnaround. The economic growth which was at 3.68 percent in FY2013 has noticeably increased to 4.51 percent in FY2016. For FY2017 the GDP growth is 5.28 percent (Provisional). Encouragingly, it is the 4th year in a row when the country has witnessed a higher growth momentum with an average growth rate of over 4 percent since FY2014, while fiscal deficit

continued to fall for the fourth year in a row and stood at 4.6 percent of GDP in FY2016.

Similarly, better energy supplies, receding security concerns, strong domestic demand, significant rise in development spending, contained inflation at 2.86 percent which is the lowest in 47 years, historically low policy rate at 5.75 percent, improving FDI, remarkable performance of PSX, stable exchange rate and strong reserves augur well for a bright economic outlook.

Fiscal sustainability has always remained a crucial objective of present government's economic agenda. Therefore, when the present government stepped in, it focussed on correcting the fiscal imbalances by adopting prudent expenditure management and revenue mobilisation strategy. Under expenditure management strategy, wide-ranging restructuring plan of key Public Sector Enterprises (PSEs), as well as power sector reforms, are under execution (Box-1). These reforms have not only supported in improving the service delivery together with reducing the huge losses but also helped in creating more fiscal space for more growth-oriented projects.

On the other hand revenue mobilization strategy particularly, through formulating an effective tax system is also underway. In this regard the government has initiated a comprehensive reforms program encompassing both policy and administrative dimensions. The aspiration behind all these efforts is to strengthen the fiscal accounts with an aim to create sufficient fiscal space for various development activities. This in turn will help in

reducing economic vulnerabilities, fostering sustainable growth, and providing employment opportunities.

The performance of key fiscal indicators over the past 3 years underlines government's efforts to improve the fiscal accounts such as overall tax to GDP ratio increased to 12.6 percent in FY2016 from 9.8 percent of GDP in FY2013. FBR tax collections witnessed a growth of 20.2 percent and stood at 10.7 percent of GDP in FY2016 against 8.7 percent of GDP in FY2013. FBR tax collections have seen a remarkable improvement as it has recorded a growth of 60 percent between FY2013 and FY2016. On the other hand, total expenditures reduced from 21.5 percent of GDP in FY2013 to 19.9 percent

of GDP in FY2016, while total revenues increased from 13.3 percent of GDP in FY2013 to 15.3 percent of GDP in FY2016.

During the first nine months of current fiscal year, fiscal deficit has been recorded at 3.9 percent of GDP against 3.5 percent of GDP during the corresponding period of FY2016 on account of less than expected tax revenues owing to tax relief measures to promote investment and boost economic activity along with higher development & security related expenditures. During July-April, FY2017 FBR tax collection stood at Rs.2,518.7 billion against Rs.2,332.1 billion in the same period of FY2016, thus posting a growth of 8.0 percent.

Box-1

Power Sector Reforms

- The government has undertaken broad based power sector reforms under the framework of the National Power Policy 2013. Implementation of these reforms has pushed forward the structural reforms agenda, with the power sector distribution companies showing improvement both in terms of reduction in line losses and collection from consumers.
- The power sector line losses have reduced to 17.9 percent during FY 2016 from 18.7 percent during FY 2015 and collection from consumers has improved to 94.6 percent during FY 2016 as compared to 89.2 percent in FY2015. During the first half of FY2017, the line losses have declined further to 17.2 percent.
- The government has also substantially brought down power subsidies and has significantly contained the accumulation of new payable arrears in the power sector by (i) improving DISCOs' performance, (ii) rationalizing tariffs, and (iii) reducing delays in tariff determination. A Circular Debt Capping Plan has been finalized to effectively manage the power sector financial flows, stocks and subsidy budget.
- Overhauling of financial and management system in Distribution Companies (DISCOs) and Generation Companies (GENCOs) is being carried out to improve their performance to sustainable levels. The government has rehabilitated the existing generating plants and has thus reduced the cost.
- 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, large capacity addition is ongoing from wind, solar, nuclear, hydel and coal power projects in the medium term, for ensuring sustainable and affordable energy supply.

Public Sector Enterprise Reforms

- Implementation of Government's multi-faceted reforms for revival of Public Sector Enterprises (PSEs) is based on a number of pillars, which include divestment through strategic partnership and public offerings, strengthening enforcement of corporate governance rules, implementation of restructuring plans and regulatory reforms.
- The divestment program, which was resumed after a significant gap has helped raise Rs. 173 billion, including over US\$ 1.1 billion from foreign investors. Transactions included the sale of minority stakes in United Bank Limited (UBL), Allied Bank Limited (ABL), Habib Bank Limited (HBL) and Pakistan Petroleum Limited (PPL), and the strategic sale of National Power Construction Co. (NPCC).
- The government is currently working on nine transactions that include PSM, PIAC, GEPCO, KAPCO, SLIC, SME Bank, HEC and MPCL. The initial public offering for GEPCO is expected to be completed by Mid-May 2017. KAPCO, SME Bank and MPCL are also at an advanced stage. Additionally, due diligence of nine DISCOs and five GENCOs has been conducted through international financial advisors. The SME

Bank transaction is expected to be finalized soon. Two new transactions including FWBL and HBFC have been added for early privatization.

☞ Pakistan Railways

- Railway Revitalization Strategy is being implemented, which envisages improvements in business processes and the institutional framework, financial stability, and service delivery.
- As a result, Pakistan Railways (PR) has been making progress since FY2014 as reflected in its operational and financial data for FY2014, FY2015 and FY2016. Revenue in FY 2015 and FY 2016 has improved by 45 and 15 percent, respectively, through rationalization of tariffs, expenditure controls, and improved occupancy rates.
- Revenues during first half of FY 2017 were 5 percent higher at Rs. 18.46 billion compared to Rs. 17.58 billion during the same period last year. During FY 2016, PR added 39 new locomotives for freight service and is in the process of procuring 55 locomotives for coal transportation for Sahiwal and Jamshoro coal power plants, delivery of which has started in December 2016.

☞ Pakistan International Airlines

- PIAC has been converted into a company under Companies Ordinance 1984 in order to improve corporate governance and help in attracting strategic private sector partnership in the core airline operations, and move PIA under a more efficient and up to date legal framework. The government will attract private sector participation, while maintaining majority shares and management control, for which the process of separation of PIA's core and noncore activities is ongoing.
- The transaction structure for offering a minority stake to a strategic partner and/or the general public will be approved by June 2017 and the bidding process will be completed by March 2018. The PIA management is working to further limit financial losses by: (i) increasing performance by route rationalization and fleet modernization and expansion, (ii) reducing financial and operational costs, and (iii) providing better services to gain customers' confidence.

☞ Pakistan Steel Mills

- In the absence of an agreement with the Government of Sindh, which was earlier offered transfer of PSM's ownership, the process to attract strategic private sector participation has been restarted, with a view to concluding the process by September 2017. The transaction structure, in this regard, has been approved in January 2017. In the interim, PSM management and the government are working to ensure that financial losses remain contained.

Fiscal Policy Developments

Sustainable public finances are important to achieve fiscal discipline. Further, it supports fiscal policy to maintain macroeconomic stability and reduce vulnerabilities. However, it is equally important to deal on both revenue and expenditure side.

In previous years, Pakistan's fiscal

sustainability faced challenges from all directions including tax evasion, untargeted subsidies, resource depletion through PSEs, high and persistent fiscal deficit combined with low tax to GDP ratio and narrow tax base. These issues coupled with delays in the implementation of key structural reforms for revenue mobilisation created an irregular and low fiscal capability.

Table 4.1: Fiscal Indicators as Percent of GDP

Year	Real GDP Growth	Overall Fiscal Deficit	Expenditure			Revenue		
			Total	Current	Development ¹	Total Rev.	Tax	Non-Tax
FY2008	4.99	7.3	21.4	17.4	4.0	14.1	9.9	4.2
FY2009	0.36	5.2	19.2	15.5	3.5	14.0	9.1	4.9
FY2010	2.58	6.2	20.2	16.0	4.4	14.0	9.9	4.1
FY2011	3.62	6.5	18.9	15.9	2.8	12.3	9.3	3.0
FY2012	3.84	8.8	21.6	17.3	3.9	12.8	10.2	2.6

Table 4.1: Fiscal Indicators as Percent of GDP

Year	Real GDP Growth	Overall Fiscal Deficit	Expenditure			Revenue		
			Total	Current	Development ¹	Total Rev.	Tax	Non-Tax
FY2013	3.68	8.2	21.5	16.4	5.1	13.3	9.8	3.5
FY2014	4.05	5.5	20.0	15.9	4.9	14.5	10.2	4.3
FY2015	4.06	5.3	19.6	16.1	4.2	14.3	11.0	3.3
FY2016	4.51	4.6	19.9	16.1	4.5	15.3	12.6	2.7
FY2017 B.E	5.70	3.8	19.8	15.0	4.7	16.0	12.9	3.1

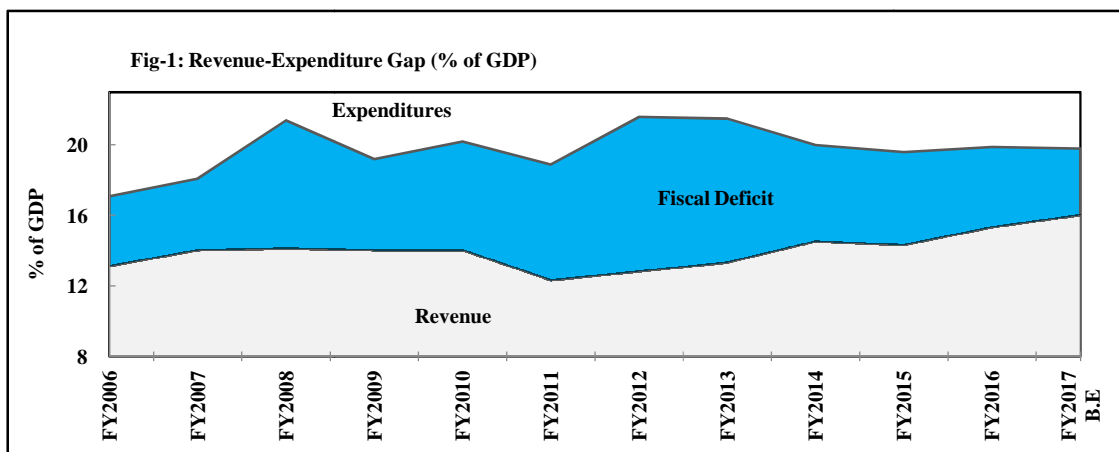
¹ including net lending**Note: Estimated growth during FY2017 is 5.28 percent.**

Nevertheless, in recent years a fiscal discipline can be seen to be emerging as not only government expenditures are efficiently allocated towards development and social sector programs but overall tax collections have also improved.

Table 4.1 depicts how Pakistan's economy has shown its move on the fiscal front. It additionally substantiates that with fiscal sustainability, Pakistan's economic growth is set on a high growth trajectory. After having peaked at 8.8 percent of GDP in FY2012 followed by 8.2 percent of GDP in FY2013, overall fiscal deficit narrowed to 4.6 percent of GDP in FY2016, reflecting sustained and substantial consolidation

since FY2013. It was the smallest deficit since FY2007.

The successful containment of fiscal deficit has been achieved on the back of sharp decline in total expenditures, significant rise in tax revenues and higher provincial surplus. During FY2017, fiscal deficit was budgeted to remain at 3.8 percent of GDP, however, it is likely to be higher than the target. Similarly primary deficit is continuously declining as it reduced from 3.8 percent of GDP in FY2013 to 0.3 percent of GDP in FY2016. Significant reduction in primary deficit shows that the fiscal consolidation efforts are on track.



Total expenditures reduced from 21.5 percent of GDP in FY2013 to 19.9 percent of GDP in FY2016. Of which current expenditures reduced to 16.1 percent of GDP in FY2016 from 16.4 percent of GDP in FY2013, while development expenditures (excluding net lending) increased to 4.5 percent of GDP in FY2016 as compared to 3.5 percent of GDP recorded in FY2013. It is worth mentioning that total expenditures witnessed a downward trajectory without compromising the

expenditures on development projects and social assistance. Particularly, expenditures under Public Sector Development Program (PSDP) have been raised adequately in order to meet the investment requirements of a growing economy. During FY2017, the size of Federal PSDP has increased to Rs.800 billion. It was Rs.348 billion in FY2013, showing a cumulative increase of over 129 percent. On the other hand, the allocation under BISP (development expenditure outside

PSDP) witnessed an increase of 64.3 percent and stood at Rs.115.0 billion in FY2017 against Rs.70.0 billion in FY2013.

Similarly, total revenues have grown strongly and stood at 15.3 percent of GDP in FY2016 against 13.3 percent of GDP recorded in FY2013. The significant growth is supported by considerable increase in overall tax collection as it rose to 12.6 percent of GDP in FY2016 from 9.8 percent of GDP in FY2013. As an immediate outcome of significant increase in total revenues and tax to GDP ratio, government's reliance on loans particularly from domestic sources has reduced significantly during the period under review.

Contrary to it, non-tax revenues registered a decline and stood at 2.7 percent of GDP in FY2016 against the collection of 3.5 percent of GDP recorded in FY2013. Particularly, during FY2016, a sharp decline in non-tax revenues is primarily attributed to decline in surplus profit of SBP and lower receipts under CSF funds.

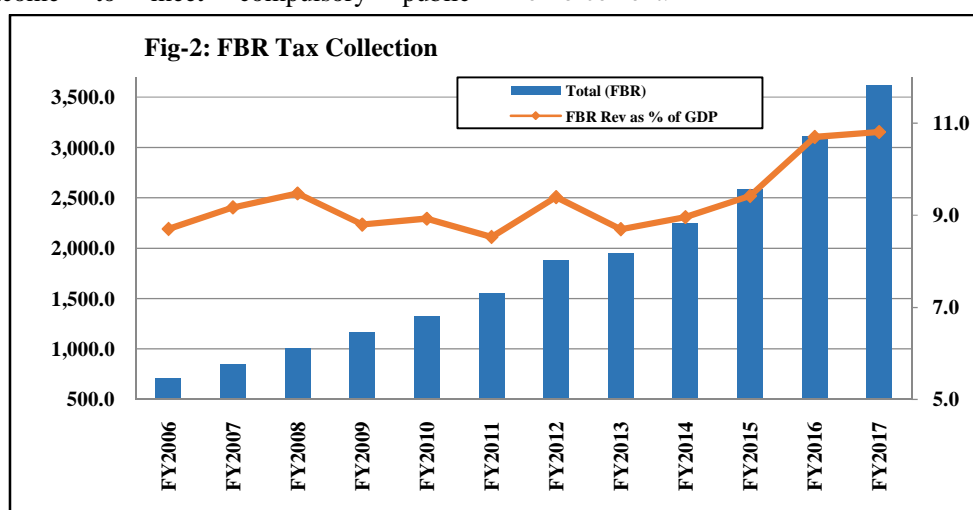
According to provincial fiscal operations, all the four provinces presented a better fiscal performance in FY2016 as the cumulative surplus stood at Rs.207.4 billion against the surplus of Rs.87.3 billion in FY2015. Higher surplus is largely attributed to significant rise in tax collection combined with better control over current expenditures.

Structure of Tax Revenues

Tax revenues are the most efficient and effective way to boost country's domestic resource mobilisation efforts through which the state raises its income to meet compulsory public

expenditures. In addition, it supports the government in increasing its capacity to direct the resources for development, reducing poverty and delivering public services. However, to achieve these objectives, it is important to build an efficient, equitable and growth-oriented tax system.

Over the years, Pakistan has faced several political, economic and administrative challenges along with inherent structural problems, such as a narrow tax base, massive tax evasion and administrative weaknesses in developing an efficient tax system. Consequently, it failed to boost tax collection necessary to create enough fiscal space essential for infrastructure, education, healthcare and social assistance. Until FY2015, the overall tax to GDP ratio varied between 9.1 and 11.0 percent of GDP, however, by FY2016 overall tax collection as percentage of GDP improved significantly and reached 12.6 percent of GDP. Significant rise in total tax collection during FY2016 is largely attributed to improved collection under Gas Development Surcharge (GDS), Gas Infrastructure Development Cess (GIDC) and Petroleum Levy. The collection under these heads scaled up on account of higher sales of oil and gas products. Of total tax revenue, FBR tax collection as percentage of GDP has also witnessed a remarkable improvement and stood at 10.7 percent of GDP in FY2016. The improvement in FBR tax to GDP ratio has been on account of considerable reduction in tax concessions and exemptions, increased withholding taxes on non-filers of income tax returns and improvements in tax compliance and enforcement.



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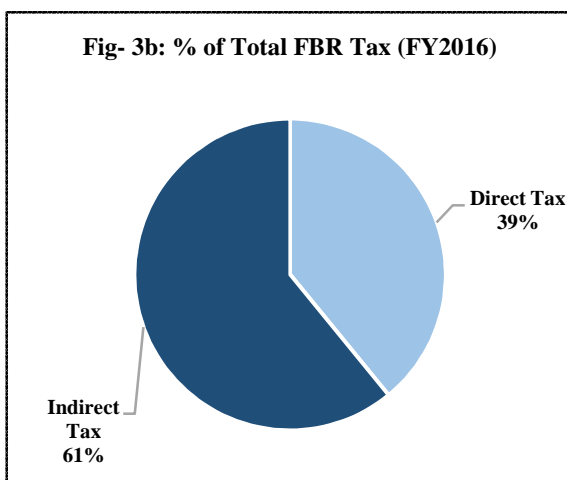
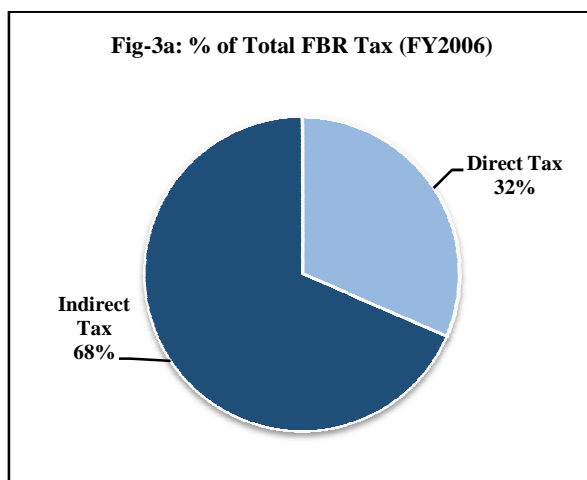
Like many other developing countries, Pakistan's tax structure is heavily reliant on indirect taxes. Nevertheless, in recent years,

Pakistan's tax structure has seen a great transition from indirect to direct tax system as a result of various tax reforms.

Table 4.2: Structure of Federal Tax Revenue (Rs. billion)							
Year	Total (FBR)	Tax Rev as % of GDP	Direct Taxes	Indirect Taxes			
				Customs	Sales	Excise	Total
FY2006	713.5	8.7	225.0	138.4	294.8	55.3	488.5
			[31.5]	{28.3}	{60.3}	{11.3}	[68.5]
FY2007	847.2	9.2	333.7	132.3	309.4	71.8	513.5
			[39.4]	{25.8}	{60.3}	{14.0}	[60.6]
FY2008	1,008.1	9.5	387.9	150.7	377.4	92.1	620.2
			[38.5]	{24.3}	{60.9}	{14.9}	[61.5]
FY2009	1,161.1	8.8	443.5	148.4	451.7	117.5	717.6
			[38.2]	{20.7}	{62.9}	{16.4}	[61.8]
FY2010	1,327.4	8.9	526.0	160.3	516.3	124.8	801.4
			[39.6]	{20.0}	{64.4}	{15.6}	[60.4]
FY2011	1,558.2	8.5	602.5	184.9	633.4	137.4	955.7
			[38.7]	{19.3}	{66.3}	{14.4}	[61.3]
FY2012	1,882.7	9.4	738.4	216.9	804.9	122.5	1,144.3
			[39.2]	{19.0}	{70.3}	{10.7}	[60.8]
FY2013	1,946.4	8.7	743.4	239.5	842.5	121.0	1,203.0
			[38.2]	{19.9}	{70.0}	{10.1}	[61.8]
FY2014	2,254.5	9.0	877.3	242.8	996.4	138.1	1,377.3
			[38.9]	{17.6}	{72.3}	{10.0}	[61.1]
FY2015	2,589.9	9.4	1,033.7	306.2	1,087.8	162.2	1,556.2
			[39.9]	{19.7}	{69.9}	{10.4}	[60.2]
FY2016	3,112.7	10.7	1,217.3	404.6	1,302.7	188.1	1,895.4
			[39.1]	{21.3}	{68.7}	{9.9}	[60.9]
FY2017 B.E	3,621.0	10.8	1,558.0	413.0	1,437.0	213.0	2,063.0
			[43.0]	{20.0}	{69.7}	{10.3}	[57.0]

[] as % of total taxes
{ } as % of indirect taxes
Source: Federal Board of Revenue

In FY2006, indirect taxes constituted 68 percent of total FBR tax collection, while the direct taxes accounted for only 32 percent.



The proportion of direct taxes in total FBR taxes has increased steadily to 39.1 percent in FY2016, whereas the share of indirect taxes has reduced to 61.0 percent during FY2016. During the current fiscal year, the share of direct taxes is expected to increase further to 43 percent on account of various tax measures initiated by the government.

The share of sales tax in total FBR tax collection has increased to 41.9 percent in FY2016 from 41.3 percent in FY2006. However, the share is likely to reduce to 39.7 percent during the current fiscal year. On the other hand, the proportion of sales tax in total indirect tax has increased from 60.3 percent in FY2006 to 68.7 percent in FY2016. Sales tax as percentage of indirect tax is targeted to reach at 69.7 percent during FY2017. In contrast, customs duty as percentage of indirect tax has reduced from 28.3 percent in FY2006 to 21.3 percent in FY2016, while its share is expected to reduce further to 20 percent during FY2017. Similarly, excise duty as percentage of indirect tax has reduced to 9.9 percent during FY2016 from 11.3 percent recorded in FY2006 due to the shrinking base over the years. During FY2017, its share in indirect tax is expected to remain at 10.3 percent.

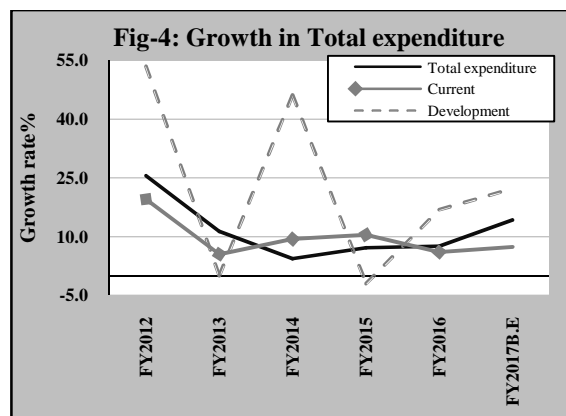
Review of Public Expenditures

The role of public expenditure is highly significant in developing countries with regard to poverty alleviation and reducing income inequalities, particularly its effective utilization is vital to meeting development objectives.

In Pakistan, the public expenditures in the past have been undermined by unproductive and reckless priorities. A significant amount of fiscal resources were consumed by high interest payments, untargeted subsidies, loss-making PSEs, energy subsidies and security related issues. Accordingly, the country was not able to direct sufficient resources in critical areas of the economy. On the other hand, less than expected revenues were not adequate to finance the expenditures. Consequently, the country witnessed an unprecedented rise in fiscal deficit. However, in recent years, the country has been successful in achieving sizeable fiscal

consolidation on the back of prudent expenditure management and resource mobilization strategy.

As discussed earlier, the successful containment in fiscal deficit is largely attributed to controlled expenditures over the past three years. Total expenditures grew at 7.6 percent to stand at Rs.5,796.3 billion in FY2016 against Rs.5,387.8 billion in FY2015. Nevertheless, the growth in total expenditures has witnessed a visible decline since FY2012 (from 25.5 percent in FY2012 to 7.6 percent in FY2016). Viewed from a GDP perspective, total expenditures stood at 19.9 percent during FY2016 against 19.6 percent in FY2015. In FY2017, it is expected to be at 19.8 percent of GDP.



The growth in current expenditures has witnessed a sharp decline during FY2016, as it grew at 6.1 percent against the growth of 10.5 percent registered in FY2015. In absolute term, it amounted to Rs.4,694.3 billion (16.1 percent to GDP) in FY2016 against Rs.4,424.7 billion (16.1 percent of GDP) in FY2015. Decline in the growth of current expenditures has been attained mainly on account of a significant fall in expenditures on markup payments and subsidies. Current expenditures are expected to be maintained at 15.0 percent of GDP in FY2017. On a positive note, the proportion of current expenditures in total expenditures has declined from 82.1 percent in FY2015 to 81.0 percent in FY2016 owing to decline in share of subsidies and mark-up payments in current expenditures. It is expected to decline further by 4.9 percentage point to 76.1 percent in FY2017.

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Encouragingly, markup payments have reduced significantly during FY2016 and stood at Rs.1,263.4 billion (4.3 percent of GDP) against Rs.1303.8 billion (4.8 percent of GDP) during FY2015, thus registered a decline of 3.1 percent. During FY2017, markup payments are budgeted to reduce further to 4.1 percent of GDP.

The defence expenditures stood at 2.6 percent of GDP in FY2016 against 2.5 percent of GDP in FY2015. It rose to Rs.757.7 billion during FY2016 from Rs.697.8 billion in FY2015, thus registered a growth of 8.6 percent on account of ongoing security related spending. It is expected to remain at 2.6 percent of GDP in FY2017.

Year	Total Expenditure (A)	Current Expenditure	Markup Payments (C)	Defence (D)	Development Expenditure*	Non Interest Non-Defence Exp (A-C-D)	Fiscal Deficit	Revenue Deficit/Surplus (TR-Total CE)	Primary Balance (TR-NI Exp)
FY2006	17.1	12.6	2.9	2.9	4.4	11.2	4.0	0.5	-1.1
FY2007	18.1	14.9	4.0	2.7	4.7	11.4	4.1	-0.8	-0.1
FY2008	21.4	17.4	4.6	2.6	4.2	14.2	7.3	-3.3	-2.7
FY2009	19.2	15.5	4.8	2.5	3.4	11.8	5.2	-1.4	-0.3
FY2010	20.2	16.0	4.3	2.5	4.1	13.4	6.2	-2.1	-1.9
FY2011	18.9	15.9	3.8	2.5	2.8	12.6	6.5	-3.5	-2.7
FY2012	21.6	17.3	4.4	2.5	3.9	14.6	8.8	-4.5	-4.3
FY2013	21.5	16.4	4.4	2.4	3.5	14.7	8.2	-3.0	-3.8
FY2014	20.0	15.9	4.6	2.5	4.5	12.9	5.5	-1.5	-1.0
FY2015	19.6	16.1	4.8	2.5	4.1	12.3	5.3	-1.8	-0.6
FY2016	19.9	16.1	4.3	2.6	4.5	13.0	4.6	-0.8	-0.3
FY2017B.E	19.8	15.0	4.1	2.6	4.7	13.1	3.8	0.9	0.3

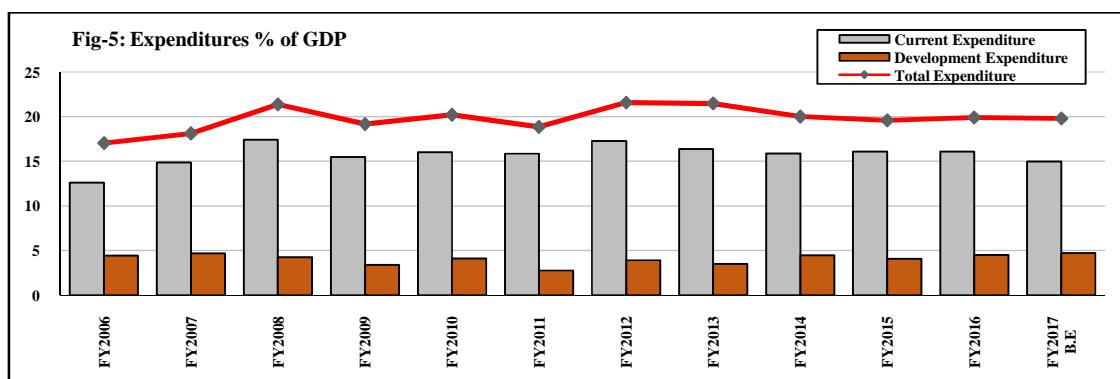
* excluding net lending

Source: Budget Wing, Finance Division and EA Wing's Calculations

Similarly, current subsidies have registered a considerable decline and stood at Rs.207.2 billion in FY2016 against Rs.241.6 billion in FY2015. Expenditures on subsidies have witnessed a decline both in absolute and growth terms owing to substantial decline in power subsidies and containment in the accumulation of new payable arrears in the power sector by improving DISCO's performance, rationalizing tariffs and reducing delays in tariff determination. In FY2017, current subsidies are budgeted to stay at Rs.140.6 billion in FY2017.

The total expenditures have registered an increase during FY2016 on account of significant increase in development expenditures. Overall,

development expenditures and net lending increased from Rs.1,140.6 billion in FY2015 to Rs.1,314.1 billion in FY2016, thus growing at 15.2 percent. According to the breakup, total development expenditures grew at 16.9 percent in FY2016 against the negative growth of 2.0 percent recorded in FY2015. PSDP spending registered a growth of 20 percent during FY2016 and amounted to Rs.1,185.8 billion against Rs.987.8 billion in FY2015. Federal PSDP rose to Rs.602.1 billion (Including Rs.8.7 billion on account of development grants to provinces) during FY2016 against Rs.502.2 billion (including Rs.13.3 billion development grants to provinces) in FY2015, thus registering a growth of 19.9 percent over previous year.



Fiscal Performance (July-March, FY2017)

According to the consolidated revenue and expenditure statement, the fiscal deficit has increased, rising from 3.5 percent of GDP during July-March, FY2016 to 3.9 percent of GDP in the same period of FY2017. Fiscal deficit has increased on account of higher development & security related expenditures and lower growth in tax revenues.

Total revenues grew at 6.2 percent to stand at Rs.3,145.5 billion during July-March, FY2017 against Rs.2,961.9 in the comparable period of FY2016. Low growth in total revenues came from 8.6 percent growth in tax revenue and 6.2 percent decline in non-tax revenues.

During July-March, FY2017, the tax revenues were at Rs.2,694.3 billion against Rs.2,481.0 billion in the same period of FY2016. Of tax revenues, federal and provincial tax revenues witnessed an increase of 7.4 and 23.5 percent respectively during the first nine months of the current fiscal year. Under federal tax revenues, FBR tax collections stood at Rs.2,260.5 billion

during July-March, FY2017 against Rs.2,103.0 billion in the comparable period of FY2016, thus registered a growth of 7.5 percent. While as a percentage of GDP, it grew at 7.1 percent during July-March, FY2017 against 7.2 percent of GDP in the same period of FY2016. Less than required growth in tax revenues is primarily attributed to the relief measures provided in five zero-rated sectors, fertilizers and pesticides combined with lower rates on petroleum.

On the other hand, the collection under non tax revenues posted a negative growth of 6.2 percent and stood at Rs.451.2 billion during July-March, FY2017 against Rs.480.9 billion in the comparable period of FY2016. Of the total non-tax revenues, Rs.144.8 billion were collected as a surplus profit of State Bank of Pakistan followed by Rs.64.4 billion under defence, Rs.40.3 billion under Royalties on Oil/Gas and Rs.22.1 billion under Dividend. Encouragingly, the collection of non-tax revenues has improved on account of receipts under CSF during the second half of current fiscal year.

Table 4.4: Consolidated Revenue & Expenditure of the Government

	FY2017 B.E	July-March (Rs. billion)		Growth
		FY2017	FY2016	
A. Total Revenue	5,347.1	3,145.5	2,961.9	6.2
% of GDP	16.0	9.9	10.2	
a) Tax Revenue	4,306.1	2,694.3	2,481.0	8.6
% of GDP	12.9	8.5	8.5	
Federal	3,956.1	2,463.8	2,294.3	7.4
of which FBR Revenues	3,621.0	2,260.5	2,103.0	7.5
other Federal	335.1	203.3	191.3	6.3
Provincial Tax Revenue	350.0	230.5	186.7	23.5
b) Non-Tax Revenue	1,041.0	451.2	480.9	-6.2
% of GDP	3.1	1.4	1.7	
B. Total Expenditure	6,623.1	4,383.6	3,971.3	10.4
% of GDP	19.8	13.8	13.6	
a) Current Expenditure	5,041.2	3,605.1	3,407.0	5.8
% of GDP	15.0	11.3	11.7	
Federal	3,360.2	2,439.3	2,368.9	3.0
Markup Payments	1,360.0	1,094.5	1,079.4	1.4
% of GDP	4.1	3.4	3.7	
Defence	860.2	535.7	482.9	10.9

Table 4.4: Consolidated Revenue & Expenditure of the Government

	FY2017 B.E	July-March (Rs. billion)		Growth
		FY2017	FY2016	
% of GDP	2.6	1.7	1.7	
Provincial	1,681.0	1,165.8	1,038.0	12.3
b) Development Expenditure & net lending	1,582.0	769.6	710.2	8.4
% of GDP	4.7	2.4	2.4	
PSDP	1,434.9	746.6	623.4	19.8
Other Development	156.6	57.2	76.0	-24.7
c) Net Lending	-9.6	-34.2	10.8	
e) Statistical discrepancy	-	8.8	-145.8	
C. Overall Fiscal Deficit	1,276.0	1,238.0	1,009.4	22.6
As % of GDP	3.8	3.9*	3.5*	8.3
Financing of Fiscal Deficit	1,276.0	1,238.0	1,009.4	22.6
i) External Sources	234.4	220.2	222.9	-1.2
ii) Domestic	1,041.6	1,017.9	786.5	29.4
- Bank	452.9	694.7	538.0	29.1
- Non-Bank	538.7	323.2	248.4	30.1
GDP at Market Prices	33,509	31,862	29,103	9.5

*: On the basis of revised GDP

Note: On the basis of GDP at Rs.33,509 billion (previous estimates) fiscal deficit for July-March FY2017 was recorded at 3.7 percent against 3.4 percent in the comparable period of FY2016

Source: Budget Wing, Finance Division

In contrast, total expenditure has gone up by 10.4 percent and reached Rs.4,383.6 billion (13.8 percent of GDP) during July-March, FY2017 against Rs.3,971.3 billion (13.6 percent of GDP) in the comparable period of FY2016.

In total expenditures, development expenditure and net lending stood at Rs.769.6 billion during July-March, FY2017 as compared to Rs.710.2 billion during the same period of FY2016, thus growing at 8.4 percent. On the other hand, development expenditure (excluding net lending) grew at 14.9 percent and stood at Rs.803.8 billion during first nine months of current fiscal year as against Rs.699.4 billion in the same period of FY2016.

Within development expenditure, the spending under PSDP has posted a growth of 19.8 percent to reach Rs.746.6 billion during July-March, FY2017 against Rs.623.4 billion in the same period of FY2016. The federal government has spent Rs.324 billion (excluding development grants of Rs.3.2 billion to

provinces) on federal development projects and the provincial government spending remained at Rs.422.7 billion.

Significant growth in development expenditure outpaced the growth in current expenditures. As current expenditures grew at 5.8 percent and amounted to Rs.3,605.1 billion during July-March, FY2017 against Rs.3,407.0 billion during the same period of FY2016. Encouragingly, the growth in current expenditures remained lower than the growth of 6.5 percent recorded during the same period of FY2016. The containment in current expenditures primarily stemmed from significant decline in mark-up payments and subsidies. Mark-up payments grew at 1.4 percent and stood at Rs.1,094.5 billion during July-March, FY2017 against Rs.1,079.4 billion in the same period of FY2016. Similarly, current subsidies amounted to Rs.107.8 billion during July-March, FY2017 against Rs.119.5 billion in the same period of FY2016, thus reducing by 9.8 percent.

Defence expenditures increased to Rs.535.7 billion during the first nine months of FY2017 from Rs.482.9 billion in the comparable period of FY2016 growing by 10.9 percent. However, as percentage of GDP it stood at the same level of 1.7 percent as it was recorded during the same period of FY2016.

The financing of the budget deficit was met through domestic and external sources. During July-March, FY2017, financing through domestic sources stood at Rs.1,017.9 billion against Rs.786.5 billion in the same period of last year. Of the domestic sources, Rs.694.7 billion were generated through banks and Rs.323.2 billion through non-banking sector. Contrary to it, financing from external sources registered a decline of 1.2 percent and

amounted to Rs.220.2 billion during July-March, FY2017 against Rs.222.9 billion in the comparable period of FY2016.

FBR Tax Collection (July-April, FY2017)

FBR tax collection has witnessed an impressive growth of over 20 percent during FY2016 and stood at Rs.3,112.7 billion against Rs.2590 billion recorded in FY2015. Consequently, FBR tax to GDP ratio improved to 10.7 percent in FY2016 against 9.4 percent recorded in FY2015. FBR tax collection surpassed the target of Rs.3,103.7 billion set for FY2016. The target was achieved without any downward revision which indicates the successful implementation of economic policies by the present government.

Table 4.5: FBR Tax Revenues				(Rs billion)
Revenue Heads	FY2016	July-April		% Change
	Actual	FY2016	FY2017*	
A. DIRECT TAXES				
Gross		911.0	1,019.9	12.0
Refund/Rebate		23.0	41.0	
Net	1,217.3	888.0	978.9	10.2
B. INDIRECT TAXES				
Gross		1,486.1	1,575.8	6.0
Refund/Rebate		42.0	36.0	
Net	1,895.4	1,444.1	1,539.8	6.6
B.1 SALES TAX				
Gross		1,034.0	1,034.9	0.1
Refund/Rebate		32.8	25.8	
Net	1,302.7	1,001.1	1,009.1	0.8
B.2 FEDERAL EXCISE				
Gross		133.4	144.0	8.0
Refund/Rebate		0.0	0.0	
Net	188.1	133.4	144.0	8.0
B.3 CUSTOM				
Gross		318.7	396.8	24.5
Refund/Rebate		9.2	10.2	
Net	404.6	309.5	386.6	24.9
TOTAL TAX COLLECTION				
Gross		2,397.1	2,595.7	8.3
Refund/Rebate		65.0	77.0	
Net	3,112.7	2,332.1	2,518.7	8.0

*: Provisional

Source: Federal Board of Revenue

During July-April, FY2017 FBR has been able to collect around Rs.2,518.7 billion as provisional tax revenues against Rs.2,332.1 billion in the same period of FY2016. Thus reflecting a growth of 8.0 percent.

Direct Taxes

According to the tax-wise detail presented in table 4.5, the net collection of direct taxes has registered a growth of 10.2 percent during the first ten months of FY2017. The net collection has gone up from Rs.888.0 billion during July-April, FY2016 to Rs.978.9 billion in the same period of FY2017. Bulk of direct taxes are realized from income tax and major contributors of income tax are withholding tax, voluntary payments & collection on demand.

Indirect Taxes

On the other hand, the gross and net collections of indirect taxes have witnessed growth of 6.0 percent & 6.6 percent respectively. It has accounted for around 61 percent of the total FBR tax revenues. Within indirect taxes, net collection of sales tax increased by 0.8 percent. The gross and net sales tax collection during July-April FY2017 has been Rs.1,034.9 billion and Rs.1,009.1 billion respectively. In fact, around 55 percent of total sales tax was

contributed by sales tax on import during July-April FY2017 while the rest was contributed by domestic sector. Within domestic sales tax collection, the major contribution came from POL products, fertilizers, natural gas, cement, other services, electrical energy, beverages, cigarettes, tea, sugar, iron & steel etc. On the other hand, POL products, plastic, edible oil, vehicles, machinery, chemicals, oilseeds etc. contributed significantly to the collection of sales tax from imports.

Custom duty collection has registered growth of 24.5 percent and 24.9 percent in both gross and net terms respectively. The net collection has increased from Rs.309.5 billion during July-April, FY2016 to Rs.386.6 billion during July-April, FY2017. The major revenue spinners of custom duty have been automobiles, edible oil, petroleum products, machinery, plastic, iron and steel, paper and paperboard etc. The collection of Federal Excise Duties (FED) during July-April, FY2017 has recorded 8.0 percent growth. The net collection stood at Rs.144.0 billion during July-April, FY2017 as against Rs.133.4 billion during the same period last year. The major revenue spinners of FED are cigarettes, cement, beverages, natural gas, international travel etc.

Box-2: Major Initiatives Taken by FBR

1. Elimination of SRO Culture

In order to ensure level playing field for all taxpayers, SROs/concessions have been withdrawn during last three years worth of more than Rs.290 billion. However, socially sensitive and essential concessions have been transposed to the relevant laws.

2. Rationalization of Import Tariff and Corporate Tax Rates

To rationalize the import tariff structure and to reduce the general tariff slabs peak tariff slab of 30% was reduced to 20%. The existing tariff slabs are 4 with the peak of 20% and floor of 3%. In order to promote tax culture and corporatization in the country it was decided to gradually reduce the tax rates for corporate taxpayers other than banks in the following manner:-

Tax year 2013	35%
Tax year 2014	34%
Tax year 2015	33%
Tax year 2016	32%
Tax year 2017	31%
Tax year 2018 & onwards	30%

3. Benami Transaction Law

The Benami Transactions (Prohibition) Amendment Bill, 2016 has been passed by National Assembly and Senate. This will help enable the authorities to curb transactions and holding of property in the name of others to avoid proper incidence of tax.

4. Broadening of Tax Base (BTB)

For broadening of tax base the government has taken several initiatives including use of third party data. Initially, the objective was to incorporate 300,000 new taxpayers in three years. In this regard, more than 465,000 notices have been issued by June, 2016.

BTB Performance Statistics as on 30-6-2016

S.No.	Task	Achievement
1	Notices Issued u/s 114 of the Income Tax Ordinance 2001	465,165
2	Income Tax Returns enforced	132,505
3	Tax paid with returns	Rs. 1.269 billion
4	Orders passed u/s 122 C of the Income Tax Ordinance 2001	101,662
5	Tax demand raised	Rs. 36,473.5 million
6	Tax demand recovered	RS. 921.2 million

5. Queue Management System in Refunds

Abusive system of processing and payment of refunds has been improved with the following features:-

- Queue management for refund claims (first in first out) both at field formations and FBR headquarters level
- Transmission of refund cheques into claimants bank account
- Administrative measures like posting of suitable officers in refund sections to plug the leakages in the process of sanctioning of refund claims

6. Strengthening Tax Audit

An audit plan has been reintroduced to accompany the self-assessment scheme and to overcome weak tax compliance. Substantial progress has been achieved for infrastructure up-gradation and development with the introduction of fully automated and Integrated Tax Management System (Iris), which is available to all the field formations.

7. Addressing inadmissible input adjustment and illegal refunds in Sales Tax

Since VAT is primarily a tax based on value addition at source and exports are zero-rated, there is an inbuilt need for the documentation of transactions involved in entire supply chain. While textiles cater for major exports of Pakistan, various intermediary manufacturing and processing activities are largely carried out in the unorganized and undocumented sector. This gap is filled by fake invoicing to inflate refunds and suppress local supplies, the refund issue consequently assumed staggering dimensions posing challenges for the VAT administration in Pakistan. In order to resolve these issues FBR has successfully prepared and implemented Computerized Risk Based Evaluation of Sales Tax (CREST) and Sales Tax Real-Time Invoice Verification System (STRIVE) for risk based analysis of sales tax returns. The purpose of STRIVE is to halt the false claims of tax input.

8. Anti-Smuggling Strategy

Following steps have been taken to control the smuggling:

- Frontiers Corps (KPK) has been entrusted to carry out anti-smuggling checking within 20 K.M of the international borders. Joint efforts are undertaken between Customs and other Law Enforcement Agencies.
- Anti-smuggling powers have been entrusted to Pakistan Coast Guards and Pakistan Maritime Security Agency to check the smuggling of contraband goods.
- Similarly, the Political Administration in Tribal areas has also been entrusted with anti-smuggling powers.
- Pakistan has signed an agreement with Afghanistan (Afghan-Pakistan Transit Trade Agreement). The importers as well as the carrier of Afghan cargo have to submit bank guarantees which are released only on verification that the goods have reached Afghanistan and were not pilfered inside Pakistan.
- FBR has chalked out a comprehensive anti-smuggling strategy to effectively curb the menace of smuggling. In this regard available resources have been pooled for optimal use under the supervision of Directorate General of Intelligence & Investigation-FBR. Choke points have been strengthened, in co-ordination with other Law Enforcement Agencies to check smuggling. Moreover, new chokepoints are

also being identified.

- vi. Major entry points/smuggling routes in the country are being monitored through establishment of check posts manned by Pakistan Customs with the assistance of other LEAs.
- vii. FBR is in the process of recruitment of fresh Human resources in all cadres which will not only cater for the current shortage of force especially on the enforcement side but induction of the young lot will result in reinvigoration of the force.
- viii. Special attention will be given to proper training of the enforcement force to enable them to face the challenges in the field of anti-smuggling.

9. Whistleblowers

The Federal Board of Revenue (FBR) has initiated a drive in order to trace tax evaders. Under this initiative FBR may sanction reward to whistleblowers or informers in cases of concealment or evasion of Income Tax, Sales Tax, or Federal Excise. For this purpose, an application on FBR's website has been introduced for informants to communicate tax evasion and concealments.

10. Behavioral Change

In order to promote tax culture, compliance and dispel the general impression about escaping taxation by individual having prominent position in the society, FBR has under taken following initiatives for bringing a behavioural change in society about the tax culture perception:

- a. Tax Directory of Parliamentarians
- b. Establishment of Financial Investigation Cell
- c. Campaign against Tax Evaders

11. Integrity Management Cell:

An Integrity Management Unit has been established in FBR to examine complaints of misuse of authority and develop effective vigilance within organization. FBR has resolved that there will be zero tolerance for corruption. The unit will monitor annual declaration of assets of employees and will generate periodical vigilance reports.

11. Taxpayers Facilitation and End-To-End Automation

To simplify procedures and minimize contact between the taxpayers and the tax collectors, FBR management has made revolutionary changes in automation of tax procedures. Major achievements include,

- i. Web Based One Customs (WeBOC) System of Clearance
- ii. EDI – Electronic Data Interchange:
- iii. Inland Revenue Information System (Iris)

With the help of these initiatives, FBR would move towards a more efficient tax system; facilitating taxpayers, promoting investment and broadening the tax base in the years to come.

Source: Federal Board of Revenue (FBR)

Provincial Budget

During FY2017, the total expenditure of all the four provincial budgets amounted to Rs.2,988.5

billion which is 20.5 percent higher than the revised outlay of Rs.2,479.2 billion of FY2016.

Table 4.6: Overview of Provincial Budgets										(Rs. billion)
Items	Punjab		Sindh		KP		Baluchistan		Total	
	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE
A. Tax Revenue	1,033.5	1,223.8	545.6	602.2	295.0	346.9	160.8	184.9	2,034.9	2,357.8
Provincial Taxes	142.9	184.4	123.0	109.0	13.1	18.0	4.3	2.3	283.3	313.7
GST on Services (transferred by federal Govt)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0
Share in Federal Taxes	890.6	1,039.4	422.6	493.2	281.9	329.0	156.5	182.6	1,751.6	2,044.2

Fiscal Development

Table 4.6: Overview of Provincial Budgets										(Rs. billion)	
Items	Punjab		Sindh		KP		Baluchistan		Total		
	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE	FY2016 RE	FY2017 BE	
B. Non-Tax Revenue	37.2	85.9	69.6	78.3	65.2	48.5	21.6	18.6	193.6	231.3	
C. All Others	5.5	0.8	44.4	60.9	14.6	30.6	38.0	47.0	102.5	139.3	
Total Revenues (A+B+C)	1,076.2	1,310.6	659.6	741.4	374.8	426.1	220.4	250.5	2,331.0	2,728.6	
a) Current Expenditure	746.9	849.9	502.8	572.8	280.9	333.0	163.2	184.8	1,693.8	1,940.5	
b) Development Expenditure	422.9	550.0	175.6	266.0	135.1	161.0	51.9	71.2	785.5	1,048.2	
Total Exp (a+b)	1,169.8	1,399.9	678.3	838.7	416.0	494.0	215.1	255.9	2,479.2	2,988.5	
Source: Provincial Finance Wing, Finance Division.											

Source: Provincial Finance Wing, Finance Division.

The proportion of current and development expenditures in total expenditures is 65 percent and 35.1 percent respectively. During FY2017, the allocation of development expenditures is 33.4 percent and current expenditures is 14.6 percent higher than last year.

Allocation of Resources between the Federal Government and Provinces

In accordance with the 7th NFC award, the net transfers to the provinces are estimated at Rs.2,210 billion for FY2017 which is 15.3 percent higher than the revised transfers of Rs.1,916.8 billion estimated for FY2016.

Table 4.7: Transfers to Provinces (net)					(Rs. billion)	
	FY2012	FY2013	FY2014	FY2015	FY2016R. E	FY2017B. E
Divisible Pool	1,063.1	1,117.5	1,287.4	1,476.6	1,751.5	2,044.1
Straight Transfer	145.6	103.5	124.4	97.4	100.4	91.7
GST on services	-	83.7	1.5	0.7	0.1	
Special Grants/ Subventions	53.9	61.2	53.8	33.7	32.6	40.0
Project Aid	47.8	71.3	85.2	61.9	60.2	86.1
Program Loans	4.6	4.2	59.1	18.1	29.6	8.3
Japanese Grant	0.1	0.0	0.0	0.0		0.1
Total Transfers to Provinces	1,315.0	1,441.5	1,611.5	1,688.4	1,974.3	2,270.2
Interest Payment	12.9	14.8	14.1	13.3	9.8	13.5
Loan Repayment	36.1	32.1	38.7	38.6	47.8	46.7
Transfers to Provinces(Net)	1,266.0	1,394.5	1,558.8	1,636.6	1,916.8	2,210.0
Source: Various issues of Budget in Brief.						

Source: Various issues of Budget in Brief.

During FY2016, the fiscal performance of all the four provinces remained reasonably well. Overall provincial surplus increased to Rs.207.4 billion in FY2016 against Rs.87.3 billion recorded in FY2015 on the back of sharp rise in tax revenues and stringent control over current expenditures. While during first nine months of current fiscal year, provincial surplus amounted to Rs.227.6 billion against 221.2 billion in the comparable period of FY2016.

Provincial tax revenues stood at Rs.283.3

billion during FY2016 against Rs.205.8 billion in FY2015. Despite an impressive growth of 37.7 percent in provincial tax revenues during FY2016, all the four provinces remained heavily dependent on federal transfers as it soared up by 21.0 percent in FY2016 and stood at Rs.1,862.2 billion against Rs.1,538.7 billion in FY2015. Federal transfers constituted 81.2 percent and provinces own revenue receipts contributed 12.4 percent in total revenues during FY2016.

Table 4.8: Overview of Provincial Fiscal Operations						(Rs. billion)	
Items	FY2012	FY2013	FY2014	FY2015	FY2016	July-March	
						FY2016	FY2017
A. Tax Revenue	1,197.1	1,365.7	1,596.2	1,744.5	2,145.4	1,439.9	1,652.6
Provincial Taxes	107.2	150.7	190.0	205.8	283.3	186.7	230.5
Share in Federal Taxes	1,089.9	1,215.0	1,406.3	1,538.7	1,862.2	1,253.2	1,422.1
B. Non-Tax Revenue	48.0	71.3	49.4	75.6	93.3	44.7	59.3
C. All Others	88.6	107.4	121.8	82.3	55.1	42.0	24.2
Total Revenues (A+B+C)	1,333.7	1,544.4	1,767.4	1,902.4	2,293.9	1,526.6	1,736.1
a) Current Expenditure	980.6	1,110.0	1,187.4	1,400.1	1,559.8	1,047.2	1,175.9
b) Development Expenditure(PSDP)	375.4	371.5	430.5	498.8	592.4	372.1	422.7
Total Exp (a+b)	1,356.0	1,481.6	1,617.9	1,898.9	2,152.2	1,419.3	1,598.5

Source: Fiscal Operations (various issues), Budget Wing

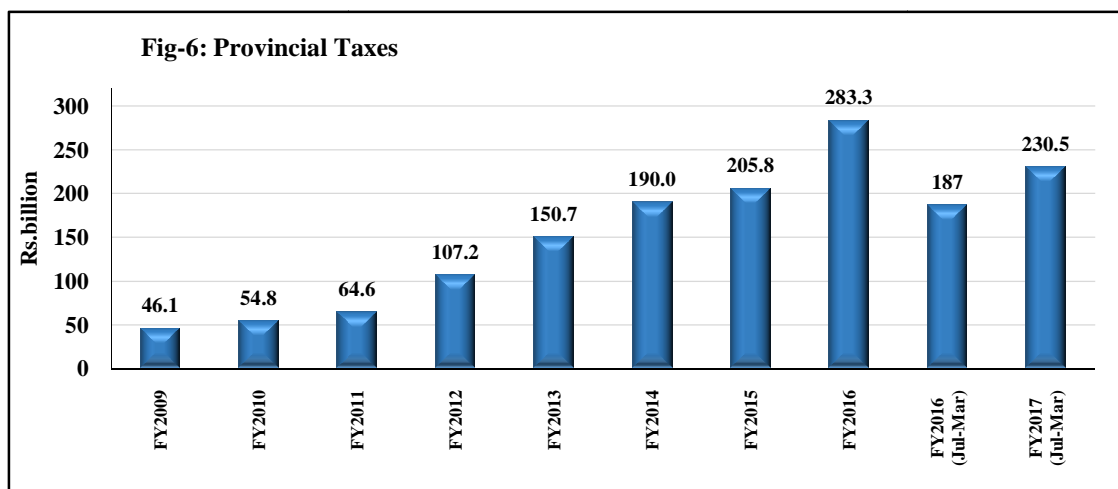
Major contributor in tax revenue was GST on services as it stood at Rs.129.8 billion during FY2016. Overall tax revenues (provincial tax and federal transfers) increased from Rs.1,744.5 billion in FY2015 to Rs.2,145.4 billion in FY2016, thus posting a growth of 23.0 percent.

The share of provincial tax revenues in total revenues is constantly rising since FY2011 from 5.3 percent to 12.4 percent in FY2016. During July-March, FY2017, overall tax revenues grew at 14.8 percent to reach Rs.1,652.6 billion as compared to Rs.1,439.9 billion in the same period of FY2016. Within tax revenues, provincial tax revenues posted a healthy growth of 23.5 percent and federal transfers to provinces grew at 13.5 percent.

On expenditure side, total expenditures were successfully contained at 13.3 percent in FY2016 against 17.4 percent in FY2015 on account of strict control over current

expenditures. As current expenditures grew at 11.4 percent and amounted to Rs.1,559.8 billion during FY2016 against Rs.1,400.1 billion in the same period of FY2015. In contrast, development expenditures (PSDP) rose to Rs.592.4 billion during FY2016 as against Rs.498.8 billion during FY2015, thus posting a growth of 18.8 percent.

Going forward, total expenditures of all the four provinces contained at 12.6 percent during the first nine months of current fiscal year. Within total expenditures, current expenditures grew at 12.3 percent and stood at Rs.1,175.9 billion during July-March, FY2017 against Rs.1,047.2 billion in the comparable period of last year. On the other hand development expenditures (PSDP) posted a growth of 13.6 percent and amounted to Rs.422.7 billion during the first nine months of current fiscal year as against Rs.372.1 billion in the corresponding period of FY2016.



Medium Term Budgetary Framework (MTBF)

The Medium-Term Budgetary Framework (MTBF) reform initiative is entering its seventh year of implementation. The reform programme has introduced three innovations; 1) The budget making is now top-down driven through the introduction of macro-fiscal framework, indicative budget ceilings and a Cabinet approved Budget Strategy Paper, 2) The detailed budget is linked with performance indicators through performance budgeting initiative, and 3) Performance monitoring system is piloted. This system is leading to improved budget management in the federal government.

In the current year, emphasis is being placed on further embedding and institutionalising the reform initiative. A new computer system called 'Business Planning and Consolidation' is being configured and pilot tested. In addition, capacity building for performance budgeting, and performance monitoring is being regularly provided to offices of the Principal Accounting Officers across the government.

In addition, a comprehensive Public Financial Management Strategy is being drafted. Consultations have been held with various stakeholders to identify key reforms that will be undertaken over the short, medium and long-term.

Conclusion

Pakistan's economy has witnessed a remarkable recovery through a combination of stabilization and structural reforms which has been duly acknowledged by well reputed international credit rating agencies, international financial institutions and financial publications.

Most importantly, the reduction in fiscal deficit during the past 3 years has been attained with a cautious mix of reduction in total expenditure and improvement in overall tax revenues as a percentage of GDP. Fiscal deficit has been reduced from 8.2 percent of GDP in FY2013 to 4.6 percent of GDP in FY2016. While during July-March, FY2017 fiscal deficit stood at 3.9 percent of GDP as compared to 3.5 percent of GDP in the comparable period of FY2016. Moreover, FBR tax revenues increased from 8.7 percent of GDP in FY2013 to 10.7 percent of GDP in FY2016 and are expected to increase further to 10.8 percent of GDP in FY2017.

Better fiscal performance is a testament of effective implementation of comprehensive agenda of economic reforms. It clearly shows that the economy is performing reasonably well and consolidation efforts are on track. Furthermore, it has also helped in creating adequate fiscal space for development spending and social safety nets.

Money and Credit

The effective monetary policy remains instrumental in maintaining liquidity in the money market. On account of macroeconomic stability, SBP continued with accommodative monetary policy stance that translated well into stable market interest rate at 5.75 percent, which is the lowest in last 45 years. Historic low interest rate and ongoing stability in money market are the main instruments for private sector credit cycle for fixed investment and for working capital.

Accordingly, credit to private sector increased to Rs.457.4 billion during Jul-21st Apr, FY2017 against Rs.296.8 billion in the same period last year, registering a significant growth of 54.1 percent. Private sector borrowed Rs.155.1 billion for fixed investment during Jul-Mar FY2017 as compared to Rs.140.3 billion availed in the corresponding period last year, registering a growth of 10.5 percent. Loans for working capital increased by Rs.150.9 billion during first nine months of FY2017 compared to Rs.65.4 billion in the same period last year, witnessed significant growth of 130.7 percent. A healthy uptick in private sector credit augurs well for growth.

The financial system remained stable during FY2017. Assets base of the financial sector has expanded at a decent pace of 11.93 percent in CY16 and reached to Rs.15.831 trillion by end December, 2016 as compared to Rs.14.143 trillion as of end December, 2015. NPLs to total loans ratio declined to an eight years' low level of 10.1 percent in Q4CY16. Capital Adequacy Ratio (CAR) at 16.2 percent as of end

December 2016 is much stronger and higher than the minimum required level of 10.65 percent.

Monetary Policy Stance

Keeping in view the macroeconomic stability, SBP kept the policy rate at 5.75 percent in May 2016 and maintained the same in the subsequent monetary policy decisions, which is the lowest rate since early 1970s.

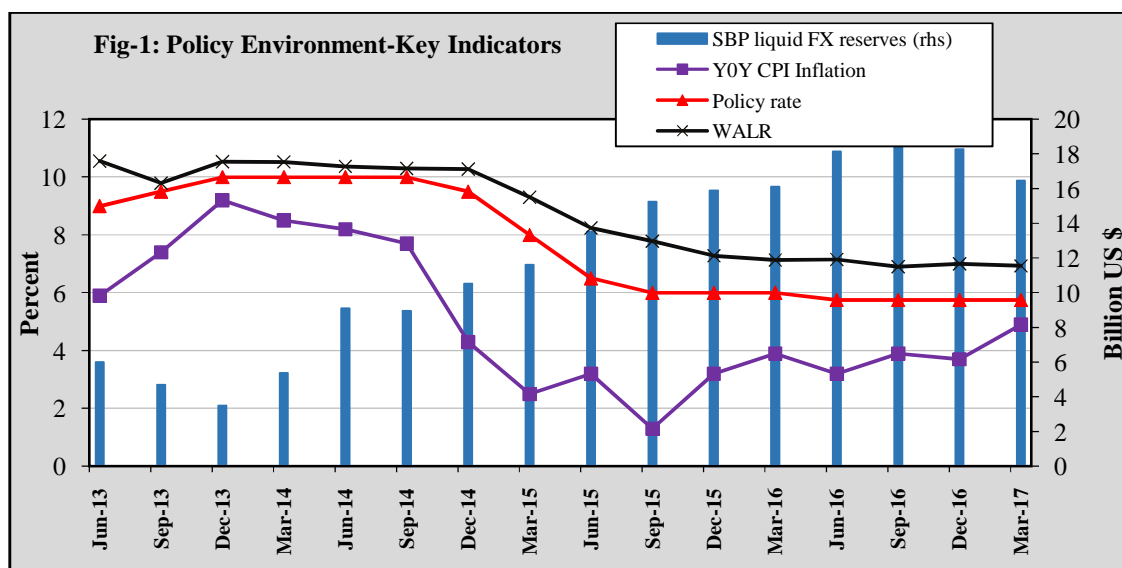
Healthy credit expansion, along with higher production of Kharif crops, recovery in LSM/industrial growth, uptick in CPEC related activities in energy sector and favourable business environment supported SBP's decision to keep the policy rate unchanged during FY2017.

Table 5.1: Policy Rate

w.e.f	Policy rate
Jun-13	9.0
Sep-13	9.5
Nov-13	10.0
Nov-14	9.5
Jan-15	8.5
Mar-15	8.0
May-15	6.5
Sep-15	6.0
May-16 till date*	5.75

Source: State Bank of Pakistan

***: May 20, 2017**



Recent Monetary and Credit Developments

During the period Jul-21st April, FY2017, Broad Money (M2) witnessed expansion of Rs. 762.2 billion (5.94 percent) compared to the expansion of Rs.667.7 billion (5.92 percent) in the same period last year. Net Domestic Assets (NDA) point contribution in broad money

increased to 8.67 percent during July-21st April, FY2017 from 5.02 percent recorded in the same period of FY2016 while Net Foreign Assets (NFA) point contribution in Broad money has reduced to (-2.73 percent) during July-21st April, FY2017 against expansion of 0.90 percent in the comparable period of FY2016.

Table 5.2: Profile of Monetary Indicators

	Rs. billion		
	FY16 (Stocks) R	21-Apr-17	22-Apr-16
Net Foreign Assets(NFA)	1007.6	-350.7	101.9
Net Domestic Assets(NDA)	11817.3	1,112.9	565.7
Net Government Borrowing	7819.5	689.9	446.0
Borrowing for budgetary support	7194.8	805.0	536.4
From SBP	1442.2	868.5	-498.5
from Scheduled banks	5752.6	-63.5	1,034.9
Credit to Private Sector (R)	4449.5	457.4	296.8
Credit to PSEs	568.1	198.5	22.3
Broad Money	12824.9	762.2	667.7
Reserve Money	3973.6	470.7	663.4
Growth in M2 (%)	13.7	5.94	5.92
Reserve Money Growth (%)	26.5	11.9	21.1

Source: Weekly Profile of Broad Money & Reserve Money, State Bank of Pakistan

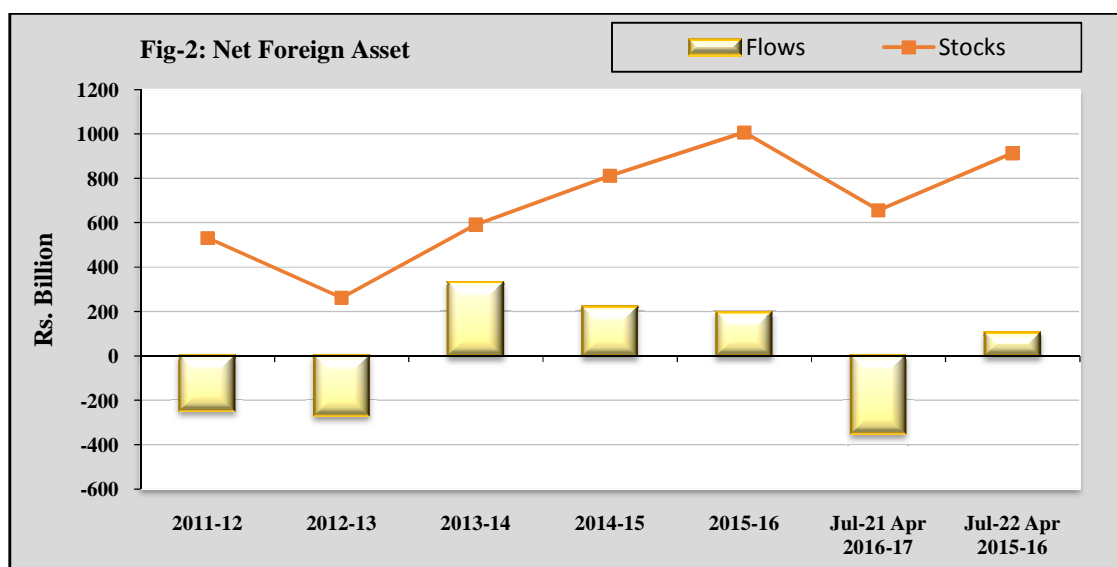
In contrast, reserve money growth remains contained to 11.85 percent during July-21st April, 2016-17 as compared to the growth of 21.11 percent in corresponding period of last year. The growth in SBP's NDA stood at 22.60 percent during the period under review compared to 22.11 percent in the same period of last year while SBP's NFA contracted by

(-18.7 percent) compared to the expansion of 17.7 percent during last year. As a result, reserve money growth remained subdued during the period under review.

Within Broad Money, NFA of the banking system during Jul-21st Apr, 2016-17 declined by Rs.350.7 billion, which is in sharp contrast to an expansion of Rs.101.9 billion in the same

period of last year. SBP's NFA observed contraction of Rs.193.8 billion during Jul-21st Apr, FY17. The NFA of scheduled banks, which was already negative as on end-June 2016, declined further (by Rs. 156.8 billion)

during the period under review. This mainly represented higher FX liabilities incurred by some of the foreign banks operating in the country¹.



The NDA of the banking system observed an expansion of Rs.1,112.9 billion (9.42 percent) during Jul-21st Apr, FY 2017 compared to Rs.565.7 billion (5.40 percent) in the same period of last year. Pick up in credit to the private sector, credit to Public Sector Enterprises (PSEs) and rise in government borrowing from the banking system were the major causative factors of monetary expansion during Jul-21st Apr, FY2017.

Credit to Public Sector Enterprises (PSEs) increased by Rs.198.5 billion during July-21st Apr, FY 2017 against Rs.22.3 billion in the same period of FY 2016. This expansion is primarily due to increase in financing for the completion of Neelum-Jhelum Power Project².

Government Bank Borrowing

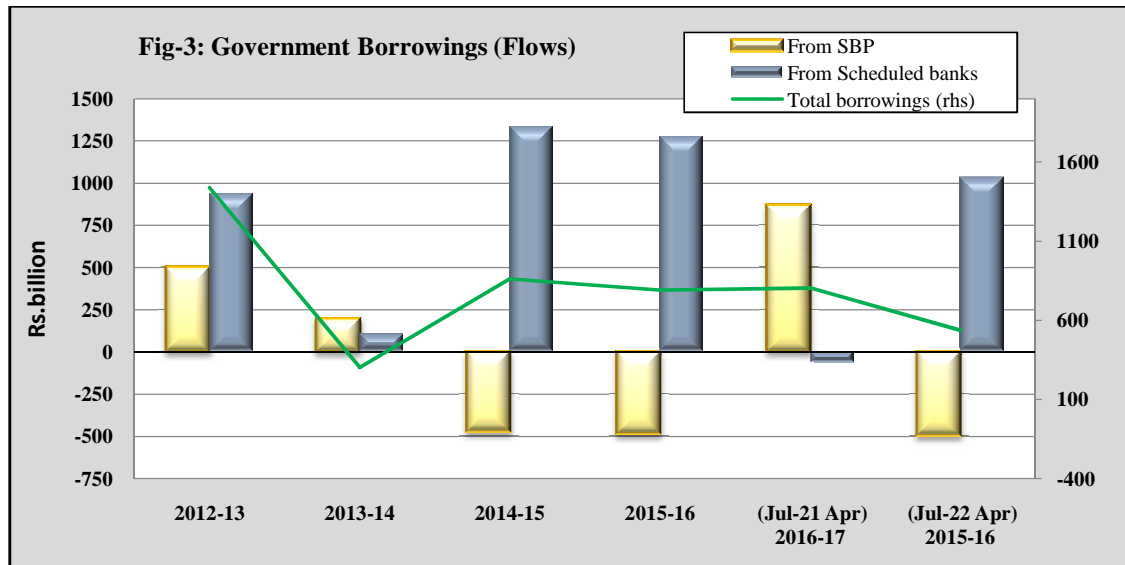
During the period 1stJul-21st Apr FY2017, government borrowing for budgetary support amounted to Rs.805.0 billion against the borrowing of Rs.536.4 billion in the same period of FY2016. During the period under review, government borrowed Rs.868.5 billion

from SBP compared to the retirement of Rs.498.5 billion in the same period last year. On the other hand, government retired Rs.63.5 billion to Scheduled banks during 1stJul-21st Apr FY2017 against the borrowing of Rs.1,034.9 billion last year. While, net government borrowing from the banking system reached to Rs.689.9 billion against the borrowing of Rs.446.0 billion over the previous year.

Government borrowing from SBP has a direct impact on reserve money growth and taken as inflationary. In contrast, during the period 1st Jul-21st Apr, FY2017, increase in government borrowing from SBP rather than scheduled banks led to steady fall in the outstanding level of OMO injections in the interbank market. As a result, the growth in SBP's NDA remain balanced and stood at 22.6 percent during the period under review compared to 22.1 percent in same period of last year.

¹ Second Quarterly Report, FY17, SBP

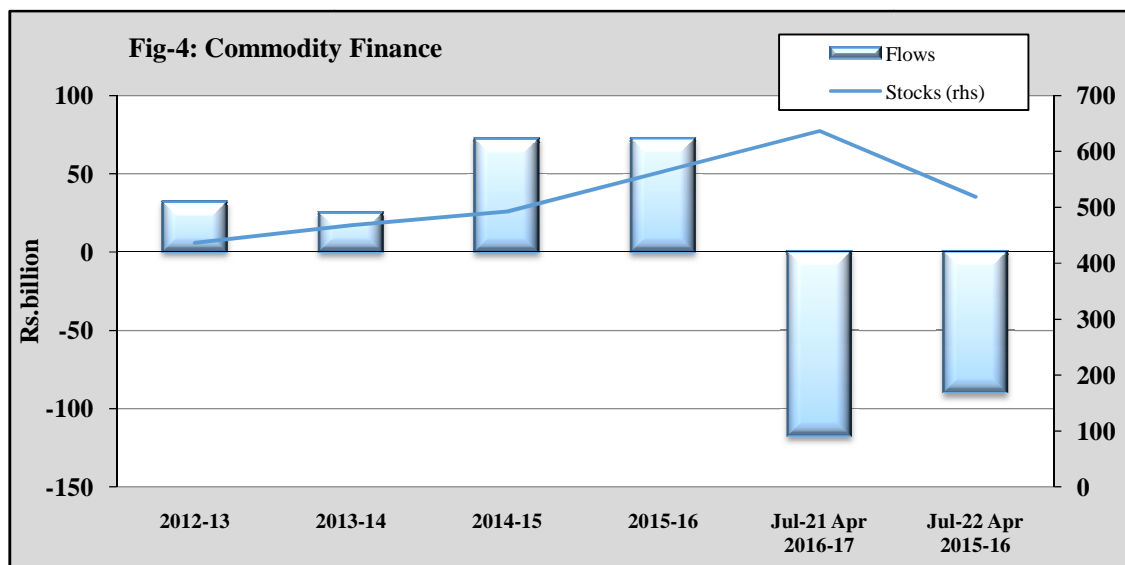
² Second Quarterly Report, FY17, SBP



Commodity Finance

Loans for commodity finance observed a net retirement of Rs.117.7 billion during Jul-21st Apr, FY 2017 compared to the net retirement of Rs.90.0 billion during the same period of last

year, despite the heavy retirement for commodity finance during the period under review, the outstanding stock of commodity financing reached to Rs. 518.9 billion compared to Rs. 474.5 billion during comparable period of last year.



In FY 2016, the outstanding stock of commodity financing increased significantly to Rs.636.6 billion from Rs.564.5 billion in the comparable period of FY 2015, thus posting a growth 12.8 percent in FY2016 against the growth of 14.6 percent in FY 2015.

During the period Jul-31st Mar, FY2017, loans for wheat financing witnessed a net retirement of Rs. 124.3 billion compared to the retirement of Rs. 113.4 billion during the same period of FY 2016. Although the procurement agencies retired higher amount during the period under review FY2017 compared to FY2016, the

outstanding stock of wheat remain higher and stood at Rs.405.9 billion compared to Rs.367.3 billion during the same period of last year and unsold stock still remains higher. The government took certain measures during FY2017 like extension in the subsidy, increase in the limit of wheat export and increase in the regulatory duty on wheat import to do away with such higher level of unsold wheat stock.

The fertilizer financing observed net retirement of Rs.15.99 billion during Jul-31st Mar, FY2017 against the borrowing of Rs. 12.2 billion in the same period of last year. In case of fertilizer, higher retirement during FY2017 due to the government's subsidy program led to a higher take-off both by urea and DAP during Kharif 2016. On the other hand, borrowing for sugar sector remained Rs. 4.25 billion during Jul-31st Mar, FY 2017 compared to Rs. 0.45 billion during corresponding period of last year.

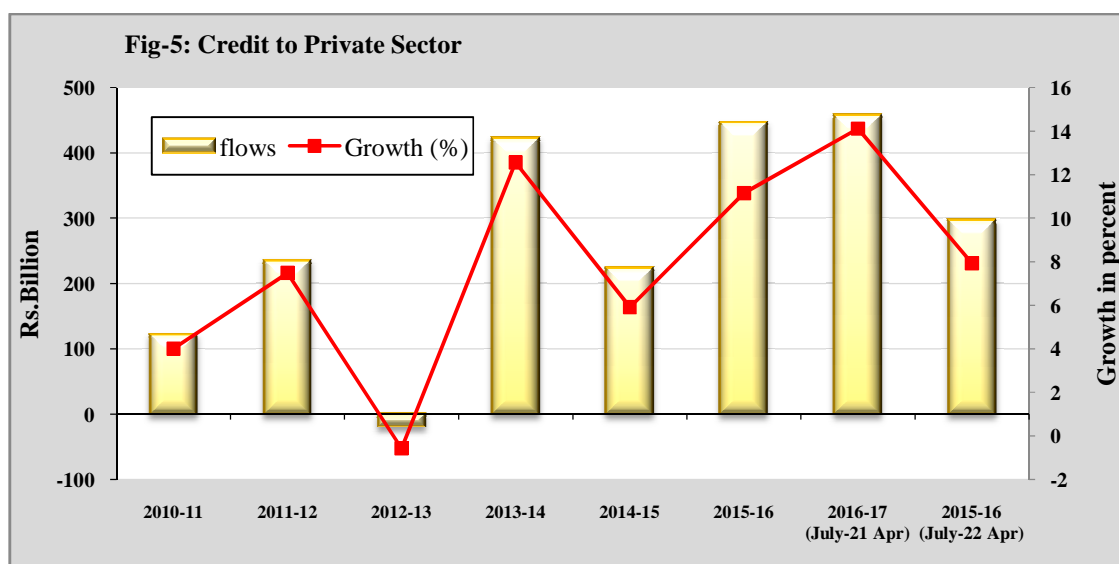
Credit to Private Sector³

Fiscal year 2015-16 witnessed a momentous increase in credit to private sector due to accommodative monetary policy stance and multi decade low policy rate, as it registered a net expansion of Rs. 446.5 billion in FY2016, against the net expansion of Rs. 223.8 billion in

FY2015. On year on year basis, it posted a growth of 11.2 percent.

Moreover, recent data suggest that credit to private sector increased to Rs. 457.4 billion during Jul-21st Apr, 2016-17 against the expansion of Rs. 296.8 billion in the same period of last year, thus posted average growth of 10.3 percent during the period under review as compared to 7.4 percent last year. On year on year basis as on 21st Apr FY2017, CPS witnessed growth of 14.1 percent against the growth of 7.9 percent recorded in the same period last year.

The significant growth in private sector credit off-take during FY2017 is mainly due to accommodative monetary policy stance, translated to low cost of borrowing which attracted private sector businesses to finance their businesses and investment activities. A large number of sectors including (Mining & Quarrying, Manufacturing, Textile, Fertilizer, Sugar, Electricity, Gas and Water Supply, Construction, Commerce and Trade) availed higher credit not only for working capital but also for fixed investment. A healthy uptick in private sector credit for fixed investment bodes well for overall investment in the country in future.



³ Islamic Financing, Advances (against Murabaha etc), Inventories and other related Items previously reported under Other Assets have been reclassified as credit to private sector.

Sectoral Analysis

Table 5.3: Credit to Private Sector

Sectors	Rs billion							
	End June Stocks				Jul-Mar (Flows)		Growth Rates	
	June-15	June-16	March-16	March-17	2015-16	2016-17	2015-16	2016-17
Overall Credit (1 to 5)	3,651.1	4,041.9	3,914.8	4,490.2	263.7	448.4	7.2	11.1
1. Loans to Private Sector Business	3,015.5	3,355.5	3,264.5	3,723.9	249.0	368.5	8.3	11.0
A. Agriculture	285.4	293.1	284.0	293.2	-1.4	0.1	-0.5	0.0
B. Mining and Quarrying	20.8	26.5	19.5	38.3	-1.3	11.8	-6.3	44.3
C. Manufacturing	1,704.4	1,915.3	1,910.8	2,175.0	206.4	259.7	12.1	13.6
Textiles	549.7	612.3	632.2	699.3	82.5	87.0	15.0	14.2
D. Electricity, gas and water supply	267.2	312.8	307.0	351.1	39.8	38.3	14.9	12.2
E. Construction	66.0	97.6	92.7	120.0	26.7	22.4	40.5	23.0
F. Commerce and Trade	237.0	266.3	248.3	285.6	11.3	19.3	4.8	7.3
G. Transport, storage and communications	146.6	182.2	167.5	181.6	20.9	-0.6	14.3	-0.3
I. Other private business	288.1	261.8	234.7	279.3	-53.4	17.5	-18.5	6.7
2. Trust Funds and NPOs	14.0	14.2	14.0	13.4	0.1	-0.8	0.6	-5.8
3. Personal	383.1	415.3	401.3	478.7	18.2	63.4	4.8	15.3
4. Others	15.2	8.2	5.4	6.5	-9.8	-1.8	-64.5	-21.6
5. Investment in Security & Shares of Private Sector	223.4	248.6	229.5	267.8	6.1	19.2	2.8	7.7

Source: State Bank of Pakistan

During Jul-Mar, FY2017, overall credit grew by 11.1 percent as compared to 7.2 percent during the same period of last year FY2016. Sector wise growth reveals that loans to private sector business observed growth of 11.0 percent during Jul-Mar, FY2017 compared to 8.3 percent in comparable period of last year.

In flows terms, credit expansion to private business amounted to Rs.368.5 billion during Jul-Mar, FY2017 against Rs.249.0 billion in the comparable period of FY 2016. The expansion in credit to private sector is broad based during

FY 2017 and among all major sectors, Mining and Quarrying grew by (44.3 percent), followed by Construction (23.0 percent), Manufacturing (13.6 percent) of which Textile (14.2 percent), Electricity, Gas and Water supply (12.2 percent) and Commerce & Trade (7.3 percent). In term of share, credit off take remained high in Manufacturing sector that received share 70.4 percent of private sector loan (Rs. 259.7 billion), followed by textile (23.6 percent or Rs. 87.0 billion), Electricity, Gas and Water supply (10.4 percent or Rs.38.3 billion) and construction (6.0 percent or Rs.22.4 billion).

Table 5.4: Loans* to Private Sector Businesses

Description	Rs. billion							
	Total Credit		Working Capital		Fixed Investment		Trade Financing	
	(Jul-Mar) FY16	(Jul-Mar) FY17	(Jul-Mar) FY16	(Jul-Mar) FY17	(Jul-Mar) FY16	(Jul-Mar) FY17	(Jul-Mar) FY16	(Jul-Mar) FY17
Total loans to private businesses	249.0	368.5	65.4	150.9	140.3	155.1	43.3	62.5
<i>of which</i>								
i) Manufacturing	206.4	259.7	116.5	104.5	34.2	97.8	55.7	57.4
ii) Textiles	82.5	87.0	58.1	35.5	9.3	26.2	15.1	25.3
Spinning, weaving and finishing	57.9	72.0	49.8	28.5	2.6	26.0	5.5	17.5
iii) Chemicals	33.1	3.3	22.1	(21.2)	7.5	21.0	3.5	3.5
Fertilizer	28.2	(14.8)	19.5	(26.7)	5.9	10.9	2.7	1.0
Food products & beverages	68.7	112.4	42.9	84.9	11.9	21.9	13.9	5.6
Rice processing	10.4	9.3	1.7	3.4	1.5	1.0	7.2	4.9
Edible oil and ghee	3.7	(4.5)	0.8	(1.7)	0.1	0.5	2.9	(3.3)
Sugar	56.9	101.0	51.7	79.3	4.8	15.5	0.4	6.2
iv) Basic and fabricated metal	(3.0)	(0.3)	2.5	(3.3)	0.0	1.4	(5.5)	1.6
v) Rubber, plastics and paper	2.0	(3.9)	0.9	(3.7)	2.3	(2.2)	(1.1)	1.9
vi) Electrical equipment	9.2	6.5	(4.8)	5.4	6.0	1.5	8.1	(0.4)
2) Electricity, gas & water supply	39.8	38.3	13.0	21.7	31.9	14.2	(5.1)	2.4
3) Transport, storage & communications	20.9	(0.7)	(9.2)	(9.4)	30.2	8.8	(0.0)	(0.1)
Road transport	18.4	1.2	0.3	(0.0)	18.1	1.3	(0.1)	(0.0)
4) Construction	26.7	22.4	(2.6)	7.4	28.1	15.8	1.3	(0.8)
Road infrastructure	14.7	12.1	0.6	4.8	13.8	8.4	0.3	(1.1)
5) Agriculture	(1.4)	0.1	(7.4)	2.7	6.1	(2.4)	(0.1)	(0.2)

*Loans include advances plus bills purchased & discounted excluding foreign bills.

Source: State Bank of Pakistan

Credit to private sector by type of finance, all categories (including working capital, fixed investment and trade finance) availed higher credit during Jul-Mar, FY17 compared to corresponding period of last year. The gradual increase in credit disbursement for working capital, fixed investment and trade financing mainly used by major sectors of the economy and primarily evident in Manufacturing of which food and beverages, textile and sugar availed higher credit. Manufacturing sector during FY2017 availed higher share of total loan particularly for working capital. Cement sector off-take higher credit for fixed investment requirement during the period under review on account of increase in construction activities. Credit demand for power projects shifted from fixed investment to working capital during the period Jul-Mar, FY2017.

Credit for fixed investment amounted to Rs.155.1 billion (increase by 10.5 percent) during Jul-Mar, FY2017 compared to Rs.140.3 billion in the same period of FY2016, working capital credit reached to Rs.150.9 billion (grew by 130.7 percent) during the first nine months of FY2017 against Rs.65.4 billion in comparable period of last year and trade financing increased to Rs.62.5 billion (expanded by 44.3 percent) during first nine months of FY2017 from Rs.43.3 billion in the same period of last year.

A sustained growth in credit demand needs prudent monetary policy stance, improved business sentiments, decent increase in banks deposits and managed interbank liquidity condition augurs well for growth in private sector going forward.

Table 5.5: Consumer Financing			(Rs. billion)	
Description	July-March (Flows)		Growth (%)	
	2015-16	2016-17	2015-16	2016-17
Consumer Financing	17.3	62.1	6.1	20.3
1) For house building	5.1	8.2	12.8	17.1
2) For transport i.e. purchase of car	17.3	26.2	20.4	23.4
3) Credit cards	0.9	3.0	3.6	11.7
4) Consumers durable	0.4	0.8	111.1	100.5
5) Personal loans	-4.2	25.7	-3.3	22.5
6) Other	-2.3	-1.8	-27.3	-31.6

Source: State Bank of Pakistan

During first nine months of CFY 2017, Consumer financing witnessed a significant growth of 20.3 percent (Rs.62.1 billion) against 6.1 percent (Rs.17.3 billion) during the same period of last year. Of which, consumer durable recorded a substantial growth of 100.5 percent during Jul-Mar, FY2017 compared to 111.1 percent during the comparable period of last year. Moreover, house building loans observed a significant growth of 17.1 percent and amounted to Rs.8.2 billion during Jul-Mar, FY2017 as compared to 12.8 percent (Rs.5.1 billion) during the corresponding period of last year. Noticeable improvement in house building financing is primarily due to prudent monetary policy and historic low policy rate. However, auto financing saw an expansion of Rs.26.2 billion (23.4 percent) during first nine months of FY 2017 compared to Rs.17.3 billion

(20.4 percent) during the comparable period of last year. Increasing trend since fiscal year 2009-10 in auto financing is mainly due to amendment in regulations for car financing, which allowed banks to finance cars up to 9 years old and high demand for the new model car that started to benefit the sales of local car assemblers, which are expected to post a healthy rise in FY 2017. Moreover, personal loan showed net expansion of Rs.25.7 billion (22.5 percent) during the period under review as compared to the net retirement of Rs.4.2 billion (-3.3 percent) in the same period of last year. The uptick in consumer financing observed during FY2017 on account of significant reduction in Weighted Average Lending Rates (WALRs) of scheduled banks due to enough liquidity on account of large PIB maturities and unprecedented volume of

retirements from private businesses during July 2016. As a consequence, consumer financing witnessed significant growth particularly for

consumer durable, auto financing, house building loans and personal loans during the period under review.

Table 5.6: Indicative Targets and Actual Disbursement of Agriculture Loans (Rs. billion)

Name Of Banks	Target		Flows	
	2015-16	2016-17	July-March	
			2015-16	2016-17
5 Major Comm. Banks	305.7	340.0	198.8	236.6
ZTBL	102.0	102.5	55.3	57.5
15 Domestic Private Banks	131.8	139.6	84.8	90.2
P.P.C.B.L	12.5	12.5	6.1	6.9
10 Microfinance Banks	40.1	60.1	34.5	61.3
MFIs/RSPs	-	34.3	-	12.2
5 Islamic Banks	7.9	11.0	6.0	8.4
Total	600.0	700.0	385.5	473.1

Source: State Bank of Pakistan

For fiscal year 2016-17, agriculture credit disbursement target was at Rs. 700.0 billion compared to the target of Rs. 600.0 billion in fiscal year 2015-16. The actual disbursement remained at Rs.598.3 billion in FY 2016. During July-March, 2016-17, overall credit disbursement increased to Rs. 473.1 billion compared to Rs. 385.5 billion in the corresponding period of last year, thus posting a

growth of 22.7 percent compared the growth of 18.3 percent in last year, the disbursement remained 67.5 percent of the target during July-March of current fiscal year. 5 Major commercial banks disbursed agriculture loans of Rs. 236.6 billion or 69.5 percent of its target which is 19.0 percent higher (Rs. 198.8 billion) during the same period of last fiscal year.

Box-1: SBP initiatives for financial inclusion in Agriculture Financing during FY2017

- **Interest Free Solar Tube well Financing Scheme:** Finance Minister, in his FY 2015-16 budget speech announced an Interest free loan scheme for small farmers (having land holding of up to 12.5 acres) for installation of 30,000 solar powered tube wells over a period of 3 years. Under this scheme, the federal government had concurred to cover the markup cost on behalf of farmers. Based on the aforementioned budgetary announcement, SBP in consultation with banks has developed a scheme for providing interest free loans for installation of solar powered tube wells. The modalities for implementation of the scheme are being finalized by MoF & MNFSR (Ministry of National Food Security and Research).
- **Commodity Management & Warehouse Receipt Financing Rules:** SECP in consultation with stakeholders including SBP, banks have developed a draft Collateral Management Companies (Establishment and Operations) Regulations and submitted for approval. Once the regulations are approved by the Cabinet, the same will be notified by SECP.
- **Simplification of Loan Application for Agri. financing:** In order to simplify the lending process for agriculture financing, revised Loan Application Forms (LAF) for agriculture financing have been developed in consultation with banks and implemented. The loan application form has been categorized into 1) LAF up to Rs.1 million and LAF for above Rs.1 million.
- **Farmers Financial Literacy Programs:** SBP is introducing credit culture amongst farmers through its flagship Farmers Financial Literacy Programs (FFLP). These program are very helpful in spreading financial awareness amongst the target groups. The 1-day training module is specially designed for farmers to increase their understanding of banking services, credit, savings, insurance and documentary requirements for obtaining a loan etc.

In FY 2015-16, 12 FFLP programs were conducted across the country. These programs were attended by 390 ACOs and over 1700 farmers. As per practice, the trained ACOs will serve as master trainers to further spread financial awareness at the grass root level through engagement sessions with farmers.

Source: State Bank of Pakistan

Monetary Assets

Monetary assets (M2) include currency in circulation, demand deposits, time deposits and residents' foreign currency. Money supply (M2) witnessed a growth of 5.94 percent during 1st Jul – 21st Apr, FY2017 as compared to the growth of 5.92 percent in the corresponding period of last year. While Y-o-Y basis it stood at 13.7 percent higher as on 21st April, FY 2017. Growth in M2 is mainly contributed by total demand and time deposits including RFCDs.

Currency in Circulation (CIC)

During the period Jul- 21st Apr, FY 2017, CIC increased by Rs.216.5 billion (6.5 percent) compared to the expansion of Rs.508.6 billion (19.9 percent) in the same period of last year, whereas YoY growth recorded at 15.9 percent

as on 21st April, FY2017. The currency-to-M2 ratio has also been increased to 26.1 as on 21st April, 2017 compared 25.6 percent in the same period of last year.

CIC remain contained during the period under review as compared to last year, maturity of PIBs was falling in Q1 FY2017, but these retirements did not have any significant impact on interbank liquidity, as these were completely equalized by lower OMO injections. On the other hand, seasonal retirement of private sector credit created sufficient liquidity for scheduled banks to make up for cash withdrawals related to two eid festivals during Q1, FY2017. The comfortable interbank liquidity situation impacted overnight rates that remained close to the target rate.

Table 5.7: Monetary Aggregates (Rs. million)				
Items	End June		July-21 April	
	2015	2016	2015-16	2016-17
A. Currency in Circulation	2,554,749	3,333,784	3,063,405	3,550,308
<i>Deposit of which:</i>				
B. Other Deposits with SBP	13,747	18,756	19,320	22,520
C. Total Demand & Time Deposits incl. RFCDs	8,713,648	9,472,313	8,867,092	10,014,229
of which RFCDs	597,760	587,258	592,953	602,089
Monetary Assets Stock (M2) A+B+C	11,282,144	12,824,853	11,949,818	13,587,057
Memorandum Items				
Currency/Money Ratio	22.6	26.0	25.6	26.1
Other Deposits/Money ratio	0.1	0.1	0.2	0.2
Total Deposits/Money ratio	77.2	73.9	74.2	73.7
RFCD/Money ratio	5.3	4.6	5.0	4.4
Income Velocity of Money	2.6	2.5	–	–

Source: State Bank of Pakistan

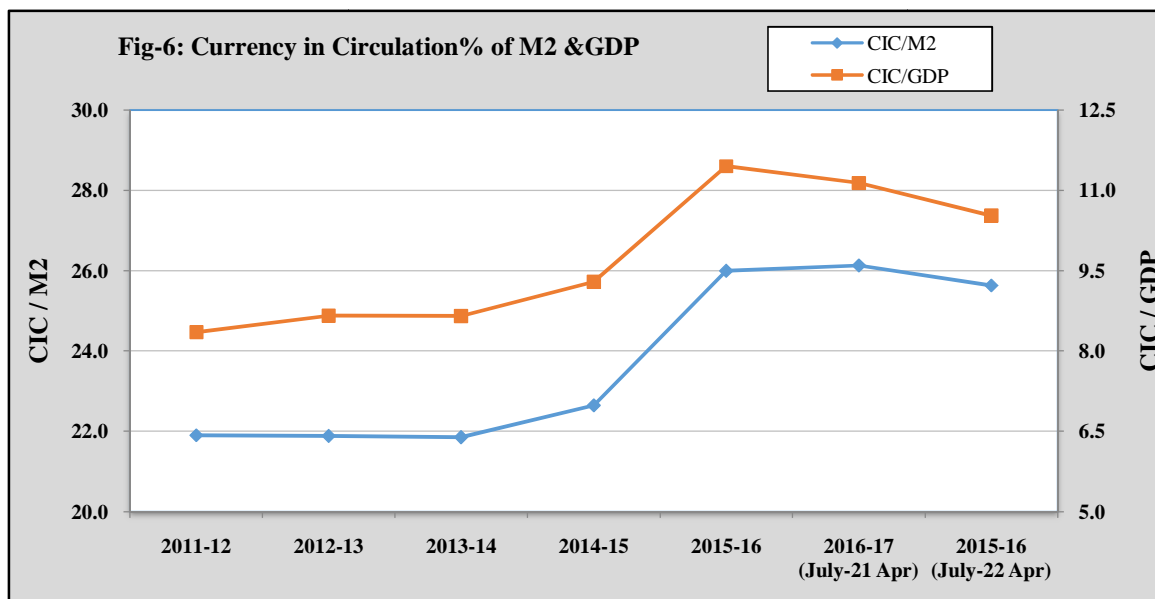
Deposits

Bank deposits increased by Rs.541.9 billion (5.7 percent) during Jul-21st Apr, FY2017 compared to the expansion of Rs.153.4 billion (1.8 percent) witnessed in the same period of last year. As a result, currency-to-deposit ratio increased to 35.5 as on April 21, 2017 compared with 34.5 on April 22, 2016. Balanced monetary expansion during the period under review witnessed on account of high currency-to-deposit ratio, which led to a lower money multiplier. "In this context,

increasing penetration of formal banking services in the economy – as explicitly laid out in the National Financial Inclusion Strategy – has lately become more important"⁴.

Whereas, Resident Foreign Currency Deposits (RFCD) that was negative during last year, increased from (Rs.-4.8 billion) to Rs.14.8 billion during Jul-21st Apr, FY2017.

⁴First Quarterly Report, FY17, SBP



Monetary Management

During first nine months of CFY2017, the government changed its borrowing mix and mobilized funds only from SBP and retired to scheduled banks. Normally, government borrowing from central bank is considered inflationary as it directly impact on reserve money growth. But this impact was balanced through low outstanding OMOs injections

during the period under review. The government financing method created comfortable liquidity condition in interbank market, led to continuation of stable policy rate. As a result, a steady fall in the outstanding level of OMO injections were observed during the period under review, which reduced from Rs. 1,323.8 billion at end-March 2016 to Rs.961.1 billion by end-March 2017.

Table 5.8: Average Outstanding Open Market Operations* (Billion Rupees)

	FY2014	FY2015	FY2016	FY2017
Full Year	53.9	418.6	1,268.9	972.2
Q1	-34.7	63	1,082.9	1094.0
Q2	-11.8	281	1,287.6	861.3
Q3	67	683.2	1,323.8	961.1
Q4	196.9	744.1	1,383.3	

*: The data does not include the impact of outright OMOs.

Note: (+) amount means net Injections.

(-) amount means net mop-up.

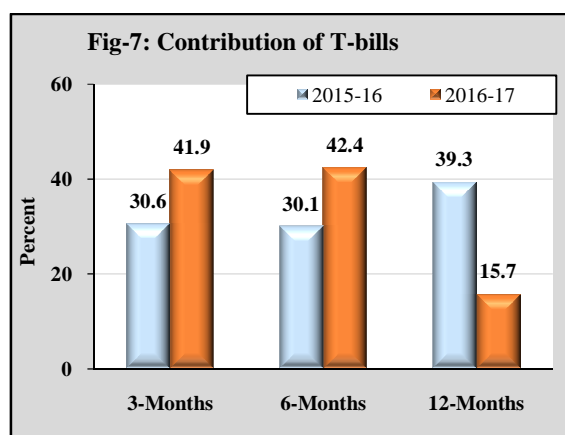
Source: State Bank of Pakistan

Table 5.9: Market Treasury bills Auctions (Rs million)

	Jul-Jun 2015-16			Jul-Mar				W.A.Rate*	
				Offered		Accepted			
	Offered	Accepted	W.A Rate*	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
3-Months	2,726,618	1,457,485	6.4	2,101,410	3,756,514	1,211,203	2,441,329	6.5	5.9
6-Months	2,873,573	1,629,803	6.4	1,911,162	3,918,854	1,188,603	2,471,538	6.6	5.9
12-Months	3,656,106	1,821,670	6.4	2,759,473	1,628,197	1,554,942	915,996	6.6	5.9
Total	9,256,297	4,908,958		6,772,045	9,303,565	3,954,748	5,828,863		

Source: State Bank of Pakistan

During the period Jul-Mar, FY2017, market offered total amount of Rs.9,303.6 billion T-Bills compared to Rs. 6,772.0 billion during the same period of last year. During the first nine months of CFY 2017, T-Bills contributed 42.4 percent of the total accepted amount in 06 months followed by 41.9 percent in 03-months and 15.7 percent for 12 months.



During first nine months of CFY 2017, under PIB auction market offered Rs.1,556.1 billion against Rs.2,058.3 billion in comparable period of last year. PIBs witnessed heavy investment in 3 years as it contributed 54.0 percent of total accepted amount followed by 29.6 percent in 5 years and 16.4 percent in 10 years.

Comfortable liquidity condition allowed banks to actively participate in government papers, for instance, with offered around Rs.9.3 trillion amount, the government mobilized Rs.5.8

trillion through T-Bills auction more than 47 percent amount accepted compared to same period of last year without raising the weighted average yield of the auctions.

In case of PIBs, with offer of Rs.1.6 trillion, the government raised less than the last year and accepted Rs.778.8 billion. Scheduled banks participation in the auction of PIBs remained subdued during the period under review. The government rejected all bids for PIBs during the second quarter FY2017 as the government had sufficient financing available from other resources.

Greater tendency for T-Bills over PIBs indicates the market's anticipation of a rise in inflation and a possible bottoming out of policy rate⁵.

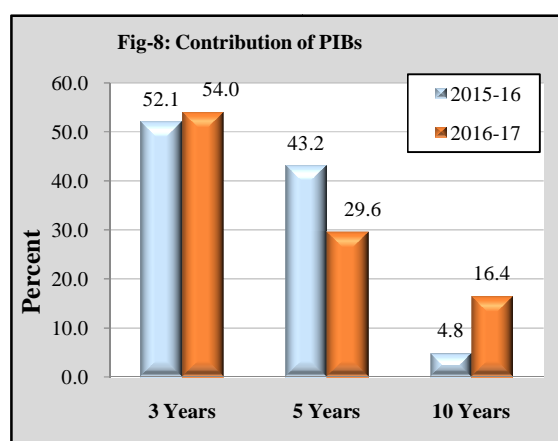


Table 5.10: Pakistan Investment Bonds Auctions								(Rs. million)	
PIBs	Jul-Jun			Jul-Mar				W.A Rate	
	Offered	Accepted	W.A Rate	Offered		Accepted			
	2015-16			2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
3 Years	1,315,268	484,812	7.2	1,083,071	888,051	407,615	420,569	7.2	6.3
5 Years	982,167	407,561	7.9	812,426	419,533	338,021	230,375	8.0	6.8
10 Years	262,487	71,227	8.7	162,758	245,778	37,328	127,823	8.8	7.8
15 Years	-	-	-	-	-	-	-	-	-
20 Years	-	-	-	-	2,743	-	-	-	-
30 Years	-	-	-	-	-	-	-	-	-
Total	2,559,922	963,600		2,058,255	1,556,105	782,964	778,767		

Source: State Bank of Pakistan

Note: Accepted amount include non-competitive bids as well as short sell accommodation.

⁵ 2nd Quarterly Report FY17, SBP

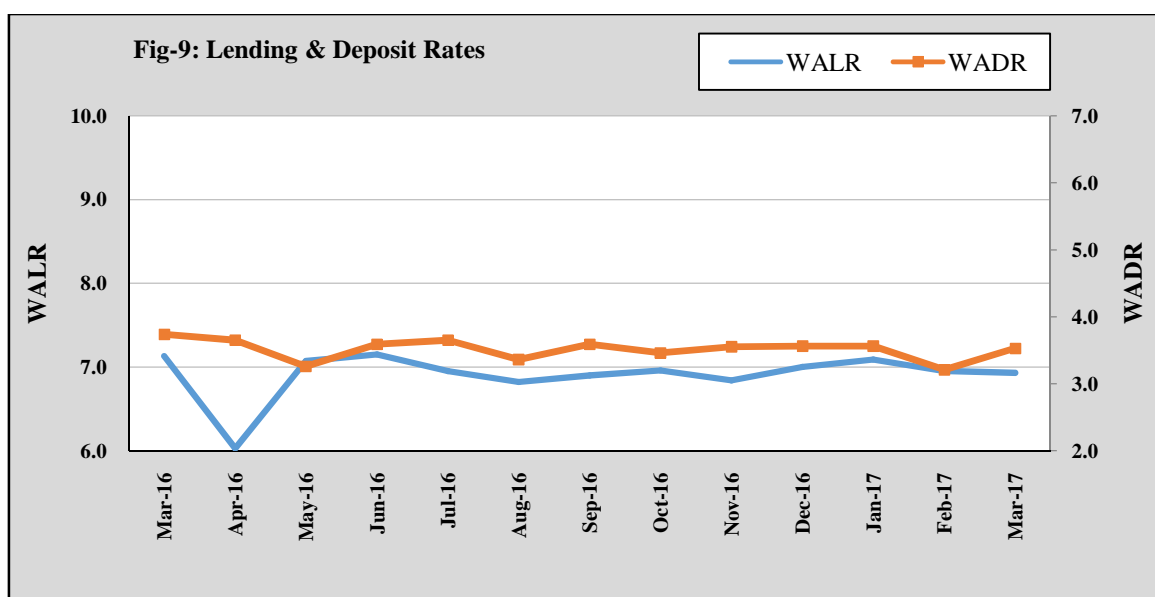
Table 5.11: Lending & Deposit Rates(W.A)

	LR	DR	Spread
Mar-16	7.13	3.74	3.39
Apr-16	6.03	3.65	2.38
May-16	7.07	3.26	3.81
Jun-16	7.15	3.59	3.56
Jul-16	6.95	3.65	3.30
Aug-16	6.82	3.36	3.46
Sep-16	6.90	3.59	3.31
Oct-16	6.96	3.46	3.50
Nov-16	6.84	3.55	3.29
Dec-16	7.00	3.56	3.44
Jan-17	7.09	3.56	3.53
Feb-17	6.95	3.21	3.74
Mar-17	6.93	3.53	3.40

Source: State Bank of Pakistan

During the first nine months of current fiscal year, following the declining policy rate,

Weighted Average Lending Rate (WALR) on gross disbursements also reduced to 6.93 percent in March, 2017 from 7.13 percent in March, 2016, thus reduced by 20 bps and reached its lowest level over a decade. The average WALR shows low cost of borrowing during the first nine months of CFY 2017 that impacted significantly on private sector credit growth during the period. Similarly, Weighted Average Deposit Rate (WADR) offered on fresh deposits also reduced from 3.74 percent in March, 2016 to 3.53 percent in March 2017. As a result, banking spread which generally refers to the cost of channelling funds through intermediaries and is the difference of lending and deposit rates remained almost same at 3.40 percent in March 2017 and 3.39 percent in March 2016.



Similarly, the average lending rate on outstanding loans also reduced from 8.53 in March, 2016 to 7.89 percent in March, 2017. The average deposit rate reduced to 2.99 percent in March 2017 compared to 3.30 percent in March, 2016.

Financial Sector

The banking sector witnessed impressive performance during the last couple of years. Remarkable performance of banking system was primarily due to impressive growth in

advances to private sector which has impacts on asset growth. The lagged effect of accommodative monetary policy, steady deposits growth and maturity of PIBs creates sufficient availability of liquidity, CPEC related activities and positive economic outlook are main factors behind the impressive growth in advances. The gross advances to private sector has increased significantly during CY16. Primarily, credit to private sector for working capital, trade financing and fixed investment has shown higher growth during the period under review.

The momentum continued in the FY2017 with asset base, which registered a growth of 11.93 percent and reached to Rs.15.831 trillion by end December, 2016 compared to Rs.14.143 trillion as of end December, 2015. Besides investments, credit to private sector has also started to accelerate. Advances grew with a significant rate of 14.18 percent in CY16 compared to 8.3 percent in CY15. Gradual increase in earning assets has translated into profits before tax of Rs.314 billion during the fourth quarter of CY16 (Rs.329 billion during December, 2015). Further, the alignment of regulatory capital requirements in Pakistan with best international practices coupled with high

profitability has helped in achieving strong solvency. Capital Adequacy Ratio (CAR) has slightly declined to 16.2 percent due to rise in advances during CY16 compared to 17.3 percent in CY15 but it is still much stronger and higher than the minimum required level of 10.65 percent.

Similarly, asset quality has also improved and infection ratio has declined from 14.8 percent as of June 2013 to 10.1 percent as of end December, 2016. Also, gross NPLs to loans ratio reduced from 11.4 percent in CY15 to 10.1 percent in CY16. Net NPLs ratio reduced from 1.9 percent to 1.6 percent in December, 2016 on year on year basis.

Table 5.12: Highlights of the Banking Industry

	CY13*	CY14	CY15	CY16
Key Variables (Rs. billion)				
Total Assets	10,487	12,106	14,143	15,831
Investments (net)	4,313	5,310	6,881	7,509
Advances (net)	4,110	4,447	4,816	5,499
Deposits	8,311	9,230	10,389	11,798
Equity	943	1,207	1,323	1,353
Profit Before Tax (ytd)	162	247	329	314
Profit After Tax (ytd)	112	163	199	190
Non-Performing Loans	607	605	605	605
Non-Performing Loans (net)	139	122	91	90
Key FSIs (Percent)				
NPLs to Loans (Gross)	13.3	12.3	11.4	10.1
Net NPLs to Net Loans	3.4	2.7	1.9	1.6
Net NPLs to Capital	14.7	10.1	7.7	7.3
Provision to NPL	77.1	79.8	84.9	85.0
ROA (Before Tax)	1.6	2.2	2.5	2.1
Capital Adequacy Ratio (all banks)	14.9	17.1	17.3	16.2
Advances to Deposit Ratio	49.5	48.2	46.4	46.6

Source: State Bank of Pakistan

Note: Statistics of profits are on year-to-date (ytd) basis.

* Except CY13, all numbers are based on unaudited financials.

Financial Development

It is an established fact that well-structured and efficient financial institutions are prerequisite for economic growth. Financial institutions and markets can foster economic growth through easing the exchange of goods and services by providing simple and fast payment services, mobilising and pooling savings from a large

number of investors, acquiring and processing information about enterprises and possible investment projects, thus allocating savings to their most productive use and monitoring investment. Each of these functions can influence saving and investment decisions and hence economic growth.

Financial depth can be measured by different proxies, but M2-to-GDP ratio is considered as most comprehensive and commonly used for capturing the overall size of the financial sector. Increasing M2/GDP ratio primarily indicates the well structured and developed financial sector.

Table 5.13: Financial Depth

Years	M2/GDP
2009-10	38.9
2010-11	36.6
2011-12	38.1
2012-13	39.6
2013-14	39.6
2014-15	41.1
2015-16	44.1
July-21 April	
2015-16	41.1
2016-17	42.6

In case of Pakistan, this ratio has shown positive and increasing trend since FY 2012 due

to several regulatory reforms and policy initiatives aimed to ensure a sound and robust financial sector. Monetary assets which were 36.6 percent of GDP in FY 2011 increased to 44.1 percent in FY 2016. While during the period July- 21st Apr, FY2017, M2/GDP ratio increased to 42.6 percent from 41.1 percent witnessed in the comparable period of last year. However, the ratio is expected to increase further in future on account of ongoing financial reforms in financial sector with aim to strengthen the financial depth. Aiming to this, SBP continuously endeavours to bring an improvement in the legal, regulatory and supervisory framework including Basel III standards adopted in Pakistan, AML/CFT regulations are aligned with FATF recommendations, measures for improvement in foreign exchange regime, broadening of National Financial Inclusion Strategy and strengthening of financial market infrastructure etc.

Box-2: Financial Reforms

Some of the recent regulatory measures and policy reforms adopted by SBP are highlighted below:

➤ Strengthening of Legal, Regulatory and Supervisory Environment

To strengthen the legal regime, following measures have been adopted by SBP during last year

- In order to facilitate recovery of loans by minimizing defaults, SBP proposed amendments in Section 15 of the **Financial Institutions (Recovery of Finances) Ordinance, 2001 (FIRO)** which were enacted on 13th August 2016.
- Alongside the amendments in FIRO, a new law with the name of **Corporate Restructuring Companies Act 2016** has been enacted in June, 2016 which provides for establishment and regulation of corporate restructuring companies.
- The **Deposit Protection Corporation Bill 2016** was passed by the National Assembly on March 17, 2016 and subsequently passed by the Senate with amendments on June 17, 2016.
- In order to further improve the foreign exchange regime of the country, the amendment in Foreign Exchange Regulation Act, 1947 was passed by the parliament and notified on July 27, 2016.
- To strengthen the capital adequacy framework for the banking sector and to contain systemic risk, SBP adopted Basel III standards in Pakistan in 2013. During 2016, State Bank of Pakistan (SBP) has adopted Basel Committee on Banking Supervision (BCBS) proposed liquidity standards “Liquidity Coverage Ratio (LCR)” and “Net Stable Funding Ratio (NSFR)”.
- With the intention to further strengthen corporate governance regime of banks for achieving strategic objectives and in order to ensure proper performance evaluation of Boards, SBP has issued guidelines on performance evaluation of Board of Directors.
- Anti Money Laundering (AML)/Combating Financing of Terrorism (CFT) Regulations are aligned with the Financial Action Task Force (FATF) recommendations and cover all essential aspects of preventive and control measures as per risks involved.

➤ **Broadening of Financial net-Financial inclusion**

Under SBP strategic plan 2016-2020 known as SBP vision 2020, increasing the financial inclusion has been set as one of the strategic goals which will be achieved through the following:

- Implement the national financial inclusion strategy
- Revise legal framework to remove obstacles to inclusion such as those that inhibit secured lending
- Enable and promote alternative channels for delivery of financial services that meet consumer needs
- Enable and promote Islamic banking
- Implement financial literacy initiatives

➤ **Financial Market Infrastructure**

State Bank of Pakistan (SBP), being a core contributor to National Payment Systems development, has been playing a key role as a Regulator, Operator and Facilitator in achieving its public policy objectives of safety and efficiency of National Payment Systems. Payment and Settlement Systems infrastructure in Pakistan has been facilitating government, businesses and individuals to discharge their financial obligations and play a critical role not only in smooth functioning of the real economy but also in maintaining financial stability and promoting economic growth.

During FY 2016-17, Pakistan has witnessed substantial developments in both Large Value and Retail Payment Systems. SBP has taken a number of initiatives for developing payments infrastructure and providing an enabling regulatory environment with the objective of improving interoperability, while at the same time, providing more payment options to general public as well as private and public sectors in the country.

➤ **Responsible Banking Conduct & Financial Consumer Protection**

Financial Consumer Protection or Responsible Banking Conduct is a vital catalyst for Financial Stability and Financial Inclusion. Therefore, one of the key regulatory agendas of State Bank of Pakistan is Enhanced Conduct Regulation and Supervision included: Consumer Grievance Handling Mechanism (CGHM), Conduct Assessment Framework (CAF), Engagements/capacity building of banking industry and Enhanced Conduct Supervision.

Source: State Bank of Pakistan

Islamic Banking

Islamic Banking industry has shown substantial growth. SBP's 5 year strategic plan (2014-18) for Islamic Banking envisions 15 percent market share for this growing segment of banking at the end of 2018. To promote Islamic Banking in the country, SBP has been playing its role through provisioning of necessary legal, regulatory, and supervisory infrastructure and awareness & capacity building initiatives.

Currently, 21 Islamic Banking Institutions (IBIs) including 5 full-fledged Islamic Banks and 16 conventional banks having Islamic Banking branches are providing an array of Shariah compliant products and services through their network of 2,322 branches in 112 districts across the country. Encouragingly, the Islamic Banking industry has surpassed the

target of 2000 branches as set in the State Bank of Pakistan's Strategic Plan (2014-18) for Islamic Banking industry. Further, NRSP Microfinance Bank has started offering Islamic microfinance products by establishing a dedicated Islamic microfinance division.

During CY2016, asset base of Islamic Banking Industry (IBI) amounted Rs.1.85 trillion against Rs.1.6 trillion in 2015, thus posted growth of 15.1 percent. Deposits of the Islamic Banking Industry stood at Rs.1.57 trillion in 2016 as compared to Rs.1.4 trillion during 2015, hence registered a growth of 14.4 percent. As a result, share of Islamic Banking in terms of asset in overall banking system increased to 11.7 percent in CY16 from 7.8 percent in CY11. Whereas, deposits share of Islamic Banking increased to 13.3 percent in CY16 from 8.4 percent in CY11.

Table 5.14: Islamic Banking Industry						(Rs. billion)
	CY11	CY12	CY13	CY14	CY15	CY16
Assets of the Islamic banks	641.0	837.0	1,014.0	1,259.0	1,610.0	1,853.0
Deposits of the Islamic Banks	521.0	706	868.0	1,070.0	1,375.0	1,573.0
Share in Banks Assets (Percent)	7.8	8.6	9.6	10.4	11.4	11.7
Share in Bank Deposits (Percent)	8.4	9.7	10.4	11.6	13.2	13.3
Source: State Bank of Pakistan						

Net investment of IBI was at Rs.490.0 billion by end December 2016 from Rs.663 billion by end September, 2016, witnessed a decline of 26.1 percent during last quarter of CY16. This was mainly contributed by maturity of Bai Muajjal of Sukuk transaction of IBIs⁶. The share of net financing and investments in total assets (net) of IBI was 44.3 and 26.4 percent respectively, at the end of quarter under review.

Financing and related assets (net) of IBI registered a growth of 20.2 percent during Q4, CY2016 and increased to Rs.821.0 billion. Both Islamic Banks (IBs) and Islamic Banks Branches (IBBs) of Conventional Banks in

financing (net) witnessed expansion of Rs.92 billion and Rs.46 billion, respectively.

Profit after tax (PAT) of IBI recorded at Rs. 11.8 billion by end December 2016. During last quarter of CY16, both Return on Equity (ROE) and Return on Assets (ROA) recorded at 0.7 percent and 10.6 percent respectively, during fourth quarter of CY16.

All mode of financing except Murabaha, Salam and Istisna recorded an increasing growth trend during CY16. Diminishing Musharaka maintained the leading role in overall financing of IBI.

Table 5.14: (a) Financing Products by Islamic banks %age share						
Mode of Financing	CY11	CY12	CY13	CY14	CY15	CY16
Murabaha	43.8	39.7	40.6	30.1	24.5	15.8
Ijara	10.4	9.2	7.7	7.7	6.6	6.8
Musharaka	2.4	0.8	6.7	11	14	15.6
Mudaraba	0.1	0.2	0.2	0.1	0	0
Diminishing Musharaka	32	35.7	30.8	32.6	31.7	34.7
Salam	2.4	3	4	4.5	5.3	4.4
Istisna	4.4	7.2	5.6	8.3	8.6	8.4
Others	4.4	4.3	4.4	5.6	9.2	14.3
Source: State Bank of Pakistan						

Microfinance

During FY2017, the State Bank of Pakistan (SBP) embarked upon the implementation of the National Financial Inclusion Strategy (NFIS). Across the board adoption of this strategy is an achievement of the central bank in its drive to enhance the level of financial inclusion in an integrated and sustained manner.

The industry maintained its drive over growth

⁶ Islamic Banking Bulletin, December 2016.

trajectory, as microfinance providers were able to realize all-round progress in terms of both outreach and value of services. Concurrently, growing popularity of digital financial services, for their inborn convenience, also continued to receive greater attention from the financial service providers to invest in adoption of technological innovations, human resource besides up graduation and capacity building.

At the close of quarter ended December, 2016 around 51 institutions were involved in providing microfinance services which included

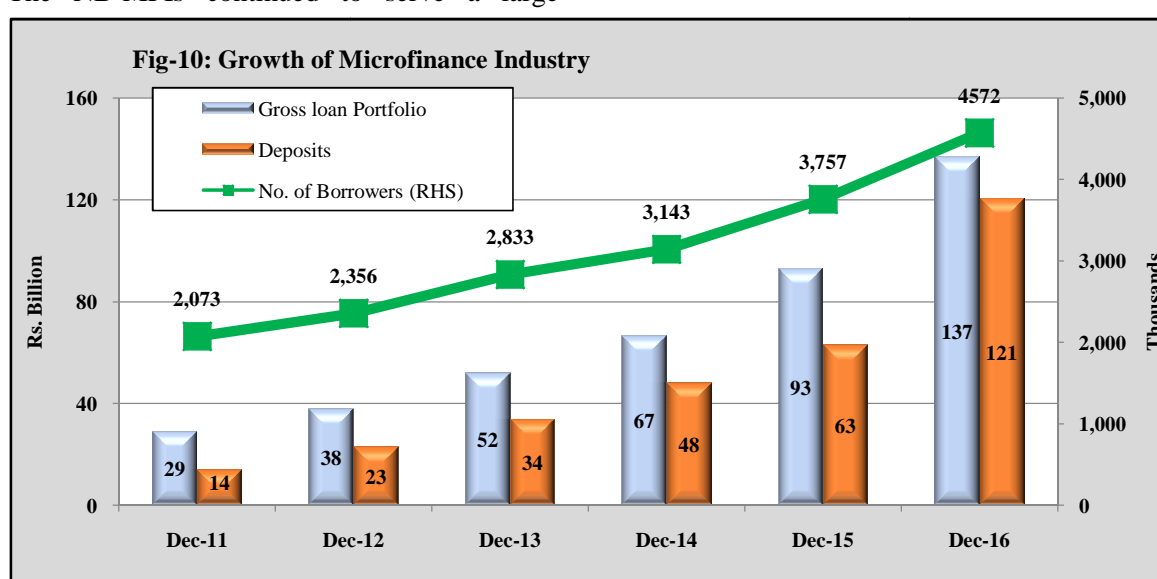
eleven deposit taking microfinance banks (MFBs) while others were Non-Bank Microfinance Institutions (NB-MFIs).

All together the microfinance sector witnessed 47.3 percent growth in its aggregate microcredit portfolio which grew to Rs.136.9 billion as of December, 2016 from Rs.92.99 billion as at end of corresponding period last year. The number of borrowers also registered an impressive growth of 21.7 percent, increasing to around 4.6 million at end the period.

The NB-MFIs continued to serve a large

number of borrowers (57 percent), while MFBs took lead in terms of the aggregate value of loans (66 percent) and average loan size of Rs.43,433/- which is more than twice the size of loans offered by their non-banking contestant (Rs.17,739/-).

On a YoY basis, the sector was able to expand its retail business network to 3,220 as of December, 2016 adding 260 new business locations across the country compared to the corresponding period in 2015.



At the close of 3rd quarter of FY2017, eleven deposit taking microfinance banks (MFBs) were involved in extending complete range of micro-banking services. The aggregate loan portfolio of MFBs grew by 57 percent to reach Rs.100.7 billion compared to Rs.64.0 billion in the corresponding period last year. Likewise, the number of borrowers increased from 1.6 million to 2.08 million registered an increase of 31 percent. Moreover, MFBs were able to restrict NPLs at 2.2 percent (approx.) by the end of March, 2017.

The combined equity base of MFBs also witnessed a 33.5 percent increment (i.e. Rs. 6.4 billion) to reach Rs.25.4 billion at the close of the period. The asset base of the MFBs also registered an encouraging growth of 66 percent, rising to Rs.170.4 billion by March, 2017.

The deposit base of MFBs managed to exceed Rs.120.4 billion, compared to Rs.66.3 billion in March 2016 with a corresponding increase of 109 percent in outreach of deposit services made available to over 22.6 million depositors.

At the close of period MFBs were successfully operating through a network of 712 branches.

Branchless Banking (BB) Performance

Branchless Banking (BB) represents a significantly cheaper alternate to conventional branch-based banking that allows financial institutions to offer financial services outside traditional bank premises by using delivery channels like retail agents, mobile phone etc. At the close of quarter on December 31, 2016 the changes in BB indicators remained encouraging. The numbers of agents rose to

359,806 from 351,912, showing 2 percent growth. The number of BB accounts of the industry increased to 19.9 million from 16.9 million, registering 18 percent growth over the quarter. On the other hand, number of transactions increased to 133.7 million from 110 million in previous quarter.

The aggregate BB deposits base improved to Rs.11.7 billion from Rs.8.5 billion, showing an increase of 39 percent compared to previous quarter. The average deposits per account rose to Rs.587 at the end of December, 2017 from Rs.500 over the previous quarter.

Insurance Sector

The insurance industry in Pakistan is relatively small compared to other developing and regional countries and thus the sector possesses huge potential for expansion and growth. For the (CY2016), the industry's total premium revenue stood around Rs.259 billion (\$2.52 billion) as compared to Rs.233 billion (\$2.22 billion) as of CY 2015. The insurance penetration and density have also witnessed as upward trend at 0.88 percent and 12.87 for CY 2016, as compared to 0.84 percent and 12.04 for CY 2015. The asset size of total insurance industry as of December 31, 2016 stands at Rs.1159 billion, as compared to Rs.982 billion as of year ended December 31, 2015, which include life insurance sector assets of Rs.929 billion and non-life sector assets of Rs.230 billion.

The non-life insurance sector comprises of 41 insurers, including three general Takaful operators and one state-owned insurer, the National Insurance Company Limited (NICL) with an exclusive mandate to underwrite public property and one state-owned reinsurer i.e. the Pakistan Reinsurance Company Limited (PRCL). Moreover, fourteen (14) non-life insurers have also been authorized by the SECP to undertake window takaful operations in Pakistan. The sector witnessed a growth of 19.7 percent during CY 2016 with the total premium underwritten of over Rs.85 billion.

On the other hand, the life insurance sector comprises of nine life insurers, including two

family Takaful operators and one state owned insurer, the State Life Insurance Corporation of Pakistan (SLIC). Moreover, five (5) life insurers have also been authorized by the SECP to undertake window takaful operations in Pakistan. SLIC has maintained its dominance in the life insurance sector with around 50 percent market share while the remaining 50 percent of the market is shared among the private life insurers. In CY 2016, the life insurance sector witnessed a growth of 7.4 percent, with total premium of Rs.174 billion.

The only reinsurer of the industry – the government-owned PRCL continues to benefit from a mandatory minimum 35 percent share in the area of non-life Treaty Reinsurance.

The major achievements of the SECP in respect of the Insurance Sector for the period July, 2016 to March 2017 is as follows:

Notification of Insurance Rules, 2017- The two sets of insurance subsidiary legislation have been compiled to issue the Insurance Rules, 2017 with primary aim to bring uniformity in the subsidiary legislation while incorporating all the notifications and amendments made under the aforementioned sets of Rules after initial promulgation in 2002.

Insurance Accounting Regulations, 2017- The SECP, in collaboration with the Insurance sub-committee of the Institute of Chartered Accountants of Pakistan (ICAP), has formulated the Insurance Accounting Regulations, 2017 along with the accounting formats, which are part of Insurance Rules, 2017. The objective of the regulations is to harmonize the local accounting standards with the international practices (IFRS's & IAS's).

Code of Corporate Governance for Insurers- The SECP in February 2016 notified the Code of Corporate Governance for Insurers. Post implementation of the Code of Corporate Governance, on the request of the Institute of Chartered Accountants of Pakistan and the Insurance Association of Pakistan, revisions in the Code of Corporate Governance were undertaken and the revised Code of Corporate Governance for insurers was notified in

November 2016. The purpose of formulating a comprehensive corporate governance framework is to improve the governance of the insurance companies keeping in view the best international practices in the insurance sector.

Addition of Register for sharing Group Health Insurance Claims Experience in Centralized Information Sharing Solution for Insurance Industry (CISSH)- A Memorandum of Understanding (MoU) was facilitated by the SECP between the insurance companies underwriting health insurance and the Central Depository Company of Pakistan on July 28, 2016. It is envisaged that this reform will bring substantial improvement in underwriting and will encourage health competitive environment in health insurance business.

Draft Credit and Suretyship (Conduct of Business) Rules, 2016- In order to bring a mechanism for regulation of credit and suretyship business by insurance companies, the SECP has formulated the Draft Credit and Suretyship (Conduct of Business) Rules, 2016

which are issued for public comments. The draft rules are aimed at formulating a comprehensive framework to regulate the guarantee business, thereby ensuring maximum protection of the interests of insurance policyholders and at gaining confidence of the public. The Rules will be promulgated after completion of public consultation through due process of law.

Conclusion

Easy liquidity conditions in money market were observed during FY2017 due to macroeconomic stability, accommodative monetary policy, net retirement of government borrowing to scheduled banks and increase in bank deposits. Historic low interest rate and ongoing stability in money market were the main instruments for private sector credit expansion. A welcome development is the gradual rise in net credit disbursement for all type of finance during first nine months of CFY 2017 including (fixed investment, working capital and trade finance) which suggests increasing economic activities.

Capital Markets & Corporate Sector

The capital market is an essential agent of economic growth and the positive relationship between the two is borne out by all the economic theories and models of economic development. The accumulation and mobilization of capital for development is largely dependent on domestic savings and inflows of foreign capital. Therefore, resource mobilization through the stock exchange is an effective means for development all over the world. In realization of this consideration, Pakistan Stock Market and capital market has emerged as a shining North Star of Pakistan's economy on the national economic landscape.

Structure of Pakistan Capital Markets

The Securities and Exchange Commission of Pakistan (SECP) is the apex regulator of the Pakistani capital markets overseeing and regulating the development of the capital market, the Self-Regulatory Organizations (SROs) and the intermediaries operating in the capital market, in order to protect the interests of the investors. The SROs include the Pakistan Stock Exchange (PSX), the National Clearing Company of Pakistan Limited (NCCPL); the Central Depository Company of Pakistan Limited (CDC), and the Pakistan Mercantile Exchange Limited (PMEX). The various intermediaries and agents operating in the capital market include securities advisers, brokers and managers, debt securities trustees, ballotters and share registrars, credit rating companies and underwriters.

Capital Market Development Plan

The SECP, being the apex regulator, continues to push with the reform agenda to address

challenges of a fast growing capital market. The reforms agenda, chalked out with support from the stakeholders, include the successful integration of the stock exchanges at Karachi, Lahore and Islamabad into a joint trading platform, introduction of a central counterparty for clearing and settlement, transfer of risk management to the clearing company, and promulgation and implementation of modern and comprehensive laws such as the Securities Act and the Futures Market Act.

Instituting a fool-proof procedure of investor protection and building investors' confidence remains the prime goal of SECP's reform agenda. In this regard, Securities Exchange Commission of Pakistan has developed a Capital Market Development Plan (CMDP) (2016-18) detailing the way forward for the Pakistan capital market. It is a roadmap for initiatives envisaged by the SECP for development of the capital market in the near future and has been formulated after extensive stakeholder consultation including suggestions and feedback from leading market professionals, and includes key reforms based on international best practices and benchmarks.

Taking into account the regional and local dynamics of the Pakistan capital market and the challenges enumerated earlier, the CMDP lists down the following key objectives for the three years 2016-2018:

- i) Legal and Regulatory Reforms
- ii) Structural reforms and developmental initiatives at the SROs - PSX, CDC, NCCPL, PMEX

- iii) Reforms for Capital Market Intermediaries
- iv) Product and Market Development
- v) Reforms for Issuers in the Capital Market
- vi) Reforms for Investors' Access, Awareness, Protection and Facilitation
- vii) Improving Marketability, Image-Building and Compliance with International Standards

Pakistan Stock Exchange

Three Stock Exchanges at Karachi, Lahore and Islamabad were merged into Pakistan Stock Exchange (PSX) on January 11, 2016 providing a single platform to investors, particularly the foreign investors.

Based on the improved macroeconomic indicators of the country, government's investment friendly policies, and reforms introduced by the SECP over the years, Pakistan was upgraded by the Morgan Stanley Capital International (MSCI) from the status of Frontier Markets to Emerging Markets. To rise to the demands of its new status, the SECP and PSX are continuously interacting with MSCI representatives and foreign institutional investors to highlight recent capital market achievements and the reforms in the pipeline.

Performance of Stock Exchange

Pakistan Stock Exchange (PSX 100 Index) was ranked best market in Asia and fifth best performing stock market in the world in the year 2016 by Bloomberg and was calculated to have provided total return of 46 percent for the year. The PSX return of 46 percent also stood out as the best in MSCI Frontier Markets and compared favourably with the PSX average gains of 20 percent over the past 10 years and average return of 24 percent over the last 20 years.

The PSX gained a lot of momentum in the calendar year 2016. The start of the year was sluggish as the index showed downward trend during first quarter due to low oil prices and heavy weightage of the oil sector in the PSX index. However, the market saw a turnaround in the second quarter and despite tensions on

political front and international border with neighbours the investors remained firm and bullish. Major sectors which contributed to the index gain included Banking, E&P, Refinery, Cement, Pharmaceutical, etc.

As per requirement of the demutualization law, deal for strategic sale of forty percent of PSX shares was completed in December, 2016 and PSX sold its aforementioned shares to a Chinese Led Consortium against a consideration of US\$ 85.6 million. The Consortium comprises of China Financial Futures Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange, along-with two Pakistani financial institutions (Habib Bank Limited and Pak China Investment Company Limited). The foreign investors in the consortium are expected to benefit PSX through their diverse product offering, indigenously developed technology, managerial experience and opportunities for outreach and cross-listings. The local financial institutions in the Consortium will benefit PSX through their large branch networks, excellence in corporate governance and knowledge of local market and its laws.

Also, post divestment, governance at PSX has been strengthened through reconstitution of its Board of Directors through appointment of one-half of the board as independent directors and induction of representatives of the aforesaid Consortium.

PSX Performance during 2016-17

The period, July 1, 2016 to May 08, 2017, witnessed an overall positive and bullish trend for the stock market in Pakistan. The KSE – 100 Index demonstrated exceptional performance of equity market during the period mainly due to improved macroeconomic indicators, wide-ranging reform measures undertaken by SECP, better security situation and Pakistan's reclassification in MSCI EM Index. MSCI announcement on June 14, 2016 to reclassify Pakistan from Frontier Markets (FM) to Emerging Markets (EM) coincided with the May, 2017 Semi-Annual Index Review. The exact proportion of Pakistan

Capital Markets

Market MSCI-EM and the stocks to be included were slated to be announced on May 15, 2017 and would become effective from June 1, 2017. During the FY 2017 (upto 8th May, 2017), the Index touched its highest point at 50,935.91 on

May 08, 2017, whereas its lowest point was at 37,966.76 on July 4, 2016. Moreover, the average daily volume of 379.1 million shares during the period (Jul-Mar) witnessed three-fold increase compared to preceding period.

Table 6.1: Profile of Pakistan Stock Exchange

Description	2012-13	2013-14	2014-15	2015-16	2016-17 (end March, 2017)
Total Listed Companies	569	557	560	560	560
New Companies Listed	4	5	9	6	4
Funds Mobilized (Rs.in billion)	29.5	47.6	79.6	111.2	21.9
Total Listed Capital (Rs. in million)	1,116,005.0	1,100,340.9	1,189,518.9	1,289,081.0	1,297,159.0
Total Market Capitalization (Rs. in million)	5,154,738.0	6,655,294.8	7,421,031.6	7,588,472.2	9,594,805.0
Total Shares Volume (million)	54,319.0	56,580.6	64,617.2	55,430.3	70,518.6
Average Daily Shares Volume (million)	221.0	229.1	261.0	220.8	379.1

Source: Pakistan Stock Exchange

The PSX 100 index which was at 37,783.54 level as on 30th June 2016 gained 13,152 points and remained at the level of 50,935.91 as on 8th May, 2017 showing a growth of 34.8 percent.

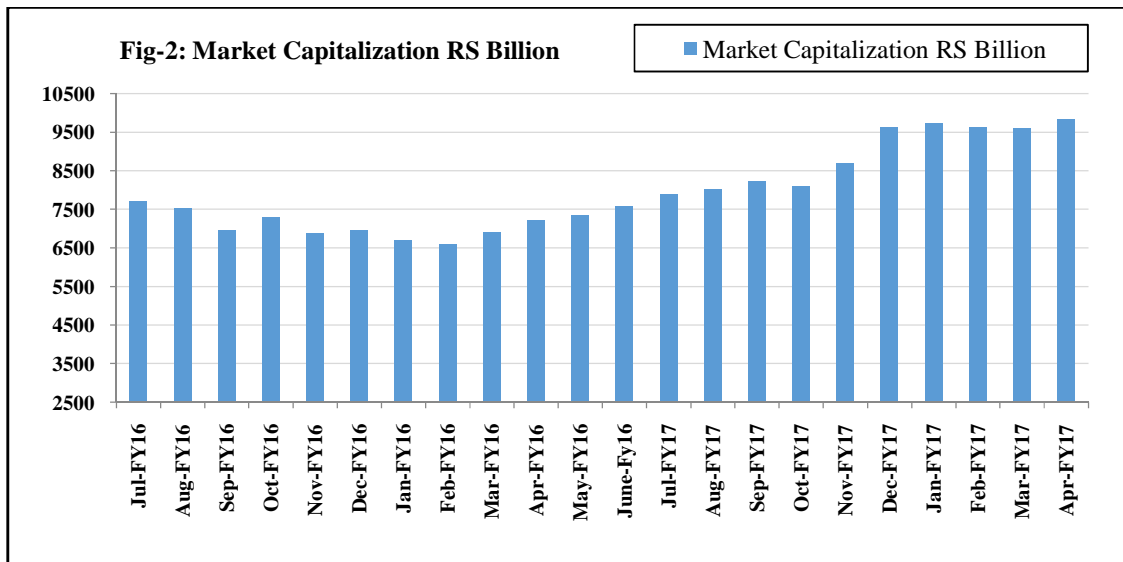
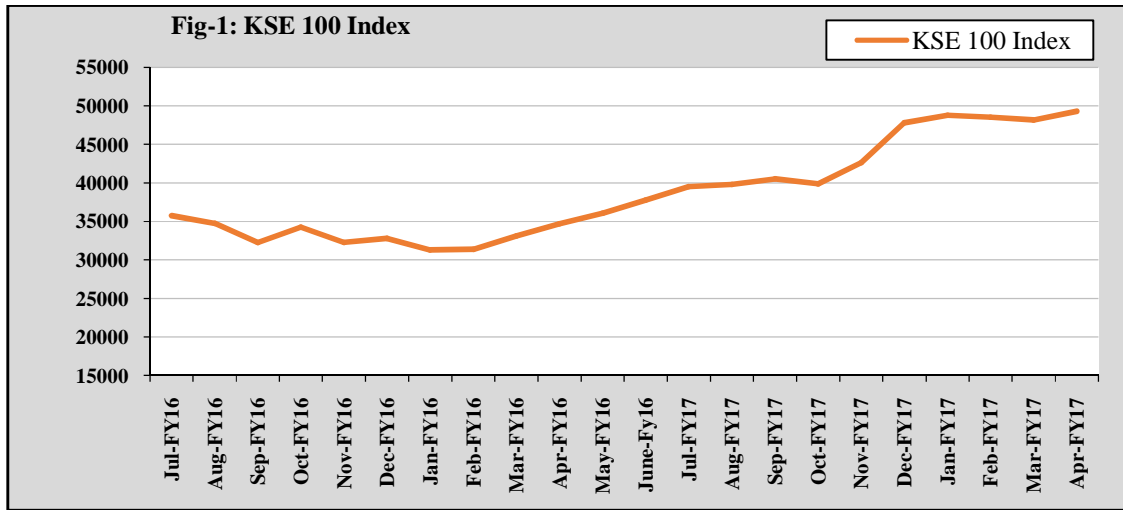
In terms of market capitalization it increased from Rs.7, 588.47 billion as on 30th June 2016 to Rs. 10,044.07 billion on 8th May, 2017 depicting a growth of 32.4 percent.

Table 6.2: Leading Stock Market Indicators on PSX (KSE-100 Index: November (1991=1000))

Months	2015-16			2016-17		
	KSE Index	Market	Turnover	KSE Index	Market	Turnover
	(End Month)	Capitalization (Rs. billion)	of shares (In billion)	(End Month)	Capitalization (Rs billion)	of shares (In billion)
July	35,741.52	7,701.71	9.9	39,528.82	7,887.25	4.0
August	34,726.51	7,535.84	7.1	39,809.58	8,011.36	7.1
September	32,287.41	6,952.85	4.5	40,541.81	8,223.53	12.1
October	34,261.60	7,284.24	4.5	39,893.84	8,082.52	10.1
November	32,255.20	6,867.98	4.3	42,622.37	8,696.51	12.6
December	32,816.31	6,947.36	4.0	47,806.97	9,628.51	9.1
January	31,298.60	6,699.11	3.8	48,757.67	9,727.73	11.6
February	31,369.51	6,587.38	3.4	48,534.23	9,619.84	8.8
March	33,139.00	6,915.68	4.2	48,155.93	9,594.81	7.0
April	34,719.29	7,205.96	6.1	49,300.90	9,835.43	6.0
May	36,061.56	7,357.59	7.5	50,935.91*	10,044.07*	-
June	37,783.54	7,588.47	5.5	-	-	-

*Upto 8th May, 2017.

Source: Pakistan Stock Exchange



Sector Wise Analysis

The Market Performance of some of the major sectors is as under:

Oil & Gas Exploration Companies

In this sector, 4 companies are listed at Pakistan Stock Exchange. As on March 31, 2017 market capitalization of the sector was Rs. 1,216,215.74 million, compared to Rs. 1,081,869.92 million on June 30th 2016. The sector has shown an increase of 12.4% in its market capitalization during July-March 2017. The Sector yielded after-tax profit of Rs. 90,498.09 million in 2016.

Oil & Gas Marketing Companies

In this sector, 8 companies are listed at Pakistan Stock Exchange. As on March 31, 2017 the market capitalization of the sector was Rs. 411,178.81 million, compared to Rs.248,274.44 million on June 30 2016. The sector has shown an increase of 65.6% in market capitalization during July-March. The profit after tax of this sector is Rs. 22,728.37 million.

Refinery Companies

In this sector, 4 companies are listed at Pakistan Stock Exchange. On March 31, 2017 the market capitalization of the sector Rs.139,797.17 million, recording increase of 48.6% in market

capitalization since 30th June 2016. The profit after tax of this sector is Rs.10,155.32 million

Fertilizer

In this sector, 7 companies are listed at Pakistan Stock Exchange. On March 31, 2017 the market capitalization of the sector was Rs. 622,095.88 million against Rs. 616,515.11 million on June 30th 2016. The sector registered an increase of 1% in its market capitalization during July-March, 2017. The profit after tax of this sector stood at Rs. 100,542.38 million in 2016.

Cement

This sector comprises of 21 companies with the market capitalization of Rs.907,679.94 million on 31st March 2017 compared to Rs.685,395.51 million on June 30 2016, showing an increase of 32.4% since June 30, 2016. On the back of higher consumption and good exports, the sector showed tremendous growth which translated into good financial results. The sector recorded profit after tax of Rs.61,721.09 million in 2016.

Power Generation & Distribution

In this sector, 19 companies are listed at Pakistan Stock Exchange. As on March 31, 2017 the market capitalization of the sector was Rs.339,654.44 June 30, 2016 million. The profit after tax of this sector is Rs.31,580.78 million in 2016.

Chemicals

In this sector, 27 companies are listed at Pakistan Stock Exchange. As on March 31, 2017 the market capitalization of the sector was Rs.331,025.36 million, which shows an increase of 74.5% since June 30, 2016. The profit after tax of this sector is Rs.9,095.06 million in 2016.

Auto Mobile Assembler

In this sector, 12 companies are listed at Pakistan Stock Exchange. As on March 31, 2017 the market capitalization was Rs.490,743.58 million. This sector has shown increase of 79% in market capitalization since June 30, 2016 .The profit after tax of this sector

is Rs. 26,857.46 million in 2016.

Auto Mobile Parts

In this sector, 10 companies are listed at Pakistan Stock Exchange. As on March 31, 2017, the market capitalization was Rs.99,131.58 million. This sector has shown increase of 75% in market capitalization since June 30, 2016 .The profit after tax of this sector is Rs. 5,642.91 million in 2016.

Commercial Banks

This sector, comprises of 21 listed banks with listed capital of Rs. 447,932.294 million. The market capitalization of the sector is Rs.1,697,803.19 million on March 31, 2017, which was Rs.1,376,222.51 million on June 30 2016. The profit after tax of this sector is Rs.177,276.54 million in 2016.

Pharmaceuticals

In this sector, 9 Pharmaceutical companies are listed with Pakistan Stock Exchange. As on March 31, 2017, the market capitalization of the sector Rs.333,531.92 million. The Profit after tax of this sector is Rs.12,711.28 million in 2016.

Textile Spinning

This is the largest sector with 85 companies listed at Pakistan Stock Exchange. On March 31, 2017 the market capitalization of the sector was Rs.59,020.18 million, an increase of 31% since June 30 2016. The sector has shown a loss of Rs. 8,681.67 million in 2016.

Textile Composite

In this sector, 52 companies are listed at Pakistan Stock Exchange. On March 31, 2017 the market capitalization of the sector was Rs.227,696.16 million, and profit after tax of this sector stood at Rs.12,596.59 million in 2016.

Textile Weaving

In this sector, 142 companies are listed at Pakistan Stock Exchange. As on March 31, 2017, the market capitalization of the sector Rs.54,113.21 million. The profit after tax of this

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sector is Rs.3,335.58 million in 2016.

Sugar & Allied

In this sector, 32 companies are listed at Pakistan Stock Exchange. As on March 31, 2017, the market capitalization of the sector Rs.121,214.62 million. The profit after tax of this sector is Rs.5,242.71 million in 2016.

Engineering

In this sector, 16 companies are listed at Pakistan Stock Exchange. As on March 31,

2017 the market capitalization of the sector was Rs.183,008.71 million. This sector has shown increase of 164% in market capitalization since June 30 2016 .The profit after tax of this sector is Rs. 5,537.68 million in 2016.

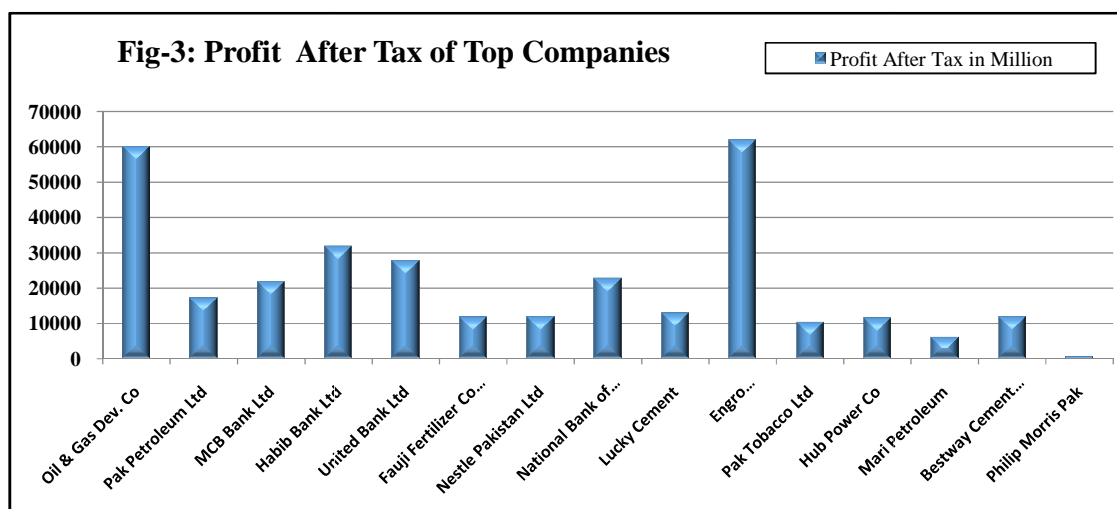
Performance of Selected Blue Chips

Profit after tax and Earning per Share (EPS) along-with necessary detail of some of the selected companies are given in the following table. It may be observed that corporate profitability improved in most of the cases during 2016.

Table 6.3: Price Earning Ratio of Top Fifteen Companies

Name of Company	Profit After Tax in (Rs. Billion)	Market Capital (Rs. Billion)	EPS	Market Price (Rs) March 31, 2017	PE ratio	Current Outstanding Shares
Oil & Gas Development Company	59.97	637.87	13.94	148.31	10.64	4,300,928,400
Pakistan Petroleum Limited	17.24	305.44	8.74	154.91	17.71	1,971,715,615
MCB Bank Limited	21.89	253.10	19.67	227.40	11.56	1,113,030,752
Habib Bank Limited	31.82	395.48	21.69	269.61	12.43	1,466,852,508
United Bank Limited	27.73	278.66	22.65	227.63	10.05	1,224,179,688
Fauji Fertilizer Company Limited	11.78	131.80	9.26	103.60	11.19	1,272,238,147
Nestle Pakistan Limited	11.85	412.45	261.24	9095.00	34.82	45,349,551
National Bank of Pakistan	22.75	158.86	10.69	74.67	6.98	2,127,512,862
Lucky Cement	12.94	270.79	40.03	837.39	20.92	323,375,000
Engro Corporation Limited	61.86	192.76	118.11	368.02	3.12	523,784,755
Pak Tobacco Ltd.	10.36	386.97	40.55	1514.58	37.35	255,493,600
Hub Power Company	11.58	151.66	10.00	131.06	13.10	1,157,154,400
Mari Petroleum	6.05	167.63	54.89	1520.47	27.70	110,250,000
Bestway Cement Ltd.	11.88	167.02	19.93	280.11	14.06	596,252,783
Philip Morris Pak	0.58	167.04	9.34	2712.5	290.42	61,580,341

Source: Pakistan Stock Exchange



Leading Global Stock Market Trends

Pakistan Stock Market has outperformed during current financial year among leading Global Stock Markets and more specifically in Asian region including India, China, Hong Kong, Singapore, etc. As already discussed the PSX ranked 5th best performing market in the world in 2016. In terms of Index, PSX has shown a growth of more than 27 percent during first

nine months of current year and ranked at top of the list among some of the leading international and regional stocks. During this period, Bombay Sensex increased only by 9.7 percent. During this period, the MSCI Emerging market index improved by 14.9 percent and MSCI frontier market index improved by 9.8 percent. Table 6.4 gives the detail of some of the leading Asian and world stock markets.

Table 6.4: Global Stock indices during July 1, 2016 to March 31, 2017

Sr.No	Country	Stock Name	Date		Change July, 2016/March2017	
			June 30, 2016	March 31, 2017	Points	%
1	Pakistan	PSX 100 Index	37,783.54	48,155.93	10,372.39	27.5
2	Japan	NIKKEI 225	15,575.92	18,909.26	3,333.34	21.4
3	Hong Kong	Hang Seng	20,794.37	24,111.59	3,317.22	16.0
4	Turkey	Bursa Istanbul ISE 100	76,817.19	88,947.40	12,130.21	15.8
5	USA	S&P 500	2,098.86	2,362.72	263.86	15.4
6	MSCI EM	MSCI EM MKT	834.10	958.37	124.27	14.9
7	Vietnam	VN	632.26	722.31	90.05	14.2
8	UK	FTSE	6,504.30	7,322.90	818.60	12.6
9	Singapore	Strait Times	2840.93	3175.11	334.18	11.8
10	Indonesia	Jakarta Composite	5,016.65	5,568.11	551.46	11.0
11	China	Shanghai Comp.	2,929.61	3,222.51	292.9	10.0
12	MSCI FM	MSCI Frontier	489.11	537.11	48.0	9.8
13	India	BSE-30	26,999.72	29,620.50	2,620.78	9.7
14	Bangkok	Set 50	910.56	996.44	85.88	9.4
15	Philippines	PSEi	7,796.25	7,311.72	-484.53	-6.2

Source: Pakistan Stock Exchange

New listing at Stock Exchange

During the period July 2016 to March 2017, approval for listing was granted by SECP to 3 companies. i.e. 55.750 million ordinary shares

by TPL Properties Ltd; 50 million ordinary shares by Loads Ltd and 32.50 million ordinary shares by Roshan Packages Ltd., to the general public.

Sr. No.	Name of Company	Book Building Date	Retail Portion Subscription Date	No. of Shares Offered (million)			Offer Price / Strike Price (Rs.)	No. of Shares Subscribed (million)			Times Subscribed		Total Sum raised (Rs. million)
				Book Building	General Public	Total		Book building	General Public	Total	Book building	General Public	
1	TPL Properties Limited	June22-23, 2016	NA	55.750	0	55.750	12.50	57.50	NA	57.50	1.03	NA	696.875
2	Loads Limited	September 06-07, 2016	September 28-29, 2016	35.625	14.375	50.00	34	127.837	14.66	142.49	3.59	1.02	1,700.000
3.	Roshan Packages Limited	17-18 January, 2017	30-31 January 2017	24.375	8.125	32.50	86.25	80.435	8.519	88.954	3.30	1.05	2,803.125

Source: Securities Exchange Commission of Pakistan

Debt Capital Markets

Efficient and liquid debt markets can help mitigate the adverse impact of financial crises by providing an alternative source of financing.

In Pakistan, the debt market has largely remained underdeveloped and effective measures need to be are being put in place to bridge this gap with other regional and modern economies. The Capital Market Development

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Plan (CMDP) envisages implementation of number of initiatives and measures for the growth of Debt Capital Markets.

During the period July 2016 to March 2017, a total of 06 debt securities were issued. The break-up of these debt issues is as following:

Sr. No.	Name of Security	No. of Issues	Amount (In billion rupees)
i.	Privately Placed Term Finance Certificates	1*	3.0
ii.	Privately Placed Sukuk	4**	12.492
iii.	Listed Sukuk	1***	10.50
	Total	6	25.992

*(by JS Bank Limited); **(by Pak Elektron Ltd, Meezan Bank Ltd, Ghani Gases Ltd and Byco Oil Pakistan Ltd); and *** (by Fatima Fertilizer Company Ltd)

As on June 30 2016, a total of 88 corporate debt securities were outstanding with an amount of Rs. 601.23 billion as follows:

Sr. No.	Name of Security	No. of Issues	Amount outstanding (In billion rupees)
i.	Listed Term Finance Certificates (L-TFCs)	14	21.10
ii.	Privately placed Term Finance Certificates (PP-TFCs) and Listed on OTC	36	130.39
iii.	Sukuk	36	448.22
iv.	Privately placed Commercial papers	1	0.80
v.	Participation Term Certificates (PTCs)	1	0.716
	Total	88	601.23

Source: Securities & Exchange Commission of Pakistan

Mutual Funds

Assets Under Management (AUM) of the industry stood at Rs.694 billion on March 31, 2017 as compared to Rs.546 billion as on June 30, 2016 showing an increase of almost Rs 148 billion. Equity funds dominated the AUMs of

the industry with the largest share i.e. 48%. Income funds held the second largest share i.e. 19%, followed by Money market funds with share of 12%. Major highlights of the mutual fund industry, as on March 31, 2017 in comparison with June 30, 2016, are as under:

(Rs in million)		
Description	March 31, 2017	June 30, 2016
Total Assets under Management of Industry	694,273	546,222
Total Number of Funds	203	192
Discretionary/Non-discretionary portfolio	137,255	139,229

Source: Securities & Exchange Commission of Pakistan

To facilitate further growth of the mutual fund industry and to safeguard the investor's interest, SECP has introduced several initiatives including:

Cooling-off rights: Cooling-off rights were given to first-time investors of mutual funds allowing them to obtain refund of their investment within three business days of the date of issuance of investment report to investor. The motive was to allow the investor

to withdraw his investment in case of misselling by the mutual fund and aimed at protecting the investor interests.

Standardized benchmarks for CIS: All asset management companies were directed to use standardized benchmarks for their collective investment schemes. This measure has been taken to increase investors' awareness and to provide ease of reference to the investors. They are now able to make more informed

comparisons of performance set against their benchmarks.

Financial Inclusion: In order to increase retail outreach and to enhance financial inclusion, introduction of Sahulat Sarmayakari Account for low risk customers and branchless banking account holder were introduced.

Development of Distribution Network: Requirements for distributors selling mutual funds of a single Asset Management Companies (AMC) have been prescribed. A new class of mutual funds distributors comprising of qualified and experienced individuals has been introduced, who can distribute the mutual funds units of a single AMC only by complying with minimum qualification. This requirement is likely to provide job opportunities to individuals interested to carry out the distribution function of the AMC's and shall also encourage to establish a vibrant distribution network.

Increasing Outreach: SECP has allowed AMCs intending to increase their outreach beyond big cities to charge marketing and selling expenses. The objective of this initiative is to increase the retail penetration of mutual funds and distribution network of AMCs across the country.

Risk Management: Requirements about liquidity management, internal credit assessment and identification of clients to curtail/manage large redemption risk for the money market schemes have been introduced.

Modarabas

The modarabas have played a vital role in the development and growth of Islamic modes of financing in the country in terms of declaration of highest dividend percentage to their certificate holders. The modarabas are providing a wide range of Islamic financial products and services to the masses in line with the Shari'ah principles.

Modarabas were advised to expand their outreach, especially to SMEs and the low-income groups. In this regard, four Modarabas opened first Islamic financing facility center in

Rawalpindi to provide affordable financing on Islamic Shari'ah principles to the common people to buy motorcycles and other products.

As on March 31, 2017 there were 37 modaraba companies and 28 modarabas, registered with the SECP. Moreover, the aggregated equity of modarabas was Rs. 20,712.00 million, whereas the total assets of the modaraba sector stood at Rs. 41,473.00 million. Out of the total 25 operational modarabas, 19 modarabas declared cash dividend.

Keeping in view the practical difficulties and to bring operational flexibilities, the modaraba regulatory framework is being reviewed in line with international best practices. The major reforms inter alia include:

- Introduction of the concept of unlisted modarabas to facilitate new entrants and to help growth of Islamic financial services industry.
- Introduction of a new concept of fund raising through issuance of Term Equity Certificates.
- Prescribing new limits regarding certificate holding of Modaraba Company and its related parties in a Modaraba to encourage and maximize equity participation by the public.

It is expected that the suggested amendments, once approved and notified, would be helpful in promoting Modarabas as pure Islamic financial institutions and providing impetus for the growth of the sector.

Real Estate Investment Trusts (REITs)

The first REIT of Pakistan, namely Dolmen City REIT (DCR), was launched in June 2015. Dolmen City REIT is a closed ended, listed, Shariah compliant, perpetual, rental REIT scheme. As of March 31, 2017, the fund size of Dolmen City REIT was reported at Rs 41.5 billion. Dividend yield for Dolmen City REIT for the year 2016 stands at 10.40%, in line with the offering document. This represents a low risk steady stream of income for individual investors who do not possess enough market

knowledge to take the decision while investing in real estate. Stock price of DCR remained stable during the period at an average of Rs10.42, touching a high of Rs11.20 and a low of Rs.9.89.

Voluntary Pension Scheme (VPS)

The SECP regulates the VPS in Pakistan through the VPS Rules, 2005. The regulatory regime envisages a trust structure for the protection of the investors. The VPS envisages voluntary contributions by Pakistani nationals in a pension fund approved by the SECP. The amount accumulated in a pension fund during

working life can be used to avail regular stream of income at retirement. The government has given tax incentives to individuals under the current tax regime to encourage savings for retired life.

During the period under review, the Assets Under Management (AUM) of the voluntary pension industry witnessed increase of Rs. 5.15 billion or 21 % as compared to June 30, 2016.

Major highlights of the pension fund industry, as on March 31, 2017 in comparison with June 30 2016:

Description	March 31, 2017	June 30, 2016
Total Assets under Management of Industry (Rs. in billion)	24.4	19.3
Total Number of Funds	19	17
Total Number of Fund Managers	10	9

Source: Securities & Exchange Commission of Pakistan

In order to foster further growth of the pension fund industry and to safe guard the interest and rights of the investors, SECP has instituted several regulatory reforms. The proposed amendments in the VPS Rules, 2005 have been approved by the federal government.

Availability of financial statements on website: The corporate entities including mutual funds are allowed to make financial statements available on the website.

Participant to be informed as and when any activity takes place in their account: A pension fund manager shall send an account statement whenever there is an activity in the account of a participant.

Conditions applicable to trustee: In addition to scheduled banks and CDC, any company with the approval of SECP may act as a trustee provided that the trustee has competent and experienced resources to the satisfaction of the SECP and is registered with the SECP.

Corporate Sector

Measures for e-Governance

Launch of new User Registration System under e-Services: SECP launched the new User Registration System under e-Services on

March 30, 2017. The new system would replace the existing requirement of obtaining digital signatures from National Institutional Facilitation Technologies (NIFT) with registration of users by employing user login, password and PIN code, for signing of the documents to be submitted to the Commission and the registrar concerned. Introduction of the new system will translate not only into reduction of cost from Rs. 1,500/- per user to Rs. 100/- per user, it will also reduce turnaround time from days to minutes for registration of users of e-Services. This will also be a one-time registration without any renewal and associated cost as was earlier required on an annual basis. This facility will be a great incentive for potential promoters of companies, and is likely to further facilitate corporate growth in the country.

Integration of e-Services with Punjab Business Registration Portal: SECP has approved signing of an MOU with the Punjab Information Technology Board to integrate e-Services of SECP with the Business Registration Portal developed by PITB for registration with the provincial authorities including Industries, Commerce & Investment Department, Labour and Human Resource Department, Punjab Employee Social Security

Institution and Excise, Taxation & Narcotics Control Department.

Revamping of e-Services: The e-Services portal of SECP is being revamped through optimal utilization of information and communication technologies with the following objectives:

- Enabling online inspections for end-users of company information
- Enabling online issuance of certified true copy of forms and returns
- Simplification of submission process of forms and returns through a user friendly interface
- 24/7 availability
- Availability of e-Services through mobile apps

Facilitation

Establishment of Facilitation Desk at Sialkot Chamber of Commerce & Industry: In order to encourage company incorporation, to facilitate / promote e-filing, and to enhance the scope of facilitation, the SECP has established facilitation desk at Sialkot with the collaboration of Sialkot Chamber of Commerce & Industry.

Establishment of facilitation Desk at Gwadar: The SECP has signed an MOU with China Ports Holding Company (Pvt.) Limited to establish a facilitation Centre at Gwadar.

Establishment of Company Registration Office at Gilgit-Baltistan: The SECP has expanded its outreach by establishing Company Registration Office (CRO) at Gilgit-Baltistan.

Establishment of Incorporation and Facilitation Desks: Incorporation and Facilitation Desks have been established at the three big CROs at Karachi, Lahore and Islamabad.

Legal Framework Development

Companies (Appointment of Legal Advisers) (Amendment) Act, 2017: SECP achieved another milestone in ease of doing business, as its recommendations to amend the 43-year-old

Companies (Appointment of Legal Advisers) Act, 1974, have been approved by the Parliament in February 2017. The Companies (Appointment of Legal Advisers) (Amendment) Act, 2017, has been promulgated and the threshold of the paid-up capital for companies to appoint their legal adviser has been increased from over Rs. 0.5 million to over Rs.7.5 million. Through this initiative, around 30,000 companies have been relieved from this regulatory burden.

Amendments in Companies (General Provisions & Forms) Rules, 1985: The amendments in Companies (General Provisions & Forms) Rules, 1985 have been made to minimize growing incidents of corporate disputes between the shareholders and the management or within the management. These amendments prescribe:

- Detailed procedure for transfer of shareholding in a private company and the returns for notification to the register of such transfer.
- The minimum time for acceptance of offer of right share made to the member under the Companies Ordinance, 1984.
- Certain documents to be filed with the register, while notifying removal of directors.

Amendments in Companies (Registration Offices) Regulations, 2003: Amendments in Companies (Registration Offices) Regulations, 2003 have been made to ensure smooth functioning of CROs, to reflect present practices/ procedures and to cater to future requirements.

Companies (Appointment of Legal Advisers) (Amendment) Act, 2017: The new amendment aim to save the small sized companies from financial burden. A large number of companies will be benefited from the new amendment.

Employees Provident Fund (Investment in Listed Securities) Rules, 2016: The regulatory requirements pertaining to investment of Provident Fund were redundant and cumbersome. SECP notified the Employees

Provident Fund (Investment in Listed Securities) Rules, 2016. SECP carried an extensive consultative process before finalization of the said Rules. The new Rules emphasize on improving/tightening governance structure of the employees' provident fund/trust, coverage of risk vis-à-vis ensuring possibility of maximum return on the fund. Furthermore, the new Rules are comprehensive and provide more investment avenues to the fund/trust to increase employee's wealth.

Principles of Corporate Governance for Non-listed companies: There was no applicable framework of governance for Non Listed Companies (NLCs). SECP in collaboration with International Finance Corporation (IFC) has formulated best acceptable Principles of Corporate Governance for Non Listed Companies after extensive consultation with stakeholders. These are voluntary guidelines that will set out the corporate governance landscape for over 60,000 NLCs operating in Pakistan by providing a governance toolkit to improve their internal and external governance structures. The Commission has held one awareness session in Karachi and plans to hold seminar in Lahore and Islamabad. The principles will change the governance paradigm for NLCs by enabling the corporate sector to adopt the best international practices.

Whistle blowing mechanism: SECP has designed implementation strategy for whistle blowing mechanism for listed companies resulting in improved good corporate governance and regulatory oversight. This mechanism would include preparing an Act for protection and reward of Whistle-blowers, establishing an external whistle blowers program at Commission level and prescribing an internal whistle blowing program at company's level.

Valuers' Regime: Valuers' regime introduced in Companies Bill has garnered a lot of attention of real estate industry. In this regard, regulatory regime has been strengthened for companies registered with SECP having real estate as their principal line of business to

operate under certain regulations by providing complete mechanism for maintaining proper accounts and approval of authorities. It is anticipated that prospective investor will be encouraged to invest in real estate project initiated by a company which has a transparent financial record. Consultation within SECP, State Bank of Pakistan and Pakistan Banks Association has been completed.

Audit Oversight Board: A joint committee of ICAP and SECP deliberated upon the necessity of independent oversight mechanism for audit profession in compliance with international best practices. Committee submitted its recommendations in the form of a report along with proposed legal framework to President ICAP and Chairman SECP. In line with recommendations of the Committee, enabling provisions for establishment of Audit Oversight Board (AOB) was enacted through the Securities and Exchange Commission of Pakistan (Amendment) Act, 2016. Its establishment would ensure effective oversight of the quality of audit of public interest companies. The federal government has notified members of the AOB.

Authentication of Statutory Returns filed by the Companies: In order to ensure transparency and sanctity of information notified through statutory returns filed by the companies with the Commission, all companies were directed by the Commission to ensure that returns filed with the Commission and CROs shall be authenticated by an officer as defined under the Ordinance, who shall also be duly authorized through a resolution of the Board of Directors in writing.

Islamic Finance

The following measures were taken during the period under review for development of Islamic capital market:

- Tax neutrality for Sukuk vis-a-vis conventional instruments was achieved through an amendment to the Tax Ordinance on August 31, 2016.
- A 2 percentage point tax rebate for Shariah-compliant listed manufacturing companies

was introduced through the Finance Act, 2016. The Shariah-compliance criteria for this tax rebate has been notified by FBR. This tax rebate for qualifying listed manufacturing companies, along with tax neutrality for sukuk, shall facilitate the growth of Islamic capital market.

- A holistic Shariah governance framework is being drafted under the enabling provision in the proposed Companies Bill.
- A Sub-committee on Islamic Capital Markets chaired by Chairman SECP has been formed under the Implementation committee for development of Islamic Capital Market. The committee held external consultations for development of sukuk and Islamic REIT. Amendments in relevant rules and regulations are in progress in the light of the feedback received from stakeholders.

SECP consultative forum on Islamic Finance has been established which comprises of representatives from industry and financial sector.

- SECP- SBP Joint forum on Islamic finance is working in close coordination to address various industry problems and challenges in Islamic Banking and Finance. SBP-SECP reviewed the Commodity Murabaha Product proposed by PMEX, and recommended changes to tailor it to conform to Shariah principles.
- All Shares Islamic Index has been launched at PSX. The index represents companies meeting certain Shariah compliance criteria. Additional disclosure requirements for companies listed on PSX has been included in the proposed Companies Bill for the purpose of Shariah screening in order to include or remove a scrip from this index.
- Islamic Mutual funds have registered phenomenal growth. The Share of Islamic Mutual Funds represent 38 % of the total Mutual Fund industry as on January 31, 2017.

- An Independent Shariah Advisory Board (SAB) has been formed at SECP consisting of renowned scholars. The Shariah Advisory Board make recommendation to the Commission on all matters related to Shariah.

National Savings Schemes (NSS)

National Savings (NS) has initiated the process of restructuring, with the resurrection of the corporatization of National Savings through Pakistan Savings Bill and with the appointment of a professional Head of the Department from the market. Its existing centralized organizational hierarchy has been restructured by bringing it on modern banking lines, while empowering field offices by delegating the powers in Zonal offices which were formed based on cluster of three regions each.

During 2016-17, CDNS has taken numerous strategic level initiatives for both strengthening of the National Savings Schemes (NSS) and the Organization. After a gap of 7 years, NS has successfully launched Rs.40,000 Premium Prize Bond (Registered) on March 10, 2017 which is issued to only registered investors in their names and has the unique features of both the profits paid biannually and the prize money through quarterly draws. Both the profits and the prize money are also directly credited into investors' bank accounts which are being offered for the first-time, thereby saving time of the investors.

This is a major step towards documentation of economy. Another historic milestone was on January 14, 2017, when CDNS became the only non-banking member of National Institutional Facilitation Technologies (Pvt.) Limited (NIFT) – the Banking Clearinghouse. With this initiative, the profits of NS investors can be collected into their respective accounts; thereby, offering safety and security, and access to ATMs & Internet & Mobile Banking offered by their banks. This has resulted in overall improvement in time for the collection of profits by the senior citizens through cheques from 5/10 days before to now 1/3 days. On the automation side, the organization is going to complete digitization of more than 222 National Savings Centres (NSCs) across Pakistan by

September, 2017; thereafter, the third and the final phase of digitization will be initiated to complete 100% digitization of NSCs across the Country.

NS has rolled out a major IT infrastructure revamping initiative which is being assisted by the World Bank, USAid and Karandaaz (funded by UKAid and the Bill and Melinda Gates Foundation). Under this initiative, a Centralized IT System with modern ERP system will be put in place, a Data Centre/ Warehouse and Disaster Recovery Centre will be established, Data Digitization and Documentation Management System along with the Business Intelligence framework will also be introduced. NS is also coming up with numerous Alternate

Delivery Channels (ADCs), like access of accounts by the investors through cell phone and internet, etc., which will act as cornerstone for achieving Financial Inclusion targets. The project of NSC connectivity across the digitized offices has also been initiated.

The product basket of National Savings Schemes (NSS) ranges from three months Short Term Savings Certificates to ten years long term Defence Savings Certificates. As of 31st March, 2017, the portfolio of NSS is Rs.3,409,376.34 million which constitutes around 24 percent share of domestic debt and is also equal to 30 percent of total banking deposits. Latest scheme-wise net investment is as under:-

Table: 6.5 National Saving Schemes (Net Investment)							(Rs. in million)
S.	Name of Scheme	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (July-Mar)
1	Defence Savings Certificates	7,295.52	29,892.00	12,970.78	16,183.34	8,053.00	17,152.52
2	National Deposit Scheme	(0.94)	(0.56)	(0.28)	(1.04)	(0.26)	(0.13)
3	Khaas Deposit Scheme	(0.55)	(1.19)	(0.83)	(4.25)	(2.00)	(0.18)
5	Special Savings Certificates (Regd)	(52,834.15)	46,401.52	57,619.55	28,547.06	(1,932.80)	(22,063.09)
6	Special Savings Certificates (Bearer)	(0.85)	(0.31)	(0.80)	-	-	(0.70)
7	Regular Income Certificates	43,971.60	36,046.99	62,783.32	50,582.10	(16,223.03)	(20,649.16)
8	Bahbood Savings Certificates	52,254.51	47,622.66	53,962.99	45,927.75	63,761.07	45,337.14
9	Pensioners' Benefit Account	16,359.53	17,538.90	18,471.19	15,701.91	20,645.05	16,224.89
9	Savings Accounts	3,978.46	1,098.94	283.17	3,859.39	3,807.69	1,600.61
10	Special Savings Accounts	61,098.77	150,835.98	(53,463.73)	100,124.92	30,924.10	47,795.38
11	Mahana Amdani Accounts	(90.52)	(78.53)	(72.45)	(72.98)	(63.01)	(42.18)
12	Prize Bonds	56,324.21	56,175.39	57,058.40	75,884.55	123,901.93	82,331.54
14	Postal Life Insurance	-	-	-	-	-	-
13	National Savings Bonds	-	(3,425.58)	-	(62.60)	-	-
14	Short Term Savings Certificates	-	3,969.69	(2,628.92)	389.09	157.88	841.56
15	Premium Prize Bonds (Registered)	-	-	-	-	-	769.00
Grand Total		188,355.59	386,075.89	206,982.38	337,059.25	233,029.61	169,297.19
-: Not Applicable, R: Registered, B: Bearer, Figures in Parenthesis represent negative numbers							
Source: Central Directorate of National Savings							

Conclusion

A Capital Market Development Plan, 2016-2018 has been developed detailing the way forward for the Pakistan capital markets. The implementation of the Plan has been kicked off by taking various initiatives by the SECP during 2016-17. The PSX has gained lot of

momentum in 2016 and stood 5th among the global markets in terms of providing returns to the investors. During July- 8th May, FY 2016-17 period PSX witnessed an overall bullish trend and PSX 100 index gained 32.4 percent over end June 2016 and remained on top in Asian markets.

Inflation

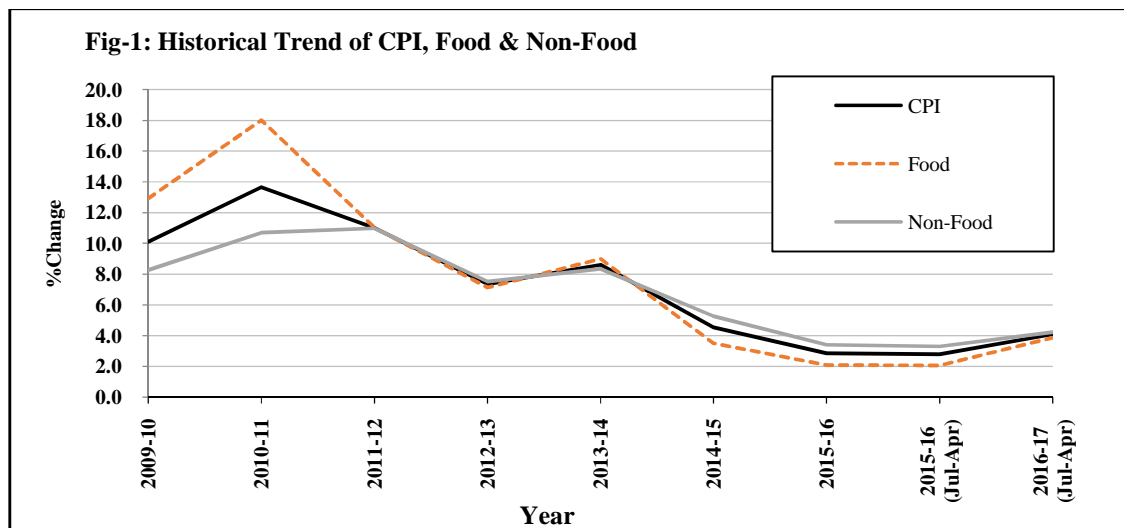
During FY 2016, low oil and commodity prices, stable rupee, smooth supply of commodities and monitoring of prices at both federal and provincial levels were the major reasons behind a contained inflation. The CPI inflation recorded a decline of 2.86 percent and was

broad based and visible across various sub-heads such as Food 2.08 percent, Non Food 3.41 percent, Core 4.17 percent and other indices like Sensitive Price Indicator (SPI) 1.31 percent and Wholesale Price Index -1.05 percent.

Table 7.1: Historical Trend in Headline Inflation

(FY)	CPI	Food	Non-Food
2008-09	17.0	23.1	13.4
2009-10	10.1	12.9	8.3
2010-11	13.7	18.0	10.7
2011-12	11.0	11.0	11.0
2012-13	7.4	7.1	7.5
2013-14	8.6	9.0	8.3
2014-15	4.5	3.5	5.3
2015-16	2.9	2.1	3.4
(Jul-April)			
2015-16	2.8	2.1	3.3
2016-17	4.1	3.9	4.3

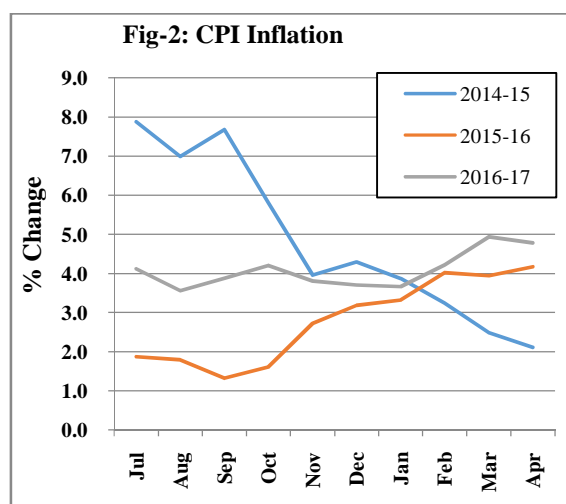
Source: Pakistan Bureau of Statistics (PBS)



The current year started with inflation at 4.1 percent in July 2016, rose to 4.9 percent in March 2017 and then slowed down to 4.8 percent in April 2017. On average during Jul-April FY 2017, it recorded at 4.1 percent. The target for current year is 6.0 percent, the present trend suggests that it will remain below the target. The uptick in inflation is due to global revival of international commodity and oil prices, along with rise in domestic demand due to pick up of economic activities. A trend of previous years and current year month-wise inflation is given in table below.

Table 7.2: CPI Inflation			
	2014-15	2015-16	2016-17
July	7.9	1.9	4.1
August	7.0	1.8	3.6
September	7.7	1.3	3.9
October	5.8	1.6	4.2
November	4.0	2.7	3.8
December	4.3	3.2	3.7
January	3.9	3.3	3.7
February	3.2	4.0	4.2
March	2.5	3.9	4.9
April	2.1	4.2	4.8
Average (Jul-April)	4.8	2.8	4.1

Source: Pakistan Bureau of Statistics



The current FY2017 started with headline inflation (CPI) at 4.1 percent in July, it lowered

down to 3.6 percent in August but then jumped to 3.9 percent in September. Thus Q1 FY2017 witnessed average inflation at 3.9 percent as compared to 1.7 percent of Q1 FY2016. The increasing trend in Q1 FY2017 compared to Q1 FY 2016 is mainly attributed to pick up in the prices of mash pulse 42.43 percent, gram pulse 41.04 percent, potatoes 31.56 percent and tomatoes 21.08 percent.

During Q2 FY2017 the CPI recorded at 4.2 percent in October 2016, 3.8 percent in November 2016 and 3.7 percent in December 2016. Year-on-year inflation scaled down during all three months of Q2 FY2017. As a result average inflation for Q2 FY2017 reached at same level of Q1 at 3.9 percent, but remained high compared to Q2 FY 2016 which was 2.5 percent. This was due to increase in prices of Gram Pulse 37.09 percent, sugar 15.79 percent, Eggs 17.64 percent and cigarettes 15.35 percent.

With respect to headline inflation during Q3 FY2017, the CPI recorded at 3.7 percent in January 2017, 4.2 percent in February 2017 and 4.9 percent in March 2017. Thus Q3 FY 2017 CPI remained on average at 4.3 percent compared to 3.8 percent in Q3 FY 2016. This was on account of increase in prices of commodities like potatoes 33.06 percent, tomatoes 31.91 percent, health 14.24 percent, fresh vegetable 14.17 percent, fresh fruits 11.00 percent and house rent 6.62 percent.

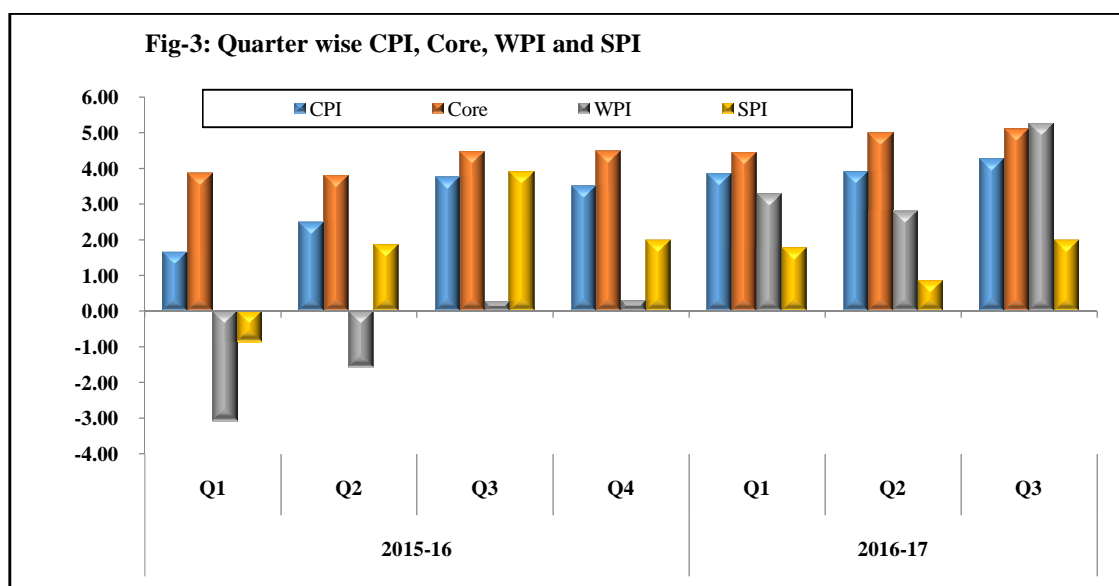
During first month of Q4 FY 2017 it increased to 4.8 percent in April 2017. However, on average during July- April FY 2017 it is recorded at 4.1 percent compared to 2.8 percent in July-April FY2016 and 4.8 percent FY2015. The other inflationary indicator like Sensitive Price Indicator (SPI) remained at 1.5 percent during July- April FY 2017 compared to 1.4 percent FY 2016 and 1.9 percent in FY 2015. Wholesale Price Index (WPI) recorded at 4.0 percent in FY 2017 compared to (-) 1.3 percent in FY 2016 and 0.03 percent in FY 2015.

Inflation

Table 7.3: Quarter wise Analysis (%)

Years	Quarters	CPI	Core	WPI	SPI
2015-16	Q1	1.66	3.87	-3.09	-0.86
	Q2	2.50	3.81	-1.59	1.87
	Q3	3.76	4.48	0.27	3.91
	Q4	3.51	4.49	0.29	1.99
2016-17	Q1	3.86	4.45	3.29	1.78
	Q2	3.91	5.00	2.81	0.86
	Q3	4.27	5.11	5.27	1.99

Source: Pakistan Bureau of Statistics



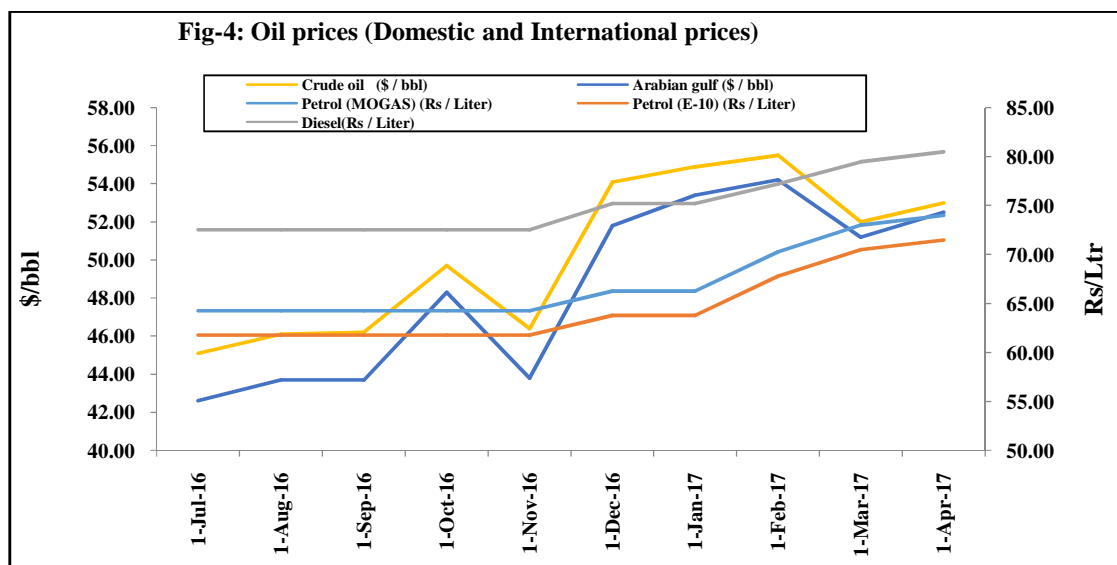
Impact of global prices on domestic inflation

The global crude oil prices persistently increased since July 2016 but slightly declined in November 2016. During July 2016 to April

2017, the crude oil prices increased by 17.5 percent. In fact, a limited pass through of the rise in global oil prices to domestic PoL prices during the period transmitted into other prices in CPI basket.

Table 7.4: Price of Petrol & Diesel

Date	Petrol (MOGAS) (Rs / Liter)	Petrol (E-10) (Rs / Liter)	Diesel (Rs / Liter)	Crude oil (\$ / bbl)	Arabian gulf (\$ / bbl)
1-Jul-16	64.27	61.78	72.52	45.10	42.60
1-Aug-16	64.27	61.78	72.52	46.10	43.70
1-Sep-16	64.27	61.78	72.52	46.20	43.70
1-Oct-16	64.27	61.78	72.52	49.70	48.30
1-Nov-16	64.27	61.78	72.52	46.40	43.80
1-Dec-16	66.27	63.77	75.22	54.10	51.80
1-Jan-17	66.27	63.77	75.22	54.90	53.40
1-Feb-17	70.29	67.79	77.22	55.50	54.20
1-Mar-17	73.00	70.50	79.48	52.00	51.20
1-Apr-17	74.00	71.50	80.48	53.00	52.50



Consumer Price index (CPI)

Consumer headline inflation measured by CPI during July-April FY2017 averaged at 4.09 percent against 2.79 percent in the same period last year. The food group with 37.47 percent weight in CPI basket showed an increase of 3.86 percent. This was higher than the 2.06 percent observed in the corresponding period of

last year. Based on the current trend, the contribution of food inflation to the overall CPI is estimated at 1.44 percentage points and non-food inflation at 2.66 percentage points as against 0.77 percentage points and 2.07 percentage points, respectively, in the comparable period of last year. The percentage of inflation both food and non food items increased at higher pace compared to last year.

Table 7.5: Composition of CPI Inflation (July-Apr)

Commodity	Weights	% Change Inflation		Point Contribution	
		2015-16	2016-17	2015-16	2016-17
General (CPI)	100.00	2.79	4.09	2.79	4.09
Food Group	37.47	2.06	3.86	0.77	1.44
a) Food Products, Beverages and Tobacco	34.83	0.97	3.16	0.34	1.10
b) Alcoholic Beverages	1.41	21.71	14.62	0.31	0.21
c) Restaurant & Hotels	1.23	4.82	5.05	0.06	0.06
Non-Food	62.53	3.31	4.25	2.07	2.66
Clothing & Foot wear	7.57	4.83	4.17	0.37	0.32
Housing, Water, Elec. Gas & other Fuel	29.41	5.07	4.88	1.49	1.44
Furnishing & Household Equip.	4.21	4.07	3.10	0.17	0.13
Health	2.19	3.39	9.87	0.07	0.22
Transport	7.20	-7.34	-1.69	-0.53	-0.12
Communication	3.22	0.35	0.81	0.01	0.03
Recreation & culture	2.03	2.18	1.27	0.04	0.03
Education	3.94	8.72	10.53	0.34	0.41
Miscellaneous	2.07	2.93	5.21	0.06	0.11
Non-Food Non Energy	53.52	4.09	5.11	2.19	2.73

Source: Pakistan Bureau of Statistics

The higher Non-Food prices mainly emanated from the education index which increased by 10.53 percent compared to 8.72 percent of the

corresponding period last year. The other groups clothing & Footwear 4.17 percent, Housing, Water, Electricity, Gas & other Fuel

4.88 percent, Furnishing & Household Equipment 3.10 percent, Health 9.87 percent, Transport (-) 1.69 percent and Recreation & Culture 1.27 percent during July-April FY 2017 compared to 4.83 percent, 5.07 percent, 4.07 percent, 3.39 percent, (-) 7.34 percent and 2.18 percent respectively, of the corresponding period last year.

Among the Food group, Food products, Beverages and Tobacco recorded at 3.16 percent against 0.97 percent during same period last year. The global commodity and oil prices moved in upward direction which affected domestic food and other inflation indicator compared to corresponding period last year.

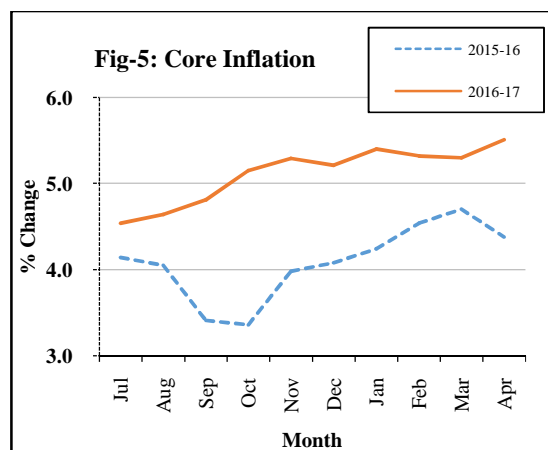
Core Inflation

Core inflation is a measure which excludes transitory or temporary prices volatility as in the case of some commodities such as food and energy prices. Core inflation is calculated using the Consumer Price Index (CPI) by excluding such commodities to gauge the actual inflation apart from temporary shocks and volatility. Among 89 commodity groups of CPI, it covers the price movement of 43 items. The State Bank of Pakistan (SBP) uses core inflation while formulating its monetary policy. Thus the effect of monetary policy on prices is reflected on core inflation with lag effect; making it a good predictor of future CPI inflation. The gradual build up of domestic demand is evident in rising core inflation to 5.5 percent in April 2017 and on average during July-April FY 2017, it is recorded at 5.1 percent compared to 4.1 percent of FY 2016. The Table 7.6 shows the core inflation trend year-on-year basis.

Table 7.6: Core Inflation

	2015-16	2016-17
July	4.1	4.5
August	4.0	4.6
September	3.4	4.8
October	3.4	5.2
November	4.0	5.3
December	4.1	5.2
January	4.2	5.4
February	4.5	5.3
March	4.7	5.3
April	4.4	5.5
Average (Jul-Apr)	4.1	5.1

Source: Pakistan Bureau of Statistics



Inflation by Income Group

The Consumer price Index is constructed for five income groups (a) Upto Rs.8000 (b) Upto Rs.8001-12000 (c) Upto Rs. 12001-18000 (d) Upto Rs. 18001-35000 (e) AboveRs.35000.

During July- April 2016-17, the variation in the indices for these various income groups shows a mix pattern of movement from lower to higher income groups. Its comparative position is given in the following Table 7.7.

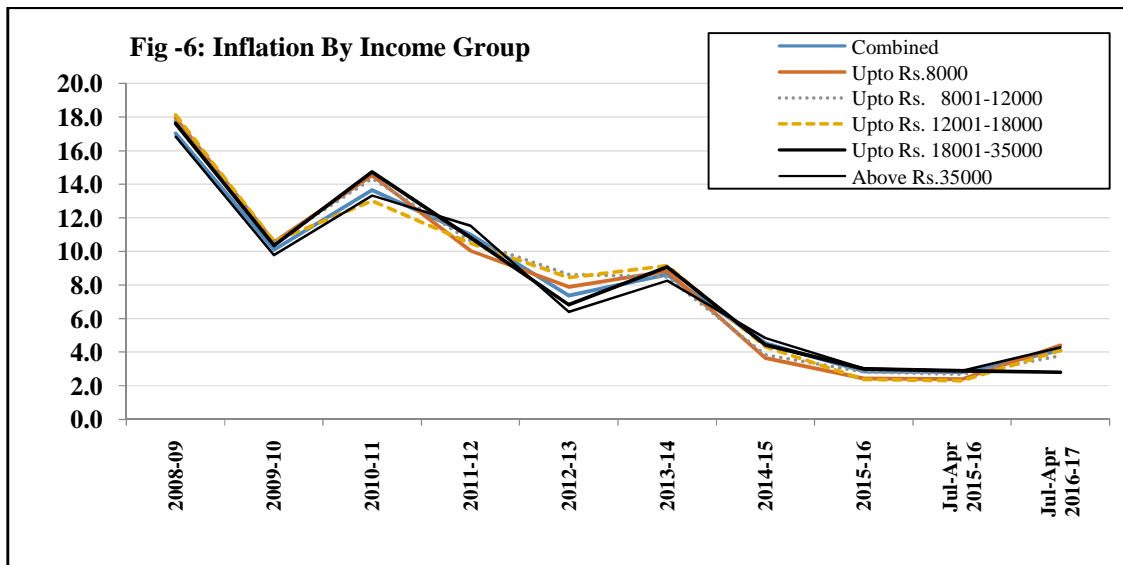
Table 7.7: Inflation by Consumer Income Groups (Base Year 2007-08=100)

	Combined	Upto Rs.8000	Upto Rs. 8001-12000	Upto Rs. 12001-18000	Upto Rs. 18001-35000	Above Rs.35000
2008-09	17.0	18.0	17.8	18.1	17.6	16.8
2009-10	10.1	10.5	10.5	10.6	10.3	9.8
2010-11	13.7	14.5	14.3	13.0	14.7	13.3
2011-12	11.0	10.0	10.6	10.5	10.8	11.5
2012-13	7.4	7.9	8.6	8.4	6.8	6.4

Table 7.7: Inflation by Consumer Income Groups (Base Year 2007-08=100)

	Combined	Upto Rs.8000	Upto Rs. 8001-12000	Upto Rs. 12001-18000	Upto Rs. 18001-35000	Above Rs.35000
2013-14	8.6	8.8	8.5	9.1	9.1	8.3
2014-15	4.5	3.7	3.8	4.3	4.4	4.8
2015-16	2.9	2.4	2.8	2.4	3.0	3.0
Jul-Apr						
2015-16	2.8	2.4	2.7	2.3	2.9	2.9
2016-17	4.1	4.4	3.8	4.1	2.8	4.3

Source: Pakistan Bureau of Statistics



Wholesale Price Index (WPI)

The wholesale prices of 463 items collected from 21 cities and 21 markets have been divided into five (05) groups. Their prices are influenced immediately by the imports prices and local production. During current fiscal

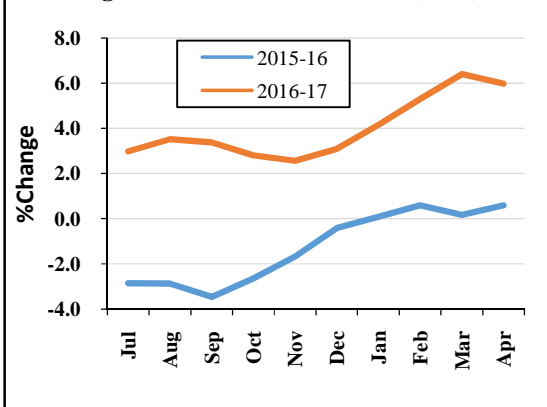
year, there has been constant increase in WPI due to upward movement in fuel and other commodity prices in global market which fed into domestic wholesale prices. While during last year the opposite scenario faced which can be well gauge from table given below.

Table 7.8: Wholesale Price Index (WPI)

	2015-16	2016-17
July	-2.9	3.0
August	-2.9	3.5
September	-3.5	3.4
October	-2.7	2.8
November	-1.7	2.6
December	-0.4	3.1
January	0.1	4.2
February	0.6	5.3
March	0.2	6.4
April	0.6	6.0
Average (Jul-Apr)	-1.3	4.0

Source: Pakistan Bureau of Statistics

Fig-7: Wholesale Price Index (WPI)



The following Table 7.9 shows the trend of various wholesale price groups.

Table 7.9: Wholesale Price Index					
Commodity	Weights	(% Change July –Apr		Impact	
		2015-16	2016-17	2015-16	2016-17
General (WPI)	100.00	-1.29	4.00	-1.29	4.00
Agriculture Forestry & Fishery	25.77	2.28	9.95	0.59	2.56
Non-Food	68.89	-3.23	3.05	-2.22	2.10
Ores & Minerals	12.04	0.33	-1.69	0.04	-0.20
Food Products, Beverages	31.11	3.10	6.03	0.96	1.88
Other Transportable Goods	22.37	-13.37	-3.08	-2.99	-0.69
Metal Products Machinery	8.71	-0.86	1.59	-0.07	0.14
Source: Pakistan Bureau of Statistics (PBS)					

During July- April FY 2017 the WPI reported at 4.00 percent compared (-) 1.29 percent of corresponding period last year. Movement of various groups of WPI shows the highest increase (9.95 percent) in Agriculture Forestry & Fishery, Food Products, Beverages 6.03 percent and metal products machinery 1.59

percent.

Forty (40) Non-food items distributed among various non-food groups of WPI have recorded increase in their prices and contributed 2.50 percent to the overall WPI increase. The details are given in Table 7.10.

Table 7.10: (%) Change in prices of non-food major items of WPI			
Items	Weight	% Change July- Apr (2016-17)	Impact
Furnace Oil	3.27	32.00	1.05
Woolen Carpets	0.04	29.07	0.01
Other Glass Articles	0.16	25.00	0.04
Glass Sheets	0.21	20.37	0.04
Cotton Yarn	5.25	14.40	0.76
Medicines	1.14	13.47	0.15
Lathe Machines	0.05	11.71	0.01
Radio And Television	0.18	10.63	0.02
Woven Fabrics	0.01	10.20	0.00
Hard Board	0.16	6.52	0.01
Footwear	0.16	6.07	0.01
Hosiery Products	0.88	5.69	0.05
Engines And Motors	0.00	5.40	0.00
Timber	0.02	5.24	0.00
Pipe Fittings	0.08	5.11	0.00
Vacuum Pumps	0.02	5.08	0.00
Soaps & Detergent	0.82	4.05	0.03
Cement	1.81	3.71	0.07
Refrige, Wash& Sew Mach, Iron	1.16	3.46	0.04
Motor Vehicales	0.02	3.46	0.00

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Table 7.10: (%) Change in prices of non-food major items of WPI

Items	Weight	% Change July- Apr (2016-17)	Impact
Ceramics And Sanitary	0.02	3.37	0.00
Electrical Wires	0.09	3.35	0.00
Cotton Fabrics	0.63	3.35	0.02
Ready Made Garments	1.06	3.22	0.03
Other Fabrics	1.10	3.13	0.03
Bed Foams	0.00	2.86	0.00
Lighting Equipments	1.44	2.57	0.04
Blankets	0.00	2.37	0.00
Insecticides	0.13	2.27	0.00
Bricks Blocks And Tiles	0.16	2.10	0.00
Printing Paper	0.43	1.81	0.01
Chuff Cutter	0.13	1.71	0.00
Silk And Reyon Fabrics	0.74	1.61	0.01
Quilts	0.00	1.58	0.00
Towels	0.12	1.45	0.00
Leather With Out Hairs	0.30	1.39	0.00
Steel Products	0.39	1.24	0.00
Synthetic Carpets	0.06	1.20	0.00
Bicycles	3.35	1.15	0.04
Matches	0.05	1.07	0.00
Total	25.65		2.50

Source: Pakistan Bureau of Statistics (PBS)

Sensitive Price Indicator (SPI)

SPI monitors the prices of 53 most essential items taken from 17 different urban centers and is reported every week. The trend of this index is monitored regularly and immediate measures are taken to control fluctuation in prices. The SPI year-on-year basis in FY 2017 remained volatile as presented in Table given below.

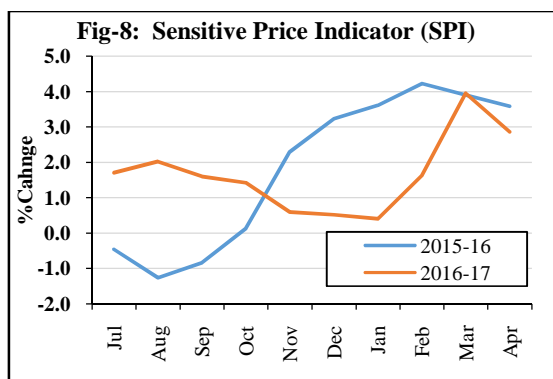


Table 7.11: Sensitive Price Indicator (SPI)

	2015-16	2016-17
July	-0.5	1.7
August	-1.3	2.0
September	-0.8	1.6
October	0.1	1.5
November	2.3	0.6
December	3.2	0.5
January	3.6	0.4
February	4.2	1.6
March	3.9	4.0
April	3.6	2.9
Average (Jul-April)	1.8	1.7

Source: Pakistan Bureau of Statistics

The annualized increase in SPI during July-April 2016-17 was recorded at 1.67 percent against 1.81 percent in the same period last

Inflation

year. 12 major food items like mash pulse, moong pulse, onions, masoor pulse, chicken, sugar, red chillies etc, having a weight of 22.41 percent contributed (-)1.17 percent in SPI. The

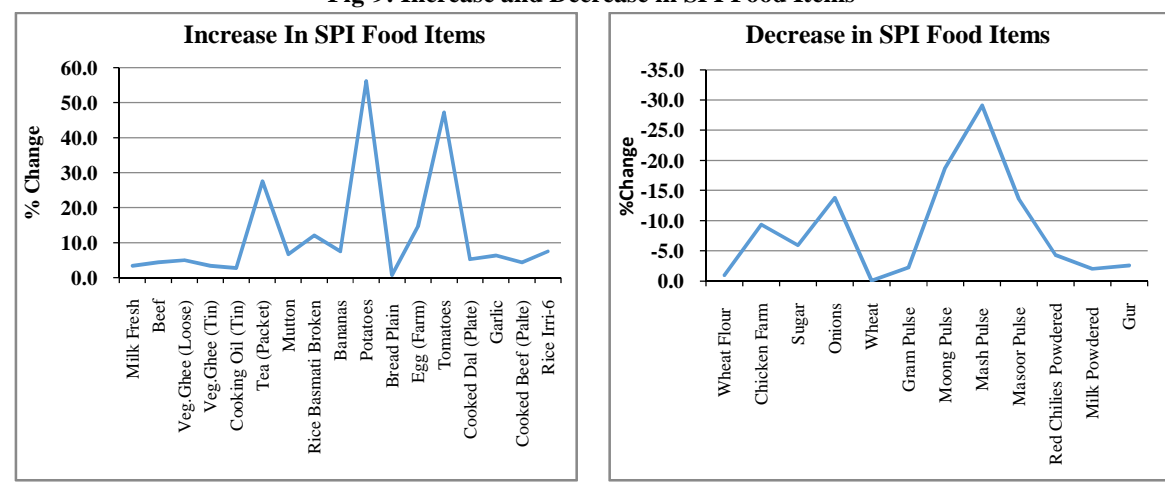
other 17 major food items included tomatoes, potatoes, tea, eggs, garlic and rice etc, having a weight of 42.56 percent contributed 3.64 in SPI.

Table 7.12: (%) Change in prices of major items of SPI

Items	Weight SPI Comb.	(% change) Apr 17/ Apr 16	Contribution
Decrease in Food Items			
Mash Pulse	0.55	-29.15	-0.16
Moong Pulse	0.61	-18.82	-0.12
Onions	1.42	-13.81	-0.20
Masoor Pulse	0.49	-13.61	-0.07
Chicken Farm	3.56	-9.35	-0.33
Sugar	2.73	-5.95	-0.16
Red Chillies Powdered	0.44	-4.26	-0.02
Gur	0.06	-2.56	0.00
Gram Pulse	0.62	-2.23	-0.01
Milk Powdered	0.12	-2.01	0.00
Wheat Flour	10.90	-0.95	-0.10
Wheat	0.91	-0.04	0.00
Total	22.41		-1.17
Increase in Food Items			
Potatoes	1.25	56.18	0.70
Tomatoes	1.18	47.15	0.55
Tea (Packet)	2.15	27.56	0.59
Egg (Farm)	1.19	14.62	0.17
Rice Basmati Broken	1.90	12.03	0.23
Rice Irri-6	0.19	7.52	0.01
Bananas	1.39	7.47	0.10
Mutton	2.10	6.69	0.14
Garlic	0.36	6.31	0.02
Cooked Dal (Plate)	0.44	5.29	0.02
Veg.Ghee (Loose)	2.71	5.02	0.14
Beef	4.27	4.42	0.19
Cooked Beef (Palte)	0.36	4.35	0.02
Milk Fresh	16.84	3.43	0.58
Veg.Ghee (Tin)	2.71	3.38	0.09
Cooking Oil (Tin)	2.30	2.77	0.06
Bread Plain	1.23	0.73	0.01
Total	42.56		3.64

Source: Pakistan Bureau of Statistics (PBS)

Fig-9: Increase and Decrease in SPI Food Items



International Prices

There has been an upward trend observed in international commodity prices like palm oil and soyabean oil increased by 5.1 and 0.3 percent since July 2016. Prices of sugar

decreased by 16.3 percent since July 2016. However, the prices of crude oil, wheat, tea and DAP increased by 17.5 percent, 9.6 percent, 14.3 percent and 7.3 percent, respectively during the same period.

Table 7.13: International Prices of Major Commodities

	Sugar \$/Ton	Palm Oil (\$/Ton)	Soybean Oil (\$/Ton)	Crude Oil (\$/Brl)	Wheat (\$/Ton)	Tea \$/Ton	DAP \$/MT
Jul-16	430.0	652.0	788.0	45.1	151.6	2730.0	341.0
Aug-16	440.0	736.0	814.0	46.1	149.2	2690.0	340.0
Sep-16	470.0	756.0	829.0	46.2	150.8	2740.0	339.0
Oct-16	490.0	716.0	858.0	49.7	151.8	2810.0	333.0
Nov-16	450.0	751.0	880.0	46.4	150.5	2970.0	323.0
Dec-16	410.0	788.0	907.0	54.1	142.0	2930.0	315.0
Jan-17	450.0	809.0	872.0	54.9	153.3	2990.0	325.0
Feb-17	450.0	774.0	835.0	55.5	155.2	2870.0	360.0
Mar-17	400.0	734.0	812.0	52.0	154.3	2880.0	375.0
Apr-17	360.0	685.0	790.0	53.0	166.1	3120.0	366.0
%change							
Apr-17/ Jul-16	-16.3	5.1	0.3	17.5	9.6	14.3	7.3

Source: Commodities Price Pink Sheet

FAO Food Index

According to FAO 2017, with the exception of meat, the indices of all other commodities used in the calculation of the Food Price Index dropped in April, especially sugar and vegetable oils.

In case of sugar, decline reflected generally weak import demand combined with

expectation of higher Brazilian supplies entering world markets as a result of a strong output increase and slower domestic intake for bio-ethanol production.

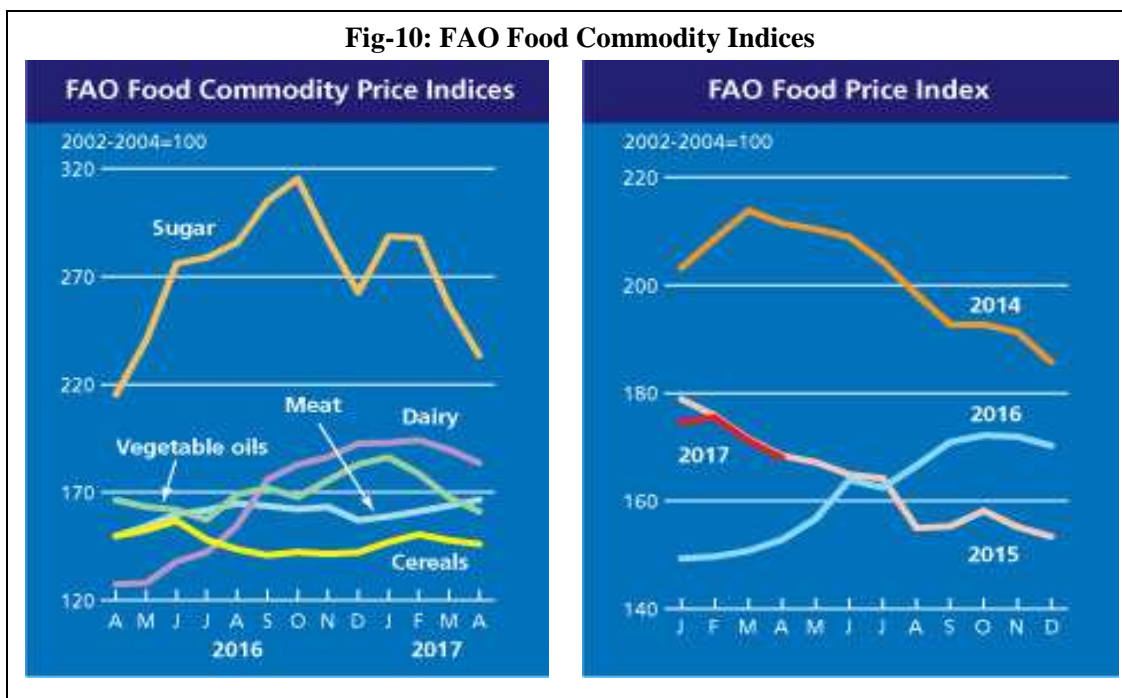
International rice prices were little varied, while wheat quotations were generally weaker, following improved weather conditions in major producing regions. Maize values also declined, mostly on large supplies from recently

harvested crops in South America, which intensified export competition in March with ample export supplies and no major upturn in import demand.

Ample supplies of milk in the northern hemisphere and prospects for higher-than-

earlier anticipated milk production in Oceania, put together fuelled expectations of increased supplies of milk powder and cheese. Conversely, butter prices rose, amid reduced export availability stemming from continued firm domestic demand in Europe and North America.

Fig-10: FAO Food Commodity Indices



Regional Countries Inflation

Inflation rate varied among regional countries. Pakistan's current inflation 4.8 percent in April 2017 is lower relative to other regional countries except India. Pakistan food inflation

is at 4.4 percent compared with 1.9 percent (March 2017) in India and 6.9 percent (March 2017) in Bangladesh.

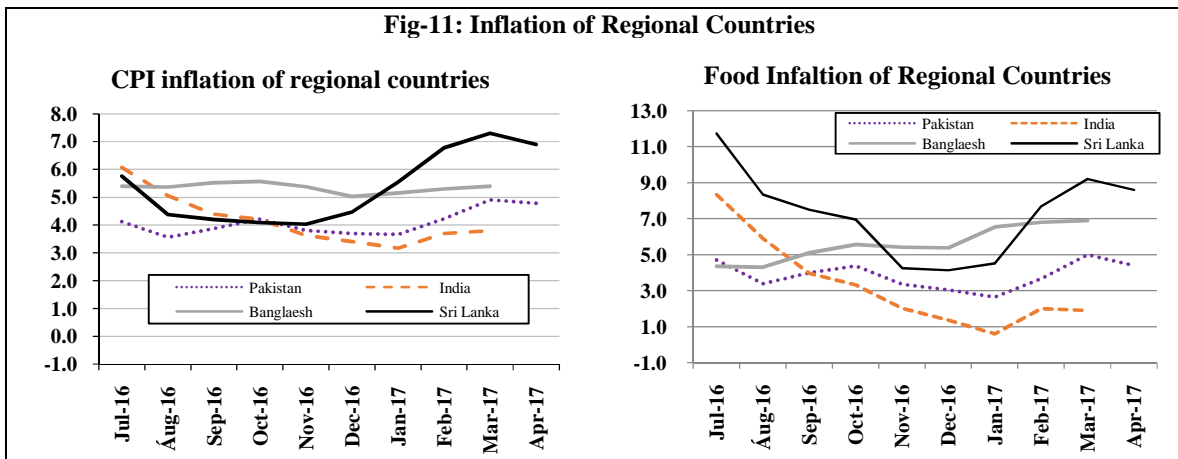
A comparison of inflation with regional countries is shown in Table 7.14.

Table 7.14: Regional Inflation

Period	Pakistan			India			Bangladesh			Sri-Lanka		
	CPI	Food	Non-Food	CPI	Food	Non-Food	CPI	Food	Non-Food	CPI	Food	Non-Food
Jul-16	4.1	4.7	3.7	6.1	8.4	2.8	5.4	4.4	7.0	5.8	11.7	3.5
Aug-16	3.6	3.4	3.7	5.1	5.9	2.5	5.4	4.3	7.0	4.4	8.3	2.8
Sep-16	3.9	4.0	3.8	4.4	4.0	3.1	5.5	5.1	6.2	4.2	7.5	2.9
Oct-16	4.2	4.4	4.1	4.2	3.3	2.9	5.6	5.6	5.6	4.1	6.9	2.9
Nov-16	3.8	3.3	4.2	3.6	2.0	2.8	5.4	5.4	5.3	4.0	4.3	3.9
Dec-16	3.7	3.0	4.2	3.4	1.4	3.8	5.0	5.4	4.5	4.5	4.1	4.5
Jan-17	3.7	2.6	4.4	3.2	0.6	3.3	5.2	6.5	3.1	5.5	4.5	6.0
Feb-17	4.2	3.7	4.6	3.7	2.0	3.9	5.3	6.8	3.1	6.8	7.7	6.4
Mar-17	4.9	5.1	4.9	3.8	1.9	5.6	5.4	6.9	3.2	7.3	9.2	6.5
Apr-17	4.8	4.4	5.1							6.9	8.6	6.3

Source: Central Banks of respective countries

Fig-11: Inflation of Regional Countries



National Price Monitoring Committee

National Price Monitoring Committee (NPMC) (i) assess the demand and supply of key commodities (ii) take / propose corrective measures as necessary. The Committee is keeping a close watch on supply and price movement of essential consumer items and taking remedial measures.

The provincial governments through their price monitoring committee also monitor the prices and supply of essential items. The provincial governments have also activated their District Price Control Committees to check and maintain the prices and established Sasta

Bazars for the consumer where they get essential food items at reasonable rates. This has resulted in anchoring Food inflation. During April 2017, Food inflation recorded at 4.4 percent as compared to 4.7 percent over corresponding month of last year.

Sasta Bazar Prices

The Sasta Bazar is held in Islamabad and Four provinces on weekly basis. The table given below shows the prices of 19 items recorded in Sasta Bazar and open market which suggests that the prices of most items were found to be lower in Sasta Bazar.

Table 7.15: Comparison of Prices of Kitchen Items in Sasta Bazar and Open Market

SL. No.	Commodity	Unit	Islamabad			Punjab			Sindh			Khyber Pakhtunkhwa			Balochistan		
			Sasta/Bazar/ Sahulaz Bazar Price 30.04.17	Open Market Prices 27.04.2017	Difference (Sasta bazar - Open Market) (in Rs.)	Sasta/Bazar/ Sahulaz Bazar Price 30.04.17	Open Market Prices 27.04.2017	Difference (Sasta bazar - Open Market) (in Rs.)	Sasta/Bazar/ Sahulaz Bazar Price 30.04.17	Open Market Prices 27.04.2017	Difference (Sasta bazar - Open Market) (in Rs.)	Sasta/Bazar/ Sahulaz Bazar Price 30.04.17	Open Market Prices 27.04.2017	Difference (Sasta bazar - Open Market) (in Rs.)	Prices Notified by DC Quetta on 01-06-2016	Open Market Prices 27.04.2017	Difference (Prices Notified by DC - Open Market)
1	WHEAT FLOUR AV. QLT.	10 KG	382.50	389.69	-7.19	358.13	366.02	-7.90	NA	426.92	NA	NA	375.00	NA	360.00	400.00	-40.00
2	RICE BASMATI BROKEN	KG	82.50	85.00	-2.50	60.40	66.98	-6.58	71.00	73.08	-2.08	60.00	71.67	-11.67	95.00	70.00	25.00
3	RICE IRR1-6	KG	57.50	60.00	-2.50	41.50	49.96	-8.46	43.50	44.58	-1.08	42.50	46.67	-4.17	NA	50.00	NA
4	CHICKEN FARM	KG	138.00	162.63	-24.63	141.75	151.05	-9.30	NA	157.50	NA	158.00	165.00	-7.00	NA	170.00	NA
5	EGG (FARM)	DOZ	79.00	86.13	-7.13	76.00	78.04	-2.04	NA	81.38	NA	85.00	89.17	-4.17	NA	95.00	NA
6	COOKING OIL (TIN)	2.5 Ltr.	475.00	475.00	0.00	NA	471.00	NA	NA	468.00	NA	470.00	470.00	0.00	NA	445.00	NA
7	VEG. GHEE (TIN)	2.5 KG	470.00	470.00	0.00	NA	464.57	NA	NA	453.00	NA	455.00	460.00	-5.00	NA	440.00	NA
8	VEG. GHEE (LOOSE)	KG	146.50	151.25	-4.75	140.10	142.95	-2.84	145.00	145.77	-0.77	155.00	158.33	-3.33	135.00	130.00	5.00
9	BANANAS	DOZ	90.00	132.50	-42.50	74.29	88.54	-14.25	70.00	70.19	-0.19	70.00	86.67	-16.67	NA	70.00	NA
10	MASOOR PULSE WASHED	KG	140.00	153.13	-13.13	120.21	132.23	-12.02	116.25	118.27	-2.02	92.50	103.17	-10.67	122.00	120.00	2.00
11	MOONG PULSE WASHED	KG	135.00	151.88	-16.88	105.21	126.01	-20.80	117.50	118.65	-1.15	94.00	103.42	-9.42	167.00	145.00	22.00
12	MASH PULSE WASHED	KG	187.50	203.13	-15.63	170.00	192.56	-22.56	155.00	160.00	-5.00	171.00	177.42	-6.42	234.00	200.00	34.00
13	GRAM PULSE WASHED	KG	140.00	153.75	-13.75	118.86	127.74	-8.88	127.50	127.88	-0.38	120.00	126.67	-6.67	122.00	145.00	-23.00
14	POTATOES	KG	29.20	43.75	-14.55	25.36	29.27	-3.91	27.50	28.27	-0.77	24.00	31.67	-7.67	NA	25.00	NA
15	ONION	KG	29.20	53.75	-24.55	30.07	30.76	-0.68	27.50	28.08	-0.58	28.00	31.67	-3.67	NA	30.00	NA
16	TOMATOES	KG	26.00	48.75	-22.75	19.50	27.26	-7.76	27.50	31.54	-4.04	24.00	31.67	-7.67	NA	40.00	NA
17	SUGAR	KG	61.00	65.81	-4.81	59.29	59.83	-0.54	60.00	60.31	-0.31	60.00	59.25	0.75	NA	60.00	NA
18	RED CHILLIES POWDERED	KG	290.00	300.00	-10.00	219.29	248.10	-28.81	290.00	295.48	-5.48	210.00	236.67	-26.67	NA	310.00	NA
19	Garlic	KG	160.00	263.13	-103.13	190.57	240.83	-50.26	162.50	176.15	-13.65	220.00	250.00	-30.00	NA	290.00	NA

Punjab	Open Market	1- 1R.Pindi, 2- Gujranwala, 3- Sialkot, 4- Lahore, 5- Faisalabad, 6- Multan, 7- Bahawalpur.
	Sasta Bazar	1- R.Pindi, 2- Gujranwala, 3- Sialkot, 4- Lahore, 5- Faisalabad, 6- Multan, 7- Bahawalpur.
Sindh	Open Market	1- Karachi
	Sasta Bazar	1- Karachi

Khyber Pakhtunkhwa	Open Market	1- Peshawar
	Sasta Bazar	1- Peshawar
Balochistan	Open Market	1- Quetta
	Sasta Bazar	DC Quetta notification prices

Regional Situation of Prices

Prices of essential consumer items prevailing on 27th April 2017 in Pakistan indicates that in comparison with the regional countries Pakistan is the lowest in 10 items out of 23 items like Wheat, Wheat Flour, Chicken farm, Petrol, Diesel, Rice Basmati, Vegetable ghee, Eggs, Beef and Sugar than those of other regional countries. Second lowest in 7 items like Gram

Pulse, Milk Fresh, Masoor Pulse, Moong Pulse, Mash Pulse, Red Chilies, Onion and third lowest in 6 items like Mutton, Tomatoes, Potatoes, DAP, Tea and Urea. The variations in 23 items in Pakistan as against other regional countries is presented in the Table below. The large variation in prices of some specific items like meat and poultry products is due to different consumption pattern and socio cultural variation.

Table 7.16: Regional Prices Comparison (Pak Rs.)

Items	Units	Islamabad	New Delhi	Dhaka	Ranking
		27-04-2017	19-04-2017	18-04-2017	
Wheat	Kg	35	57	42	1
Wheat Flour	Kg	39	73	53	1
Chicken farm	Kg	163	325	188	1
Petrol	Ltr	74	120	117	1
Diesel	Ltr	83	102	85	1
Rice Basmati	Kg	85	98	217	1
Vegetable ghee	Kg	151	154	--	1
Eggs	Doz	86	98	138	1
Sugar	Kg	66	73	96	1
Beef	Kg	352	358	458	1
Gram Pulse	Kg	154	228	152	2
Milk Fresh	Ltr	99	81	145	2
Masoor Pulse	Kg	153	130	193	2
Moong Pulse	Kg	152	146	171	2
Mash Pulse	Kg	203	195	--	2
Red Chilies	Kg	300	260	552	2
Onion	Kg	54	33	33	2
Mutton	Kg	806	780	736	3
Tomatoes	Kg	49	41	26	3
Potatoes	Kg	44	16	26	3
DAP	50 Kg	2588 *	1966	1642	3
Tea	Kg	1025	715	553	3
Urea	50 Kg	1368 *	520	1051	3

Source: PBS

*National Average

Conclusion

Increasing oil and commodity prices remains a concern. Global commodity and oil prices are expected to move in upward direction, which

will be affecting domestic inflation. However, given the increase in agriculture production and sufficient food supplies, stable exchange rate, effective monetary policy, inflation is expected to remain below the target.

Trade and Payments

World imports had been stagnant between 2011 and 2014 but registered significant drop since early 2015 because of weak commodity and product prices and weak global economic activity. Economic growth was lacklustre in the OECD countries which contributed to the slowdown in China. Furthermore, the ratio between real growth in world imports and world real GDP growth substantially declined. This decline in the import content of economic activity triggered a shift in consumption world-wide from traded towards non-traded goods,

import substitution, a slowdown in the pace of trade liberalization, and gave currency to protectionist measures.

A bulk of Pakistan's exports are directed to the OECD region and China. Historical data suggest strong correlation between Pakistani exports to imports in OECD and China. As per FY 2016 data, more than half of our exports are shipped to these two destinations i.e. OECD and China. A decline in our overall exports, thus occurred in this backdrop.



In the wake of the referendum in 2016, the United Kingdom has invoked Article 50 of EU Constitution in March, 2017 to start the formal process of exiting from the European Union. As a result of the Referendum and in its run up, British Pound witnessed a sharp fall in its value with reference to other currencies. This made

imports into UK expensive. In this turbulent situation, Pakistan's exports to UK declined by 5 percent during July-December, 2016 over the same period in 2015. Government has formally taken up with United Kingdom, initiation of a trade dialogue between the two countries at an early date.

Pakistan's external sector continued to face severe stress during 2016-17. Though the rate of export decline was stemmed, Pakistan's exports declined by 3.06 % during the first 9 months of the fiscal year 2016-17. Imports, however, continued to grow at a much faster rate and grew by a large percentage of 18.67 during the first nine months of the FY2017 as compared to the previous year.

Initiatives Undertaken for Export Promotion

Mindful of the issues and prevalent international situation, government has taken host of measures/initiatives for the promotion of exports during FY2017. These include:

- Measures announced by Prime Minister in January 2017 to be implemented during eighteen months. The Package "Export led growth" has started showing a positive impact and exports started recovering in the third and fourth quarters of the outgoing fiscal year. As in March, 2017 yoy growth witnessed 3.62 percent and month on month growth in March remain 5.9 percent higher over February, 2017. Moreover, exports in April, 2017 also improved by 5.12 percent on yoy over last year and month on month by 0.22 percent in April, 2017 over previous month.
- A number of measures were announced in the Strategic Trade Policy Framework, particularly aimed at technological development. The schemes have been operationalized and are expected to show results soon by enhancing the productivity of manufacturing in Pakistan.
- To overcome the constraints of trade financing, the government has already established the Exim Bank, which has set up its office in Lahore and would soon be playing its role in the promotion of Pakistan's exports.
- Under the instructions of the Prime Minister, Working Groups have been established to put in place a proper regulatory framework for the promotion of E-Commerce and IT exports.
- Pakistan is of the view that UK should grant enhanced market access to Pakistan analogous to EU's Special Incentive Arrangement for Good Governance and Sustainable Development.
- Pakistan's exports are hamstrung due to a disconnect between domestic competitiveness and international trade competitiveness. The Ministry of Commerce is working to improve regulatory and policy frameworks of different federal and provincial organizations impacting the business environment in Pakistan. Through active collaboration with organizations like the Ministry of Science & Technology, the Ministry of Industries, the Ministry of National Food Security & Research, the Ministry of National Health Services, Regulations and Coordination, the Ministry of Human Resource Development and Overseas Pakistanis (HRD & OP), the Ministry of Commerce is working to develop a policy framework of domestic commerce to improve and harmonize regulations at various governmental levels. The Ministry of Commerce through these initiatives is working towards creating an enabling environment for "Enterprise Development".
- The Ministry of Commerce has established the Services Trade Development Council, which is preparing a Strategic Policy Framework for Trade in Services to give a major boost to the export of services.
- The Ministry of Commerce is revamping the export development institutional infrastructure of the country and new Trade Development Councils in Leather, Pharmaceuticals and Rice sectors are being established.
- The State Bank of Pakistan reduced its mark-up rate on Export Refinancing Facility (EFR) from 9.0 percent in 2010 gradually reduced to 3.0 percent from July 2016 till date. Similarly Long Term Financing Facility (LTFF) for 3-10 years duration from around 11.4 percent gradually reduced to 6.0 percent in July

2015 till date, to allow export sector industries to make investments on competitive basis.

- Free Trade Agreements play an important role in the promotion of exports. Pakistan already has FTAs with China, Malaysia and Sri Lanka and is a member of regional arrangements like SAFTA and ECOTA. The ECO Summit held in Islamabad in early 2017 was designed to give a boost to regional economic development. It is expected that the connectivity infrastructure in the context of CPEC (One Belt One Road) and the infrastructure initiatives

under way in Central Asia under CAREC would result in much better connectivity. With the accession of Pakistan to WTO's Trade Facilitation Agreement and TIR Convention, Pakistan would become a logistic hub in the coming period. The government has fast tracked the on-going FTA negotiation with Turkey and Thailand. The early conclusion of these FTAs would resultantly boost strengthening of bilateral relations with the two growing economies in the region as well as provide gateway of market access to two EU and ASEAN. (Box-I)

Box- 1: Free Trade Agreements (FTAs)

China Pakistan FTA (CPFTA):

China-Pakistan Free Trade Agreement (CPFTA) on trade in goods was signed on 24th November, 2006 and implemented from 1st July 2007. FTA on Trade in Services was signed on 21st February 2009 and is operational from 10th October 2009. The FTA covers more than 7000 tariff lines at the 8 digit level of HS code.

Pakistan-China volume of trade, which was in the region of US\$ 4 billion in the year 2006-07, reached an all-time high at US\$ 13.77 billion in 2015-16. Pakistan's exports have increased by almost 200 percent (US\$ 575 million in FY2007 to 1690 million in FY2016). China's exports to Pakistan have increased to almost 250 percent (US\$ 3.5million in FY2007 to 12.1 billion in FY2016).

Malaysia- Pakistan FTA (MPCEPA)

A Comprehensive Free Trade Agreement (FTA) for Closer Economic Partnership between Pakistan and Malaysia was signed on 08-11-2007 at Kuala Lumpur. It is operational from 1st January 2008. The tariff reduction commitments involved elimination of tariffs on 43.2% of Pakistan's imports from Malaysia and 78% of Malaysia's imports from Pakistan. In 2007-08, Pakistan-Malaysia bilateral trade was US\$ 1238.808 million with Pakistan's exports amounting to US\$ 81.323 million. In the same year Pakistan's imports from Malaysia were US\$ 1157 million. After the implementation of the Agreement, Pakistan's exports to Malaysia have increased to US\$ 188 million and imports decreased to US\$ 814 million.

Pakistan -Sri Lanka FTA (PSFTA);

Pakistan and Sri Lanka signed a Free Trade Agreement in 2002 which became operational in June, 2005. Under the FTA, concessions that are granted, list of Pakistan contains 206 items of 100% concession. The Sri Lanka has granted access to the Pakistani rice and potatoes subject to a Tariff Rate Quota.

Under this FTA, tariff preferences offered to Pakistan are, though less in number, have resulted in an increase of Pakistan's exports. After signing of FTA, Pakistan's bilateral trade with Sri Lanka increased from US\$ 200 million in 2004-05 to US\$321.71 million in 2015-16. Pakistan's exports in the corresponding period have also increased from US\$ 155.83 million to US\$ 247.11 million.

SOUTH ASIAN FREE TRADE AREA (SAFTA)

The SAARC Preferential Trading Arrangement (SAPTA) was signed in April, 1993. Subsequently, the 16th Session of the Council of Ministers of SAARC (at New Delhi, in December 1995) agreed to establish a South Asian Free Trade Area. The Agreement on South Asian Free Trade Area (SAFTA) was signed during the 12th SAARC Summit held at Islamabad on 6th January, 2004.

The Tariff Liberalization Programme (TLP) on the under SAFTA was finalized during the first meeting of SAFTA Committee of Experts (COE) held in Dhaka, in April, 2006. The first two phases of the TLP under SAFTA have

been implemented by all countries.

Impact of TLP on Pakistan's Trade with SAARC Region

Pakistan's trade in the SAARC region has increased substantially due to TLP. In FY 2003-04, Pakistan's total export to the SAARC region was US\$ 886 million which increased to US\$ 1,564 million in FY 2006-07 (in the first year of SAFTA's implementation). During FY 2015-16, Pakistan's exports to the SAARC region were US\$ 2690.23 million.

Pakistan's total imports from the SAARC region have increased from US\$ 527 million in 2003-04 to US\$ 2318.49 million in 2015-16.

Source: Ministry of Commerce

Merchandise Trade during 2016-17

Pakistan's external sector continued facing stress during 2016-17. The decline in export was curtailed but still Pakistan's merchandise trade exports declined by 3.06 percent during the first nine months of the fiscal year 2016-17. The imports continued to grow at a much faster rate and grew by a large percentage of 18.7 during the first nine months of the FY 2017 as compared to the previous year.

Exports

Exports during July-March, 2016-17 decreased to US\$ 15.119 billion from US\$15.597 billion during July-March, 2015-16, registering a decrease of 3.06 percent compared to 12.9

percent witnessed during same period in 2015-16 over 2014-15. However, government's continuous support to the export sectors and different initiatives discussed above has now started bearing fruit as on month on month trend is also now in the positive. Exports during March 2017 grew by 3.6 % as compared to March 2016 and grew by 9.95 % as compared to February 2017. An impressive performance in March 2017 hints a faster recovery.

Analysis of group-wise exports suggests that Food group registered a decline of 11.6 percent during July – March FY2017 compared to the same period last year. Within food group, rice exports declined by 14.9 percent.

Particulars	July-March Values in Dollars		% Change in Values	July-March Quantity		% Change in quantity
	2015-16	2016-17 P		2015-16	2016-17P	
Total	15,597.5	15,118.6	-3.1			
A. Food Group	3,037.8	2,685.9	-11.6			
Rice	1,376.2	1,170.7	-14.9	3,140,788	2,684,622	-14.5
Basmati	316.9	293.1	-7.5	341,115	327,830	-3.9
Other Rice	1,059.3	877.6	-17.2	2,799,673	2,356,792	-15.8
Sugar	132.3	66.5	-49.7	293,541	123,443	-57.9
Fish & Fish Preparation	240.0	276.3	15.1	92,046	103,277	12.2
Fruits	356.3	325.6	-8.6	590,671	439,797	-25.5
Vegetables	150.6	113.2	-24.9	508,355	386,109	-24.0
Spices	56.2	60.3	7.4	15,113	16,409	8.6
Meat & Meat Preparation	212.4	163.2	-23.1	61,656	43,125	-30.1
Other Food items	513.8	510.0	-0.7			
B. Textile Manufactures	9,362.3	9,278.9	-0.9			
Cotton Yarn	989.0	938.6	-5.1	327,036	344,468	5.3
Cotton Cloth	1,685.3	1,581.2	-6.2	1,659,455	1,410,359	-15.0
Knitwear	1,746.9	1,745.7	-0.1	85,460	89,520	4.8
Bed wear	1,508.6	1,585.7	5.1	244,295	263,814	8.0
Towels	597.0	578.0	-3.2	135,646	132,723	-2.2

Trade and Payments

Table 8.1: Structure of Exports							(\$ million)
Particulars	July-March Values in Dollars		% Change in Values	July-March Quantity		% Change in quantity	
	2015-16	2016-17 P		2015-16	2016-17P		
Readymade Garments	1,608.7	1,704.1	5.9	23,704	24,823	4.7	
Made-up articles	471.6	485.1	2.9				
Other Textile Manufactures	755.2	660.5	-12.5				
C. Petroleum Group	128.9	139.2	8.0				
Petroleum Crude	88.9	56.3	-36.7	248,692	152,992	-38.5	
Petroleum Products	39.0	50.4	29.4	67,982	94,865	39.5	
Petroleum Top Naphtha	1.1	32.5	2,955.9	3,080	87,015	2725.2	
D. Other Manufactures	2,386.7	2,274.1	-4.7				
Carpets, Rugs & Mats	74.0	61.2	-17.3	1,372	1,322	-3.6	
Sports Goods	234.6	225.2	-4.0				
Leather Tanned	267.8	252.4	-5.7	12,691	11,970	-5.7	
Leather Manufactures	396.4	371.7	-6.2				
Surgical Goods. & Med. Inst	262.7	250.6	-4.6				
Chemical & Pharma. Pro.	588.5	621.5	5.6				
Engineering Goods	134.3	126.0	-6.2				
Cement	248.0	191.5	-22.8	4,555,239	3,644,625	-20.0	
All Other Manufactures	180.4	174.0	-3.5				
E. All Other items	681.7	740.5					

Source : PBS

The Basmati rice declined by 7.5 percent in value and 3.9 percent in quantity during July-March FY2017 as compared to corresponding period last year suggesting a fall in the global basmati rice prices during the period. However, month on month basis in March its exports value increased by 8.0 percent despite sharp decline in quantity by 8.8 percent, showing a reverse trend in the prices of basmati rice. The others variety under rice group witnessed a decline of 17.2 percent in value and 15.8 percent in quantity, compared to the corresponding period last year.

There are many reasons for the declining trend in rice exports, these includes strong competition with India, lack of R & D in new varieties and loss of our key customers like Iran. Pakistan's share in Saudi Arabia's market has also declined to 20 percent. The issue of banking channels with Iran has been resolved and business has resumed, the opening of this major market will help to boost the exports of rice.

Export earnings from fruits also registered a decline of 8.6 percent in value and 25.5 percent in quantity, while vegetables also witnessed a decline of 24.9 percent in value and 24 percent in quantity. This suggests that due to international competition along with lack of exportable surplus we could not capture the market of these items

despite rising prices.

Fish & fish preparation subgroup during July-March FY2017 witnessed a growth of 15.1 percent in value and 12.2 percent in quantity, compared to last year. On month on month in March exports of fish & fish preparation increased both in value and quantity by an impressive growth of 25.2 percent, 39.7 percent respectively. Exports of sugar declined both in quantity and value i.e. 57.9 percent in quantity and 49.7 percent in value, during July-March FY2017 as compared to same period last year. During recent months, ECC has allowed export of sugar whose impact will be visible with time lag. The exports of spices remained favorable by 7.4 percent in value and 8.6 percent in quantity during the period.

Meat and Meat preparation declined by 23.1 percent in value, and 30.1 percent decline in quantity during July – March FY2017 as compared to the corresponding period last year. Despite favorable price we could not capture the market mostly due to lack of exportable surplus. Month on month in March 2017 it increased both in quantity and value by 44.6 percent and 21.0 percent, respectively.

Textile group, which has 61 percent share in total

exports, witnessed a marginal decline of 0.9 percent during July – March, FY2017 compared to the corresponding period last year. This decline was 8.2 percent last year (2015-16 over 2014-15). This is very encouraging and suggests that government steps and initiatives to boost the textile exports have started bearing fruit. On month on month the textile group improved by 7.0 percent and reached to US \$1064.9 million in March, 2017.

Major items with positive growth also include value added items like ready made garments and bed wear.

Export earnings of readymade garments shows remarkable growth of 5.9 percent in value and 4.7 percent in quantity during July- March FY2017 compared to same period last year. However, export of readymade garments also show improvement in quantity by 10.4 percent and 3.7 percent in value on month on month basis. Bed-wear export grew by 5.1 percent in value and 8.0 percent in quantity during July- March FY2017 compared to same period last year. On month on month basis in March exports of bed-wear increased by 4.0 percent in quantity and value improved by 2.9 percent. The grant of GSP status by EU had a positive impact on these two items both in value and quantity.

Knitwear declined marginally by 0.1 percent in value but posted a significant growth of 4.8 percent in quantity during July-March FY 2017 over the same period last year. This suggests declining trend in the international prices of knitwear. On month on month basis in March its value increased by 4.1 percent and quantity remained unchanged, showing rebound in prices. Exports of towel declined both in quantity and in value by 2.2 and 3.2 percent respectively during July – March FY2017 as compared to corresponding period last year. Whereas exports of towels on month on month in March increased by 9.6 percent in value and 12.6 percent in quantity. The monthly data (March FY2017) showed that exports of value-added products grew during the month, both in terms of value and quantity.

The exports of intermediate commodity like cotton yarn witnessed decline in value by 5.1 percent where as quantity improved by 5.3 percent during first nine months of current year as compared to last year. Cotton cloth export

declined by 6.2 percent in value, and in quantity a negative growth of 15.01 percent is recorded during July – March FY2017 as compared to same period last year, showing strong price effect than quantity effect. On month on month in March 2017, quantity exported increased by 20.5 percent and value improved by 20.7 percent. The export of raw cotton declined by 48.7 percent in value and 52.9 percent in quantity during July-March FY 2017, but on month on month in March 2017 basis its exports increased by 7.0 percent in value and declined by 5.6 percent in quantity, suggesting that international prices have increased.

During July – March FY2017 petroleum and coal group's exports recorded a growth of 8.0 percent over the corresponding period last year. However, on month on month the petroleum and coal group witnessed a growth of 77.7 percent in March 2017 over February 2017. Major contributor in its growth is export of petroleum products which grew by 29.4 percent during the under period review. In quantitative terms the export of this sub-group is much stronger as it witnessed a growth of 39.5 percent.

Export of most of the items in the “Other Manufacturers Group” witnessed a declining trend during July – March FY2017. As a whole this group posted a negative growth of 4.7 percent against same period last year. Export of major items in this group like leather tanned and leather garments, sports goods, etc. could not grow in quantitative terms. In case of leather products our exports could not compete in the international market against our competitors like China, India, Bangladesh, Vietnam, etc. whose products are available at a relatively cheaper prices. As a result our share in the world export market is on declining side. This can be improved by minimizing cost of production of these items. Recently govt. has announced various measures to support this sector including duty draw backs, etc. In case of sports goods, major item export of football witnessed a decline of 9.7 percent against 7.2 percent decline in quantity terms showing that prices are not favourable in international market.

Export of carpets, rugs and mats registered a negative growth in value by 17.3 percent whereas its export quantity declined by 3.6 percent during July- March FY2017 compared to the same period last year suggesting that decline in international

prices played the major role in fall in exports. Further, Pakistani exporter has lost the share in Turkey as a result of imposition of 42 percent additional custom duty on Pakistan's hand knitted carpet's import in Turkey. Further, in different FTAs concession list, handmade carpets were excluded and there is no demand for machine made carpets. Shortage of skilled labour force and failure to cope with the changing trends in world markets has affected the carpets demand and exports.

Surgical goods and medical instruments exports also witnessed a negative growth of 4.6 percent in value during July – March FY2017 over the same period last year. All the other items in this group also witnessed a declining trend during Jul-Mar, FY17.

The export of cement witnessed a decline of 23.0 percent in value and 20.0 percent in quantity during the period under review. Pakistan has lost a major share of its market to Iranian cement in Afghanistan, due to high cost of production, as Afghanistan is the biggest importer of Pakistani cement.

However, it is very encouraging that export on month on month in March of items in 'other manufacturing group' increased by 17.4 percent suggesting a reversal trend and government's

initiatives have started giving results.

Monthly Exports

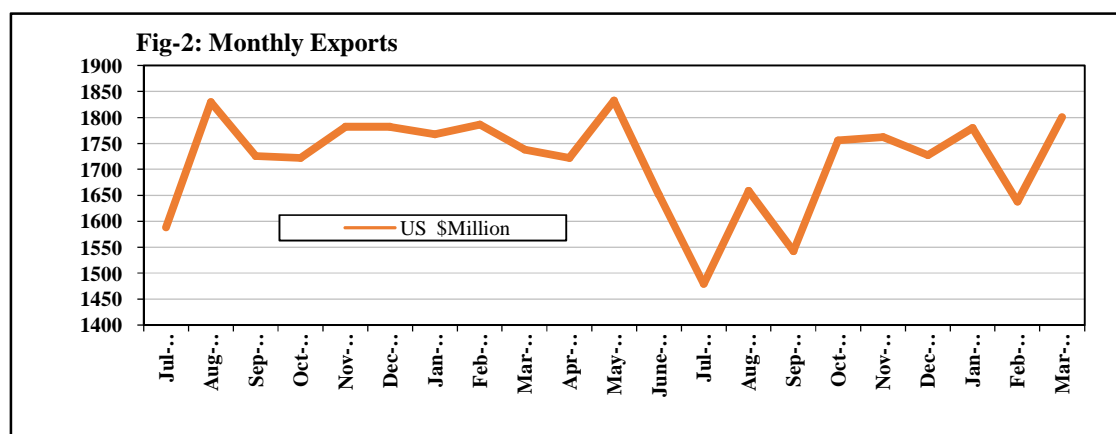
The monthly exports for the period July-March FY2017 remained mostly below the corresponding months of last year, averaging \$ 1681 million per month as against an average of \$1747 million last year. The exports are recovering in the third and fourth quarter, the negative effects of exports are bottoming out. As few months during July-March FY 2017 like October, January and March have growth of 2.0 percent, 0.4 percent and 3.2 percent, respectively on year on year basis. (See Table 8:2)

Table-8.2: Monthly Exports

Month	(\$ Million)	
	2015-16	2016-17 P
July	1588	1479.4
August	1830	1658.3
September	1726	1542.9
October	1722.1	1755.7
November	1781.9	1762.3
December	1781.9	1727.4
January	1767.5	1779.7
February	1786.1	1637.8
March	1738.1	1800.7
Monthly Average	1747	1681

Source: PBS

P : Provisional



Concentration of Exports

The composition of Pakistan's exports more or less remained same during 2016-17 compared to previous years showing high concentration in few items like cotton & cotton manufactures, leather, rice, and few more items. The first three categories of exports accounts for 71.8 percent of total exports during July-March FY2017

with cotton & cotton manufacture alone contributing 59.6 percent. Traditionally the contribution of these three categories was 71.6 percent during the same period last year, and 68.7 percent during FY 2015. The bifurcation of these items in Table 8.3 shows that exports in these few items are the major factor for lower export earnings.

Table 8.3 : Pakistan's Major Exports							(Percentage Share)	
Commodity	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	July-March	
							2015-16	2016-17 P
Cotton Manufactures	52.9	49.6	51.6	53.1	54.5	55.0	58.1	59.6
Leather**	4.4	4.4	4.7	5.1	4.8	4.9	4.7	4.5
Rice	8.7	8.7	7.8	7.6	8.5	8.8	8.8	7.7
Sub-Total of three Items	66.0	62.7	64.1	65.8	67.8	68.7	71.6	71.8
Other items	34.0	37.3	35.9	34.2	32.2	31.3	28.4	28.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

P : Provisional
**** Leather & Leather Manufactured.**
Source: PBS

Direction of Exports

Year wise major Pakistan's export destinations are mentioned in Table: 8.4 which represent that during Jul-Mar, 2016-17 period, no visible

change occurred and our exports continued concentrated to the same markets. Efforts are being made to explore new markets specifically in ASEAN and Asian regions where a lot of potential exists.

Table -8.4 : Major Exports Markets							(Rs & US\$. Billion & Percentage Share)					
Country	2014-15			2015-16			July-March					
	Rs.	US \$	% Share	Rs.	US \$	% Share	2015-16			2016-17 P		
							Rs.	US \$	% Share	Rs.	US \$	% Share
USA	374.4	3.7	16	364.8	3.5	17	270.5	2.6	17	266.2	2.5	17
China	219.9	2.2	9	174.0	1.7	8	134.0	1.3	8	120.4	1.2	8
Afghanistan	198.8	2.0	8	149.9	1.4	7	116.0	1.1	7	91.0	0.9	6
United Kingdom	160.2	1.6	7	164.7	1.6	8	123.9	1.2	8	121.6	1.2	8
Germany	119.0	1.2	5	118.0	1.1	5	87.0	0.8	5	92.5	0.9	6
U.A.E	102.9	1.0	4	85.5	0.8	4	63.9	0.6	4	58.3	0.6	4
Bangladesh	70.7	0.7	3	72.3	0.7	3	55.7	0.5	3	49.8	0.5	3
Italy	67.6	0.7	3	67.7	0.6	3	48.6	0.5	3	50.4	0.5	3
Spain	81.7	0.8	3	84.3	0.8	4	62.0	0.6	4	63.3	0.6	4
France	38.2	0.4	2	36.0	0.3	2	25.5	0.2	2	27.9	0.3	2
All Other	964.1	9.5	40	849.6	8.2	39	636.7	6.1	39	639.0	6.1	40
Total	2,397.5	23.7	100	2,166.8	20.8	100	1,623.8	15.6	100	1,580.4	15.1	100

Source: Pakistan Bureau of Statistics
P : Provisional
Source: SBP, FY 2015 (US \$ =Rs.101.29), FY 2016 (US \$ =Rs.104.23), (July-March FY 2016, (US \$=Rs.104.09)), (July-March, FY 2017 (US \$=Rs. 104.67))

Fig-8.3:Share of Export (Jul-Mar, FY2016)

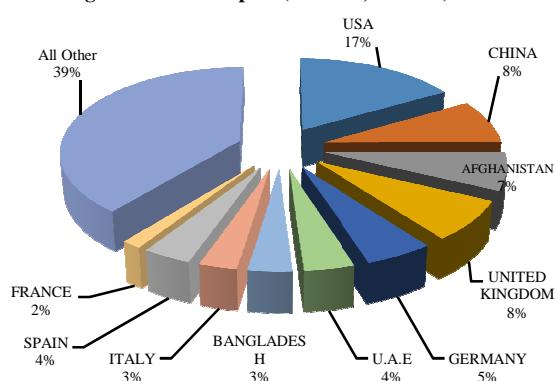
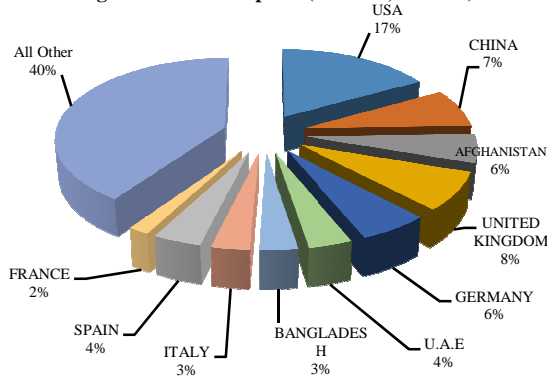


Fig-8.3: Share of Exports (Jul-Mar, FY2017)



Box-2: Evaluation of Pakistan's exports to European Union (EU) under the GSP Plus regime
Impact of GSP Plus on Pakistan's exports to EU

Pakistan duty free access granted by EU under its GSP+ Scheme, Pakistan's exports to EU have increased by 38% in 2016 over 2013. Pakistan's exports to EU have increased from 4.52 billion Euros in 2013 to 6.28 billion in 2016. Pakistan's exports of textiles to EU have increased by 55% during the same period. (**Euros billion**)

PARTNER/PERIOD	Pakistan's exports to EU in 2013	Pakistan's exports to EU in 2014	Pakistan's exports to EU in 2015	Pakistan's exports to EU in 2016	%age increase over 2013	%age increase over 2015
Pakistan	4.54	5.52	6.07	6.28	38.32	3.41

1. Impact of GSP Plus on exports of Textile products to EU

Textiles sector has been a major beneficiary of EU's GSP+ Scheme. Pakistan's exports of Textiles have increased by 55% in value terms in 2016 over 2013. Pakistan's exports also registered an increase of 33% in terms of quantity during the same period. The following table gives a breakdown of the sector wise exports from within the textiles.

Row Labels	Pak exports to EU (million Euros) 2013	Pak exports to EU (million Euros) 2014	Pak exports to EU (million Euros) 2015	Pak exports to EU (million Euros) 2016	%Increase over 2013(%)
Carpets and Rugs	30.30	31.57	37.16	37.92	25.16
Cotton and Intermediary Goods of Textiles	738.78	765.06	792.37	804.73	8.93
Home Textiles	980.03	1,270.86	1,456.29	1,563.05	59.49
Textile Garments and Hosiery	1,398.55	1,830.50	2,281.55	2,457.30	75.70

2. Impact of GSP Plus on exports of Non- Textile sector

Pakistan's exports of Leather products, Footwear and Plastics have also increased considerably as a result of duty free access under GSP+.

Row Labels	Pak exports to EU (million Euros) 2013	f Pak exports to EU (million Euros) 2014	Pak exports to EU (million Euros) 2015	Pak exports to EU (million Euros) 2016	Impact on Value since 2013 (%)
Footwear	56.29	72.93	77.38	70.86	25.88
Leather	418.54	460.02	470.86	446.49	6.68
Plastics	45.18	76.72	60.72	57.30	26.84

It is worth mentioning that Pakistani products shall continue to enjoy duty free access under EU's GSP Plus scheme in United Kingdom till March, 2019 when UK formally exits from EU.

Source: Ministry of Commerce

Imports

During current fiscal year, Jul-Mar period, Pakistan's imports are showing rising trend at a relatively faster rate (18.7 percent) due to the increased economic activity as part of China-Pakistan Economic Corridor (CPEC), particularly in the Energy sector. The construction projects under CPEC require heavy machinery that has to be imported. It is also observed that the economy is currently being led both by investments as well as

consumption, resulting in relatively higher levels of imports.

The sharp increase in imports may not be a cause for major worry, the imports during the current fiscal year included around \$12 billion of capital goods(machinery, metals etc.), which would eventually increase the country's industrial capacity and help exports flourish.

The increase in import of machinery will have multiplier effect on the economy as the

manufacturing has the highest backward linkage among the major sectors. As the demand for manufacturing grows, it in turn will help in the creation of jobs, investments, and innovations.

Vibrant domestic construction, progress on mega infrastructure projects and CPEC related economic activities; all have contributed to a surge in demand for machinery and commercial vehicles during FY 2017. Pakistan's economy has been able to progress at a better pace due to technological enhancement and industrialization. There is a positive long term relationship between growth in imports of capital goods (machinery) and manufacturing sector growth of Pakistan.

The imports target for current financial year was set at \$45.2 billion for FY2017. Pakistan imports bill recorded a growth of 18.7 percent in the first nine months of the current fiscal year, rising from \$32,444.7 million during FY 2016 (July-March) to \$38,503.8 million during Jul-Mar FY2017 showing an increase of \$6059.2 million in absolute term.

Group-wise data on imports shows that except textile group which decreased marginally, all other groups like petroleum, transport and agriculture imports, food, machinery, textile and metal, imports recorded increase during July-March, FY2017. (Table 8.5)

Food group generally constitute around 12.0

percent of the total import bill. In the first nine months July-March FY2017, food group witnessed an increase of 15.0 percent and its import reached to US\$ 4528.7 million during July-March, FY2017 from US\$ 3939.6 million during comparable period last year. The edible oil (Soybeans & Palm) import bill, the heaviest item in food group, increased by 4.7 percent despite decline in quantity import by 8.5 percent reflecting a sharp surge in international palm oil prices. The increase in palm oil prices is due to significant reduction in production of Palm oil in Malaysia and Indonesia (as mainly Pakistan imports palm oil from these countries). The import bill of pulses also surged by 62.4 percent during the period under review mainly due to the low domestic production and higher international prices. (Table: 8.5)

The import bill of tea witnessed a slight increase of 1.84 percent, mostly because of remarkable fall in international prices as its imported quantity increased by 22.4 percent during Jul-March FY2017 compared to same period last year. Pakistan is largest importer and has highest per capita consumption of tea. Almost the entire tea demand is being met through imports from Kenya, India, Rwanda and Tanzania. However, milk products import bill decreased by 3.7 percent in value and its quantity increased by 25.1 percent during July – March FY2017 over the corresponding period last year suggesting again the lower international prices. (Table: 8.5)

Particulars	July-March Values in Dollars		% Change in Value	July-March Quantity		% Change in Quantity
	2015-16	2016-17 P		2015-16	2016-17 P	
Total	32,444.7	38,503.8	18.7			
A. Food Groups	3,938.6	4,528.7	15.0			
Milk & Milk food	193.3	186.0	-3.7	53,423	66,831	25.10
Wheat Unmilled	0.0	0.0	0.0	0	0	0.00
Dry Fruits	105.1	130.1	23.8	102,559	133,575	30.24
Tea	403.9	411.4	1.8	133,335	163,136	22.35
Spices	105.7	102.1	-3.4	111,713	120,976	8.29
Edible Oil (Soybeans& Palm)	1,391.8	1,456.9	4.7	2,163,812	1,980,012	-8.49
Sugar	5,041.0	3,949.0	-21.7	9,747	9,894	1.51
Pulses	444.4	721.8	62.4	695,898	956,376	37.43
Other food items	1,289.4	1,516.4	17.6			
B. Machinery Group	4,321.9	6,465.0	49.6			
Power generating Machines	1,341.1	2,367.0	76.5			

Trade and Payments

Table 8.5: Structure of Imports (\$ million)						
Particulars	July-March Values in Dollars		% Change in Value	July-March Quantity		% Change in Quantity
	2015-16	2016-17 P		2015-16	2016-17 P	
Office Machines	231.6	371.6	60.4			
Textile Machinery	332.1	401.1	20.8			
Const. & Mining Machines	223.7	373.2	66.8			
Aircrafts, Ships and Boats	474.1	331.2	-30.1			
Agriculture Machinery	62.1	84.4	35.8			
Other Machinery items	1,657.1	2,536.5	53.1			
C. Petroleum Group	5,584.8	6,686.7	19.7			
Petroleum Products	3,750.4	4,846.0	29.2	6,957,006	10,767,078	54.77
Petroleum Crude	1,834.4	1,840.7	0.3	4,284,361	5916,854	38.10
D. Consumer Durables	2,727.5	3,470.0	27.2			
Road Motor Vehicles	1,407.2	1,811.2	28.7			
Electric Mach. & Appliances	1,320.2	1,658.9	25.6			
E. Raw Materials	5,714.1	5,610.9	-1.8			
Raw Cotton	588.2	485.1	-17.5	325,134	283,648	-12.76
Synthetic Fiber	368.9	346.1	-6.2	1,811,498	185,158	-89.78
Silk Yarn (Synth & Arti)	468.0	486.4	3.9	211,489	247,303	16.93
Fertilizer Manufactured	639.7	478.6	-25.2	1,392,391	1,532,671	10.07
Insecticides	116.4	110.9	-4.7	13,769	12,806	-6.99
Plastic Material	1,314.1	1,406.8	7.1	714,628	834,193	16.73
Iron & steel Scrap	776.9	765.9	-1.4	2,861,196	2,861,196	0.00
Iron & steel	1,441.9	1,531.0	6.2	2,493,953	2,493,953	0.00
F. Telecom	1,046.8	1,028.8	-1.7			
G. All other items	2,799.5	3,139.2	12.1			

P : Provisional

Source : PBS

Import of crude oil and petroleum products constitute 20.1 percent of total import bill of Pakistan and are second heaviest group in the import after machinery group. Import of Petroleum group including Liquefied Natural Gas, Liquefied Petroleum Gas and others surged by 27.5 percent US \$ 7,748.9 million in July-March FY2017 as compared to US \$ 6,078.8 million corresponding period last year. This increase was driven primarily by higher volumetric imports of furnace oil and high-speed diesel (HSD), due to higher demand from power and transportation sectors respectively. Rising imports of power generators also contributed to the increase in demand for HSD. Pakistan depends heavily on the oil as an input in industrial, transport and electricity sectors. The lack of refining capacity leaves Pakistan heavily dependent on petroleum product imports. Natural gas accounts for the largest share of Pakistan's energy use, amounting to

about 50 percent of total energy consumption. Import of Liquefied Natural Gas (LNG) started since March 2016. This increased the import bill of Pakistan. Pakistan will be importing 3.0 billion cubic feet (bcf) of liquefied natural gas (LNG) per day by 2018 and therefore expected to bridge the demand supply gap.

Crude oil import in quantity terms increased by 38.1 percent and in value terms by 0.4 percent during July-March FY2017 as compared to same period last year suggesting that upto March, 2017, International crude prices witnessed declining trend as compared to same period last year. However, Import of petroleum products increased both in value and quantity by 29.2 percent and 54.8 percent, respectively.

The machinery group contributed about 23 percent in the total import bill. Import of Machinery group surged by 49.6 percent from, US\$ 4,321.9 million in July – March FY2016 to

US\$ 6,464.9 million in July–March FY2017 mainly due to the reasons described in preceding paras. Within this group, the import bill of textile machinery registered an increase of 20.8 percent (US\$ 401.1million) during July–March FY2017 against (US\$ 332.1 million) the same period last year suggesting increased activity in the textile sector which is a healthy sign and will give fruit in future. Import bill of power generating machinery recorded US \$ 2,367.0 million during July – March FY2017 as compared to US \$ 1,341.1 over the same period last year, showing an increase of 76.5 percent. Similarly a surge of 25.6 percent (US \$ 1658.9 million) is witnessed in Electrical machinery & Apparatus during July – March FY017 over (US \$1320.3 million) the corresponding period last year, Construction and mining machinery witnessed an increase of US \$ 373.2 million in FY2017 as compared to US \$ 223.7 million as compared to same period last year, reflecting an increase of 25.7 percent.

Telecom sector import within machinery group, declined by 1.7 percent (US \$ 1028.8 million) during first nine months of the current fiscal year compared with (US \$ 1046.8 million) the corresponding period last year. Mobile phones imports in Pakistan decreased by 8.5 percent during the current financial year 2017 (July–March) as compared to the same period last year. Total imports of mobile phones stood at US\$ 524.4 million while these were US\$ 573.3 million in the same period last year. Within machinery group, other sub items such as agricultural machinery witnessed a surge of 35.8 percent (US \$ 84.4 million) during July–March, FY2017 over (US \$ 62.1 million) the same period last year.(Table:8.5)

An increase of 19.4 percent is witnessed in import bill of transport group from US\$ 1919.6 in July–March, FY2016 to US\$ 2292.1 in July–March, FY2017. Import of road motor vehicles increased by 28.7 percent, CKD/SKO increased by 20.9 percent, buses increased by 23.5 percent and motor cars increased by 26.6 percent, during the first nine months of current fiscal year over corresponding period last. The

demand for CKD/SKD kits, parts and accessories all used in locally assembled vehicles increased during this period. Rising imports of auto parts suggests better sales of locally assembled vehicles in the future as the industry imports kits and accessories based on advance booking orders and increased demand for vehicles.(Table:8.5).

Import of all other important items in the transport group also registered an increasing trend except import of aircraft, boats and ships which were down by 30.1 percent during July–March, FY2017 over the same period last year.

In textile group, import of raw cotton witnessed a decrease both in quantity and value by 12.8 percent and 17.5 percent respectively, during July–March FY2017 as compared to same period last year on account of higher local production of cotton.

Within agricultural and other chemical group a remarkable decline of 25.2 percent is observed in fertilizer manufactured import bill despite an increase of 10.1 percent in quantity imported during July–March FY2017 as compared to corresponding period last year suggesting lower international prices.

Metal group bill also surged by 6.2 percent during July–March, FY2017 over the same period last year. Import of Iron & steel increased by 6.2 percent due to the ongoing construction activity on the back of higher PSDP spending which has increased the demand for imported iron and steel products. Most of the items imported this year included coils and line pipes. The higher demand for coils and line pipes came from the automobile industry as well as from increased investments in the gas distribution infrastructure.

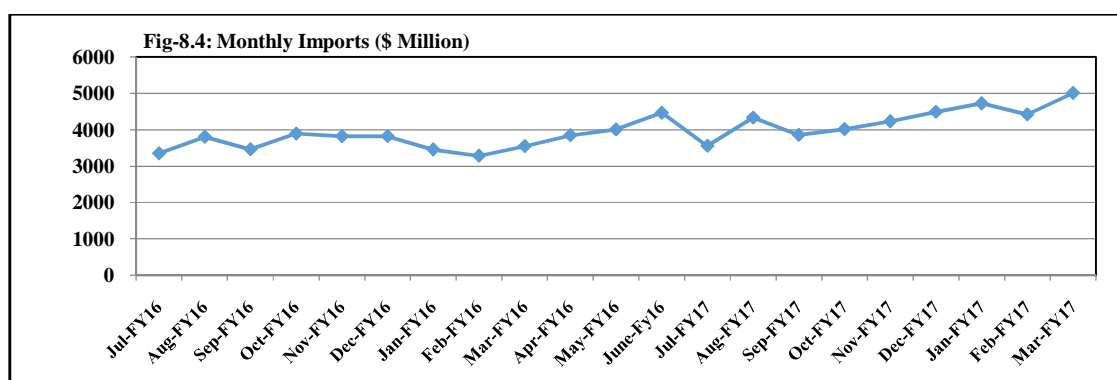
Monthly Imports

The monthly imports during July–March FY2017 witnessed rising trend. Import averaged \$4,292 million per month. On average the monthly import increased by US \$ 690 million per month. The monthly imports are in Table 8.6.and Fig-.8.3

Trade and Payments

Table 8.6 Monthly Imports			(\$ million)
Month	2015-16	2016-17 P	
July	3347.6	3556.9	
August	3802	4331.2	
September	3461	3857.5	
October	3894	4013	
November	3817.3	4230.5	
December	3817.3	4488.3	
January	3455.1	4723.8	
February	3280.4	4419	
March	3547.1	5009.2	
Monthly Average	3,602.4	4,292.2	

P: Provisional
Source : PBS



Direction of Imports

Pakistan imports from countries like China, Saud Arabia, UAE, and Indonesia constitutes around 50 percent of the total imports. During current fiscal year share of imports from China has increased from 27 percent in last fiscal year to 28 percent during Jul-March 2016-17.

However share of import from Saudi Arabia, has fallen by 2 percent during July-March 2016-17 as compared to same period last year due to lower crude oil bill. Change in Pakistan's import pattern in subsequent years is shown in (Table 8.7, Fig 8.4)

Table 8.7 : Major Import Markets												(Rs & \$ Billion & Percentage Share)
Country	2014-15			2015-16			July-March					
	Rs.	US \$	% Share	Rs.	US \$	% Share	2015-16			2016-17 P		
							Rs.	US \$	% Share	Rs.	US \$	% Share
China	1,053.0	10.4	23	1261.9	12.1	27	908.9	8.7	27	1,140.1	10.9	28
UAE	681.9	6.7	15	572.7	5.5	12	407.9	3.9	12	561.9	5.4	14
Saudi Arabia	365.5	3.6	8	237.2	2.3	5	187.1	1.8	6	157.5	1.5	4
Kuwait	250.9	2.5	5	139.5	1.3	3	101.5	1.0	3	105.7	1.0	3
Indonesia	209.6	2.1	5	222.7	2.1	5	164.0	1.6	5	167.4	1.6	4
India	172.2	1.7	4	185.8	1.8	4	139.2	1.3	4	122.3	1.2	3
U.S.A	180.7	1.8	4	185.3	1.8	4	135.6	1.3	4	178.7	1.7	4
Japan	170.6	1.7	4	190.3	1.8	4	138.1	1.3	4	149.6	1.4	4
Germany	97.5	1.0	2	97.6	0.9	2	74.7	0.7	2	77.4	0.7	2
Malaysia	96.3	1.0	2	96.5	0.9	2	69.8	0.7	2	69.0	0.7	2
All Other	1,366.0	13.5	29	1,469.2	14.1	32	1,051.1	10.1	31	1,289.0	12.3	32
Total	4,644.2	45.9	100	4,658.7	44.7	100	3,377.9	32.5	100	4,018.6	38.4	100

Source: Pakistan Bureau of Statistics

Source: SBP, FY 2015 (US \$ =Rs.101.29), FY 2016 (US \$ =Rs.104.23), (July-March FY 2016, (US \$=Rs.104.09)), (July-March, FY 2017 (US \$=Rs. 104.67))

Fig-8.5: Share of Import (Jul-Mar, FY2016)

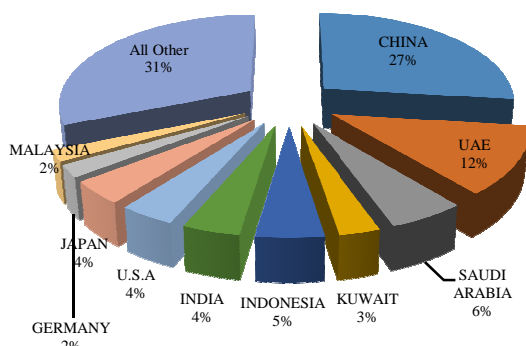
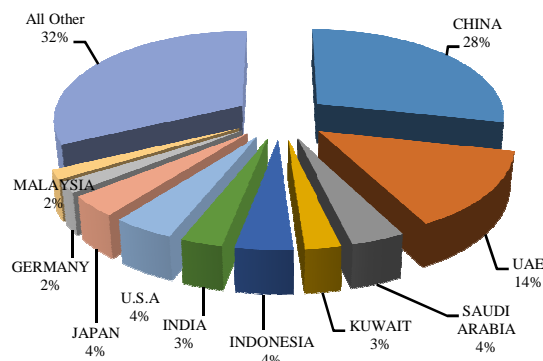


Fig-8.5-Share of Import (Jul-Mar, FY2017)



Balance of Payments

During July-March FY2017, the increase in imports of capital equipment and fuel significantly put pressure on the external account. A reversal in global oil prices led to increase in POL imports, accompanied by falling exports, as a result the trade deficit grew by 33.1 percent to US\$ 17.8 billion in July-March FY2017. While remittances and Coalition Support Fund inflows both declined slightly over the same period last year, however, the impact was offset by an improvement in the income account, mainly due to lower profit repatriations by oil and gas firms. The current account deficit increased to US\$ 6.1 billion in July-March FY2017, against US\$ 2.4 billion in July-March FY2016.

However, the impact of high current account deficit on foreign exchange reserves was not severe, as financial inflows were available to the country to partially offset the gap; these inflows helped ensure stability in the exchange rate. Net FDI grew by 12.4 percent and reached US\$ 1.6 billion in the nine-months period,

whereas net FPI saw an inflow of US\$ 631 million, against an outflow of US\$ 393 million last year. Encouragingly for the country, the period saw the completion of multiple merger and acquisition deals between local and foreign companies. Moreover, multiple foreign automakers announced their intention to enter the Pakistani market, and some also entered into joint ventures with local conglomerates. This indicates that Pakistan is clearly on foreign investors' radar, and provides a positive outlook for FDI inflows going forward. The government's successful issuance of a US\$ 1.0 billion Sukuk in the international capital market, at an extremely low rate of 5.5 percent.

Besides, Pakistan continued to enjoy support from international financial institutions (IFIs) like the World Bank and Asian Development Bank, and from bilateral partners like China, in the post-EFF period: net official loan inflows of US\$ 1.1 billion were recorded during the period. As a result, the country's FX reserves amounted to US\$ 20.8 billion by May 04, 2017, sufficient to finance around four months of import payments.

Table 8.8: Summary Balance of Payments

Items	US \$ Million			
	July-June		July-March P	
	2014-15	2015-16	2015-16	2016-17
Current Account Balance	-2709	3394	-2351	-6,130
Trade Balance	-17,278	-18,585	-13,443	-17,841
Goods: Exports	24089	21965	16,320	16,101
Goods: Imports	41,367	40,550	29,763	33,942
Service Balance	-2,884	-2,870	-1,958	-1,920
Services: Credit	5,854	5,438	4,070	4,322

Trade and Payments

Table 8.8: Summary Balance of Payments			US \$ Million	
Items	July-June		July-March P	
	2014-15	2015-16	2015-16	2016-17
Services: Debit	8738	8308	6,028	6,242
Income Account Balance	-4581	-5322	-3850	-3187
Income: Credit	679	637	427	531
Income: Debit	5260	5959	4,277	3,718
Current Transfers Net	22040	23383	16,900	16,818
Of which:				
Workers' Remittances	18721	19917	14,388	14,058
Capital Account	375	273	213	260
Financial Account	4996	5605	3,372	4,806
Direct Investment in Pakistan	923	1904	1425	1,601
Portfolio Investment in Pakistan	1884	-429	-408	659
Other Investment Liabilities	2173	4176	2084	3,926
Net Errors and Omissions	-16	168	-90	-550
Overall Balance	2646	2652	1144	-1614
Source: State Bank of Pakistan				
P: Provisional				

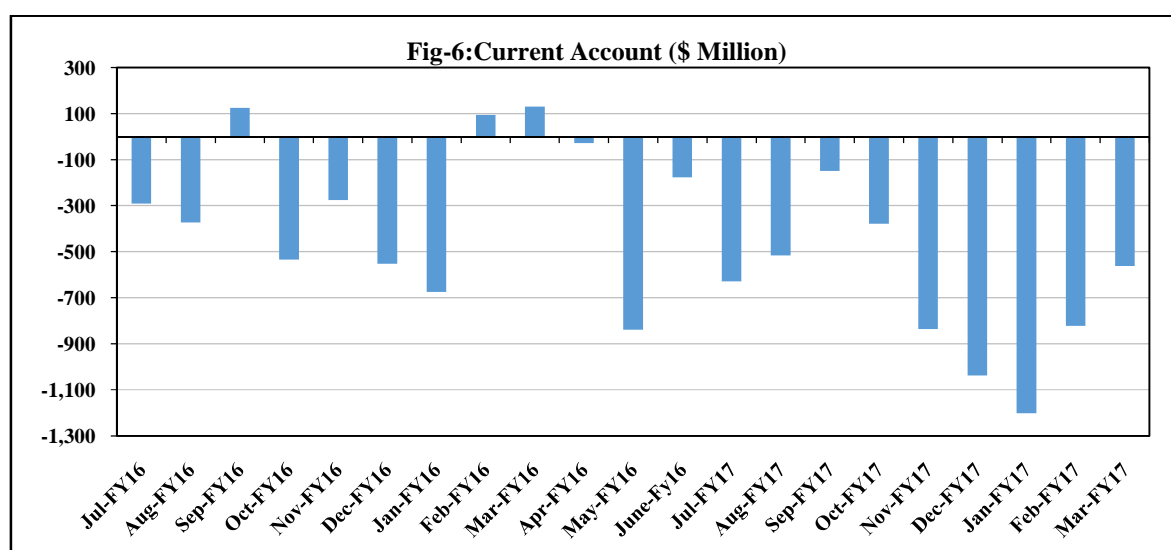
Current Account

The current account deficit reached to US\$ 6.1 billion (2.0 percent of GDP) during July-March FY2017. This was mainly due to a 33.1 percent widening in the trade deficit, which amounted to US\$ 17.8 billion. The widening of trade deficit is mainly due to surge in import bill by 14.2 percent and reached to US \$ 33.9 billion and the export decline was contained to US\$ 221 million (dropped by 1.4 percent) during July-March FY2017 as compared to same period last year. The non-POL product import bill US \$ 23.1 billion with share of 77.1 and

POL product with share of 22.9 percent reached to US \$ 7.8 billion.

On year on year basis the import bill declined during first quarter and then started increasing in the second quarter of the current fiscal year , thus showing that cushion of low international prices has ended now. The increase in machinery group is mainly due to power generation equipment, corresponding CPEC-related activity in power and infrastructure development.

The surge in machinery and POL imports bodes well for overall economic activity.



In the services account, the deficit remained almost unchanged at US\$ 2.0 billion in July-March FY2017, despite much lower realization of CSF (US\$ 550 million, against US\$ 713 million in July-March FY2016). Exports of telecom and travel services improved during July-March FY2017 as against same period last year.

The income account deficit improved by 0.2 percent and reached to US\$ 3.2 billion in July-March FY2017, mainly due to lower repatriation of mineral proceeds by oil and gas firms in the country.

Workers' Remittances

The remittances reached to US\$ 14.1 billion during July-March FY2017 as compared to US\$14.387 billion and registered a negative growth of 2.3 percent as compared to last year. Year on year basis remittances inflow dropped marginally by only 1 percent, however on month on month basis March-February, about 20 percent of decent increase is recorded. The trend will continue in coming months and is expected that the target of US\$ 20.2 billion for FY 2017 is likely to be achieved.

The major share of remittances originate from Saudi Arabia 29.01 percent (US \$ 4078.07 million), U.A.E 22.23 percent (US \$ 3124.40 million), USA 12.3 percent (US \$ 1729.60 million), other GCC countries 12.14 percent (US \$ 1706.04 million), U.K 11.77 (US \$ 1655.06 million) , EU 2.37 percent (US \$ 332.54 million) and other countries 10.19 percent. The remittances during July-March FY2017 have declined by 6.23 percent from Saudi Arabia , 2.5 percent from UAE, 8.5 percent from United Kingdom, 3.8 percent from other GCC countries, and 6.9 percent from USA, while from other countries and EU countries it increased by 29.17 percent, 16.29 percent , respectively compared to same period last year.

However, during Jul-March FY 2017, remittances declined due to inflows drop from all three major corridors- the Gulf Cooperation Council, US and UK. Decline in remittances

from Saudi Arabia along GCC was on account of slow economic activities in these countries along with fiscal consolidation due to decline in oil prices. Due to seasonal factors like Ramadan and Eid the flow of remittances increased as worker remit more money due to which remittances declined in first quarter. This will be offset by growth in remittances during coming months.

For the US, it was the tightening regulatory environment for anti-money laundering and counter-financing of terrorism (AML/CFT) that has contributed to lower inflows. The main reason for the decline from the UK was the pound's depreciation against the US Dollar following the Brexit vote on June 23, 2016; this had led to a significant drop in the dollar value of remittances sent from the UK.

However, the development activities under Saudi Arabia's vision 2030 which provides a roadmap for Kingdom's development and economy for next 15 years, the FIFA world Cup 2022 in Qatar and Expo 2020 in Dubai will create more labor demand. Pakistan Remittance Initiatives (PRI) is encouraging banks to increase their outreach efforts to ensure that the cost of remitting funds to Pakistan stays affordable. The recent visit of Prime Minister to Kuwait will be helpful in opening new avenues of employment. These developments are likely to keep remittances inflow close to last year's level.

Fig-7: Worker's Remittance (Jul-Mar, FY2017)

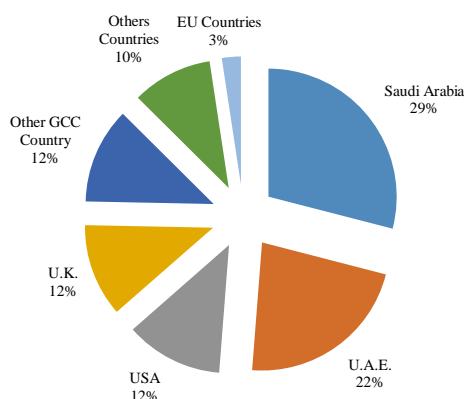
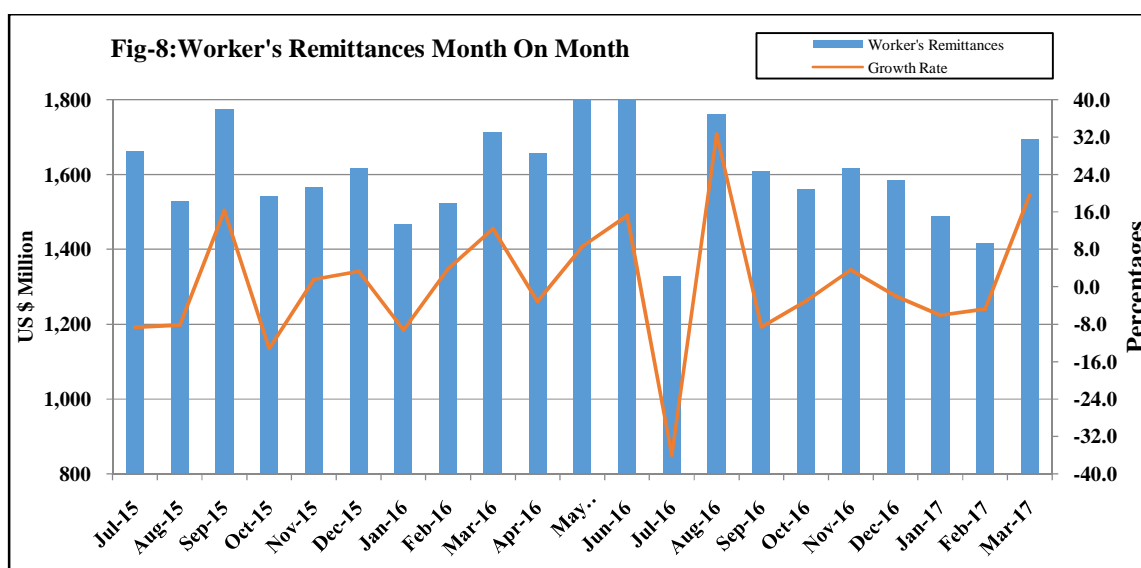


Table 8.10: Country/Region Wise Cash Worker's Remittances

Country/Region	July-March		(\$ billion)	
	2015-16	2016-17	% Change	Share
Saudi Arabia	4.35	4.08	-6.23	29.01
U.A.E.	3.20	3.12	-2.47	22.23
USA	1.86	1.73	-6.94	12.30
U.K.	1.81	1.66	-8.46	11.77
Other GCC Country	1.77	1.71	-3.84	12.14
Others Countries	1.11	1.43	29.17	10.19
EU Countries	0.29	0.33	16.29	2.37
Total	14.39	14.06	-2.29	100.00

Source : State Bank of Pakistan



Capital & Financial Account

The capital and financial accounts recorded a surplus of US\$ 5.1 billion in July-March FY2017, which was significantly higher than the surplus of US\$ 3.6 billion recorded in July-March FY2016. Foreign investment picked up pace from last year's levels, with both direct and portfolio investment contributing to the gains. Net FDI inflows rose 14.8 percent to US\$ 1.6 billion in July-March FY2017, against US\$ 1.4 billion same period last year. While China continued to have a major share (accounting for 37.1 percent of overall inflows), significant FDI from other countries like the Netherlands and France has also witnessed this year.

In terms of sectors, the food group attracted

the highest net FDI of US\$ 471.1 million which also includes acquisition of 51 percent share in Engro Food by Netherland's based company which was finalized in December 2016. The power sector received the second-highest inflows of US\$ 389.3 million, in-line with CPEC-related sectoral activity. Similarly, as infrastructure projects under CPEC also proceed, the construction sector saw net FDI of US\$ 264 million.

In portfolio investment, net inflows amounted to US\$ 631 million in July-March FY2017, against an outflow of US\$ 393 million recorded in the same period last year. The government successfully issued US \$ 1.0 billion in international capital markets at very competitive rate in October

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2016. However, private portfolio investment witnessed an outflow, as worldwide capital increasingly turned to the US in expectation of higher growth due to

November 2016 elections. Many emerging market economies including Pakistan during September 2016-January 2017 saw capital outflows.

Table 8.10: Foreign Investment

(\$ million)

	FY2015	FY2016 R	July-March	
			FY2016 R	FY2017 P
A. Foreign Private Investment	1,840.2	1,584.1	1075.2	1,239.9
Foreign Direct Investment	922.9	1,903.7	1425.2	1,610.6
Inflow	2732	2,763.6	2114.4	1,889.9
Outflow	1,809.1	859.9	689.2	288.4
Portfolio Investment	917.3	-319.6	-350	-361.6
Equity Securities	917.3	-319.6	-350	-361.6
Debt Securities				
B. Foreign Public Investment	927.1	-8.8	-43.7	992.5
Portfolio Investment	927.1	-8.8	-43.7	992.5
Total Foreign Investment (A+B)	2,767.3	1,575.2	1031.5	2,232.5

Source: State Bank of Pakistan

Fig-9: Country-Wise FDI (Jul-Mar, FY 2017)

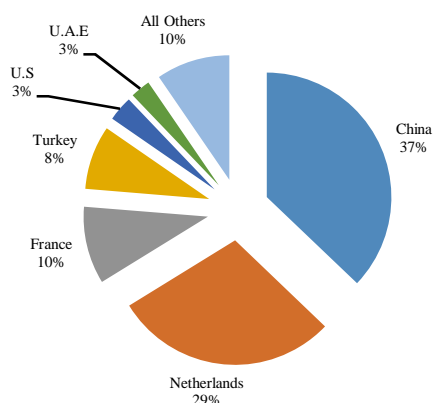
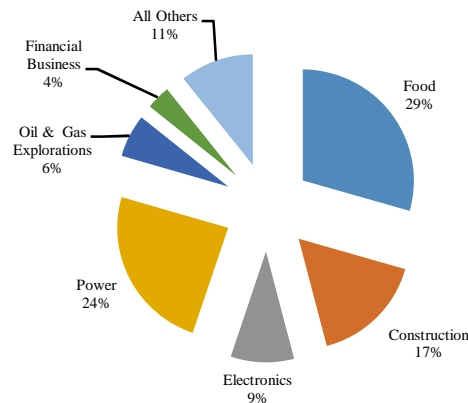


Fig-10: Sector-Wise FDI (Jul-Mar, FY 2017)



Reserves and Exchange Rate

With the current account deficit widening and not being fully offset by financial inflows, the country's total liquid FX reserves as on end-March FY2017, declined to US\$ 21.57 billion of which SBP US\$16.47 billion and Commercial Banks US\$ 5.10 billion. In October, FY2017 foreign currency reserves hit all time high at \$ 24.03 billion, of which net reserves with SBP were \$18.93 billion and scheduled banks \$ 5.10 billion. The level of foreign exchange reserves is a sign of economic stability that has been achieved due to the deep-

rooted and comprehensive economic policies and reforms undertaken by the present government. Currently, foreign exchange reserves are at reasonable level.

The average exchange rate during July-May 04 FY2017, at 104.79 to a dollar, was down marginally (0.5 percent) against last year's comparable average of 104.30. The stability in the exchange rate was a result of the still elevated level of liquid reserves available with SBP; this helped keep interbank sentiments in control during the period under review.

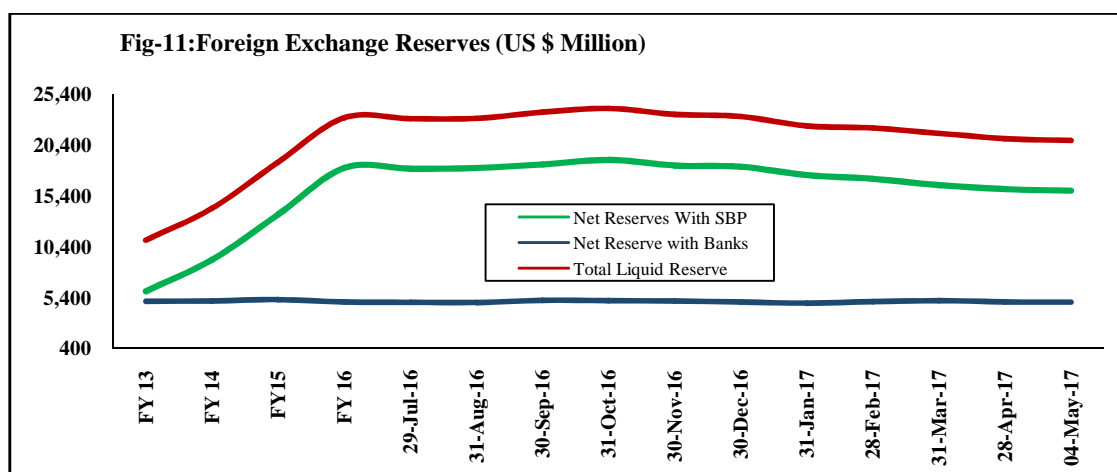
Trade and Payments

Table-8.11: Liquid Foreign Exchange Reserve (Billion US \$)

End Period	Net Reserves With SBP	Net Reserves with Banks	Total Liquid Reserves
FY 12	10.80	4.49	15.29
FY 13	6.01	5.01	11.02
FY 14	9.10	5.04	14.14
FY 15	13.53	5.17	18.70
FY 16	16.63	4.83	21.46
July'16	18.06	4.92	22.98
August'16	18.12	4.89	23.02
September'16	18.49	5.12	23.61
October'16	18.93	5.08	24.00
November'16	18.37	5.05	23.42
December'16	18.26	4.95	23.20
January'17	17.42	4.84	22.26
February'17	17.08	4.98	22.06
March'17	16.47	5.10	21.57
April'17	16.06	4.94	21.00
May'17*	15.90	4.92	20.82

*: May 04, 2017

Source: SBP



Conclusion

Recession in advanced economies, impediments at structural institutional and entrepreneurship both exogenous and endogenous factors are responsible of stagnant exports. However the resolve of the government to improve the exports and in this connection a number of initiatives have been taken. As a result, the negative effects of exports are bottoming out and visible improvements in recent months have been witnessed. The imports however continued to grow at a much faster rate and grew by a large percentage of 18.7. The surge in imports are mainly due to capital goods (machinery, metals etc.), which would

eventually increase the country's industrial capacity and help exports flourish in the coming years.

Financial account balance increased by 42.5 percent during July-March, FY2017 on the back of improvement in FDI by 12.4 percent and Foreign Portfolio Investment increased by 260 percent. Going forward one can expect improvement in overall external position of Pakistan due to present government initiatives for export promotion, efforts to improve Pakistan business climate, ease of doing business strategy and improved macroeconomic fundamentals.

Public Debt

9.1 Introduction

Developing countries like Pakistan need to borrow in order to facilitate their development process. Prudent utilization of debt leads to higher economic growth and helps the government to accomplish its social and developmental goals. On the other hand, unsustainable level of debt coupled with absence of prudent debt management may dampen economic growth by lowering the development expenditure owing to heavy debt servicing requirements. This intricate scenario calls for a comprehensive and prudent debt management strategy which is instrumental in ensuring financial sustainability by mitigating the risks of refinancing, exchange rate fluctuations and debt accumulation.

Government is taking steps to reduce the debt burden of the country. To place the debt-to-GDP ratio on a firm downward trajectory and bolster macroeconomic stability, the government has made amendments to the Fiscal Responsibility and Debt Limitation (FRDL) Act by defining the ceiling for the Federal Government budget deficit at 4 percent of GDP (excluding foreign grants) during the period 2017-18 to 2019-20 and 3.5 percent of GDP thereafter. Public debt shall be reduced to 60 percent of estimated GDP until 2017-18, and thereafter a 15-year transition has been set towards a debt-to-GDP ratio of 50 percent.

Pakistan's public debt dynamics witnessed various positive developments during first nine months of current fiscal year. Some positive developments are as follow:

- Government continued to adhere to the targets set forth in Medium Term Debt Management Strategy (MTDS) to ensure public debt sustainability;
- Weighted average interest rate on the domestic debt portfolio has been further reduced while cost of external debt contracted by the government is not only economical but is also dominated by long term funding;
- Government successfully issued a 5-year US\$ 1,000 million Sukuk at the lowest ever rate of 5.5 percent in international capital market;
- In order to facilitate the investors of Central Directorate of National Savings (CDNS), CDNS has been allowed direct membership of Clearinghouse. Accordingly, CDNS became only non-banking member of National Institutional Facilitation Technologies (Pvt.) Limited (NIFT);
- Government launched first-ever registered premium prize bond which is only issued in investors' names with unique features of both the profits paid biannually and the prize money through quarterly draws.

9.2 Public Debt

The portion of total debt which has a direct charge on government revenues as well as the debt obtained from the IMF is defined as public debt. Public debt has two main components, namely domestic debt (which is incurred principally to finance fiscal deficit) and external debt (which is raised primarily to finance

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development expenditure and balance of payment support).

Gross public debt was Rs.20,873 billion as at end March 2017 while net public debt was Rs.18,893 billion. Gross public debt recorded an increase of Rs.1,194 billion during first nine months of current fiscal year. Out of this total increase, increase in domestic debt was Rs.1,121 billion while government borrowing from domestic sources for financing of fiscal

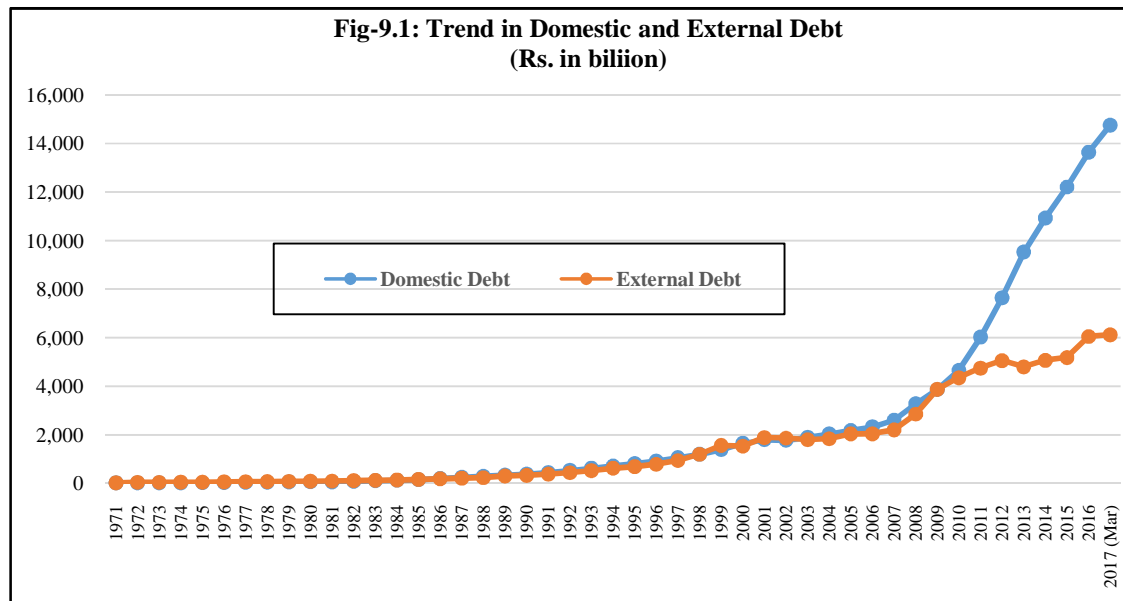
deficit was Rs.1,018 billion. This differential is mainly attributed to increase in government credit balances with the banking system. Similarly, increase in external debt contributed Rs.73 billion in public debt. Revaluation gain on account of appreciation of US Dollar against other foreign currencies reduced the impact of net external inflows on external public debt portfolio. The trend in public debt since 1971 is depicted in Box-1.

Box-1 - Trend in Public Debt

Table-9.1: Year Wise Public Debt Position

Year	Domestic Debt	External Debt	Public Debt	Year	Domestic Debt	External Debt	Public Debt	Year	Domestic Debt	External Debt	Public Debt
(Rs. in billion)											
FY71	14	16	30	FY87	248	209	458	FY03	1,895	1,800	3,694
FY72	17	38	55	FY88	290	233	523	FY04	2,028	1,839	3,866
FY73	20	40	60	FY89	333	300	634	FY05	2,178	2,034	4,211
FY74	19	44	62	FY90	381	330	711	FY06	2,322	2,038	4,359
FY75	23	48	70	FY91	448	377	825	FY07	2,601	2,201	4,802
FY76	28	57	85	FY92	532	437	969	FY08	3,275	2,852	6,126
FY77	34	63	97	FY93	617	519	1,135	FY09	3,860	3,871	7,731
FY78	41	71	112	FY94	716	624	1,340	FY10	4,654	4,352	9,006
FY79	52	77	130	FY95	809	688	1,497	FY11	6,017	4,750	10,767
FY80	60	86	146	FY96	920	784	1,704	FY12	7,638	5,057	12,695
FY81	58	87	145	FY97	1,056	939	1,995	FY13	9,522	4,797	14,318
FY82	81	107	189	FY98	1,199	1,193	2,392	FY14	10,920	5,071	15,991
FY83	104	123	227	FY99	1,389	1,557	2,946	FY15	12,199	5,182	17,381
FY84	125	132	257	FY00	1,645	1,527	3,172	FY16	13,627	6,051	19,678
FY85	153	156	309	FY01	1,799	1,885	3,684	FY17 (Mar)	14,748	6,124	20,873
FY86	203	187	390	FY02	1,775	1,862	3,636				

Fig-9.1: Trend in Domestic and External Debt (Rs. in billion)



Public Debt

Table-9.2: Public Debt

	2011	2012	2013	2014	2015(P)	2016(P)	2017(P)*
(Rs. in billion)							
Gross Domestic Debt	6,016.7	7,638.1	9,521.9	10,920.0	12,198.9	13,626.9	14,748.1
*Net Domestic Debt	5,173.5	6,831.6	8,686.2	9,551.3	10,804.8	11,773.5	12,768.2
External Debt	4,750.2	5,057.2	4,796.5	5,071.5	5,181.8	6,051.1	6,124.4
Gross Public Debt	10,766.9	12,695.3	14,318.4	15,991.5	17,380.7	19,678.1	20,872.5
*Net Public Debt	9,923.6	11,888.8	13,482.7	14,622.8	15,986.6	17,824.6	18,892.6
(In percent of GDP)							
Gross Domestic Debt	32.9	38.1	42.5	43.4	44.5	46.8	46.3
*Net Domestic Debt	28.3	34.1	38.8	37.9	39.4	40.5	40.1
External Debt	26.0	25.2	21.4	20.1	18.9	20.8	19.2
Gross Public Debt	58.9	63.3	64.0	63.5	63.3	67.6	65.5
*Net Public Debt	54.3	59.3	60.2	58.1	58.3	61.2	59.3

Memo:

Foreign Currency Debt (US\$ in billion)	55.3	53.5	48.1	51.3	50.9	57.7	58.4
Exchange Rate (Rs./US\$, End of Period)	86.0	94.5	99.7	98.8	101.8	104.8	104.8
GDP ^(b) (Rs. in billion)	18,276.4	20,046.5	22,385.7	25,168.8	27,443.0	29,102.6	31,862.2

*Net of government deposits with the banking system

P: Provisional *end-March, 2017

Source: State Bank of Pakistan, Economic Affairs Division, Budget Wing and Debt Policy Coordination Office

The average cost of gross public debt was reduced by 40 basis points during first six months of current fiscal year owing to smooth execution of the MTDS. The average cost of domestic debt portfolio was reduced by over 50 basis points during first six months of current fiscal year while the average cost of external loans obtained by the present government comes to around 3 percent which is significantly lower than the domestic financing cost even after a margin of capital loss due to exchange rate depreciation is added.

Government was able to mobilize external inflows from multilateral and bilateral development partners and continued its presence in international capital markets through the issuance of Sukuk during first nine months of current fiscal year. An improvement was observed in most of the public debt risks indicators during last three and half years in-line with the objectives set forth in Pakistan's first MTDS (2013). Refinancing risk of the domestic debt portfolio reduced through lengthening of the maturity profile as

percentage of domestic debt maturing in one year was reduced to 52.7 percent at the end of December 2016 compared with 64.2 percent at the end of June 2013. Exposure to interest rate risk was also reduced as the percentage of debt re-fixing in one year decreased to 45.5 percent at the end of December 2016 compared to 52.4 percent at the end of June 2013. Similarly, share of external loans maturing within one year was equal to around 31.9 percent of official liquid reserves at the end of December 2016 as compared with around 68.5 percent at the end of June 2013 indicating improvement in foreign exchange stability and repayment capacity.

The public debt analysis may be incomplete without reporting contingent liabilities. Contingent liabilities are not added to the overall debt of the country, therefore, public disclosure of information about guarantees is an essential component of fiscal transparency. Contingent liabilities of Pakistan are guarantees issued to Public Sector Enterprises (PSEs). During first half of current fiscal year, the

government issued fresh/rollover guarantees aggregating to Rs.368 billion or 1.2 percent of GDP. The outstanding stock of government guarantees as at end December 2016 was recorded at Rs.838 billion.

9.3 Public Debt Risks Indicators

It is imperative to have a comprehensive debt management strategy aiming at debt sustainability and enhancing the debt servicing capacity of the country. Owing to its vital importance and indispensable nature, the government updated its MTDS (2015/16-2018/19) which contains a policy advice on an

appropriate mix of financing from different sources with the spirit to uphold the integrity of the Fiscal Responsibility and Debt Limitation Act. In accordance with the approved strategy, the government was required to lengthen the maturity profile of its domestic debt and mobilize sufficient external inflows in the medium term.

The public debt risk indicators are on track to achieve the targets set under MTDS. Refinancing, interest rate and foreign currency risks of public debt portfolio have been significantly reduced as at end December, 2016 as compared with end June, 2013.

Table-9.3: Public Debt Risk Indicators

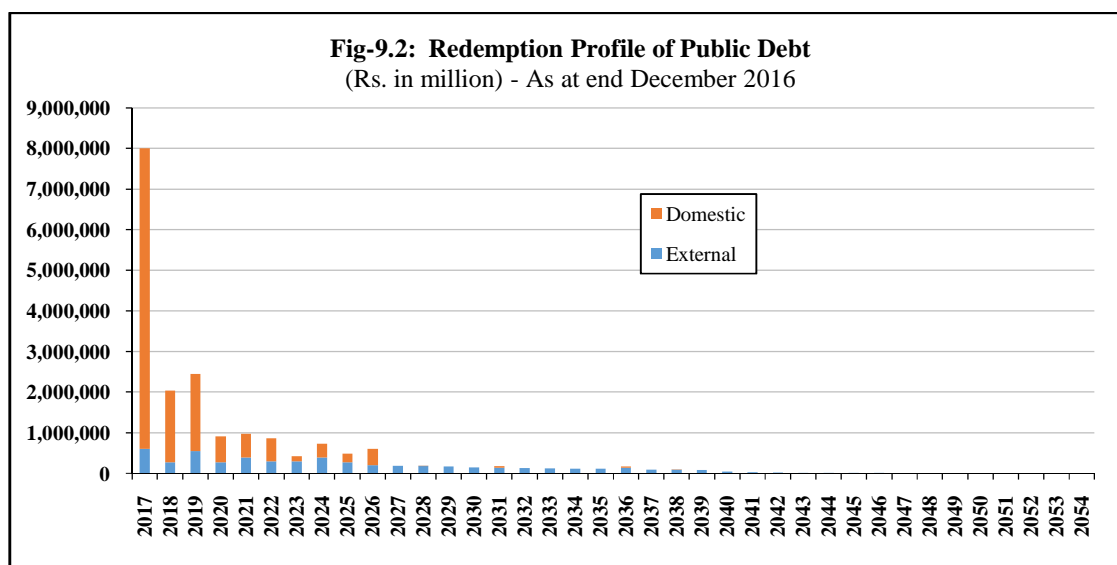
Risk Indicators		Indicative Ranges (MTDS 2015/16 - 2018/19)	Domestic Debt	External Debt	Public Debt
			End-December 2016		
FX risk	FX debt (% of total debt)	20% (minimum) and 35%	*	27.8	*
	ST FX debt (% of official liquid reserves)	*	*	31.9	*
Interest rate risk	Debt Re-fixing in 1yr (% of total)	50% and 65% (maximum) - DD 40% and 55% (maximum) -PD	53.6	24.6	45.5
	Fixed rate debt (% of total)	*	54.3	81.5	61.9
	Average Time to Re-fixing (years)	1.5 (minimum) and 2.5 - DD 3.0 (minimum) and 4.5 - PD	2.1	7.8	3.7
Refinancing risk	Debt maturing in 1yr (% of total)	50% and 65% (maximum) - DD 35% and 50% (maximum) -PD	52.7	11.3	41.2
	Average Time to Maturity (years)	1.5 (minimum) and 2.5 - DD 3.0 (minimum) and 4.5 - PD	2.1	8.5	3.9
* Not Applicable DD: Domestic Debt PD: Public Debt Source: Debt Policy Coordination Office, Ministry of Finance					

The refinancing risk of the domestic debt was reduced at the end of December 2016 as domestic debt maturing in one year reduced to 52.7 percent as compared with 64.2 percent at the end of 2012-13. This improvement has contributed towards increase in average time to maturity of domestic debt to 2.1 years at the

end of December 2016 as compared with 1.8 years at the end of 2012-13. However, average time to maturity of external debt decreased to 8.5 years at the end of December 2016 as compared with 10.1 years at the end of 2012-13. This reduction in average time to maturity of external debt may be mainly attributed to

running off the existing long term external debt portfolio over the last three and half years. The redemption profile of domestic and external

debt as at end December 2016 is shown in the graph below:



Government has been able to reduce refinancing risk of its domestic debt as compared with end June 2013, still concentration of repayments over the short term are evident in the redemption profile. Government is making concerted efforts to further reduce the refinancing risk of its domestic debt portfolio through more mobilization in the form of medium to long term domestic debt instruments.

Exposure to interest rate risk reduced as percentage of debt re-fixing in one year decreased to 45.5 percent at the end of December 2016 as compared with 52.4 percent at the end of 2012-13. Average time to re-fixing decreased to 3.7 years at the end of December 2016 as compared with 4.2 years at the end of 2012-13. Fixed rate debt as a percentage of total debt increased to 61.9 percent at the end of December 2016 as compared with 54 percent at the end of 2012-13 indicating reduced exposure to interest rate changes.

Around 27.8 percent of total public debt stock was denominated in foreign currency as at end December 2016. Currency wise composition of public debt portfolio is depicted through table below:

Table-9.4: Currency Wise Public Debt^(a) (in US\$)

Currencies	Percentage
Pak Rupee	72.2
US Dollar	12.6
Special Drawing Right	8.6
Japanese Yen	4.5
Euro	2.1
Total	100.0

^(a) As per modalities of MTDS

The improvement in foreign exchange stability and repayment capacity is evident from the fact that share of external loans maturing within one year was equal to around 31.9 percent of official liquid reserves at the end of December 2016 as compared with around 68.5 percent at the end of 2012-13.

9.4 Dynamics of Public Debt Burden

The debt burden can be described with many parameters and there is no single threshold for debt ratios that can delineate the “bad” from the “good” e.g. debt burden can be expressed in terms of the stock ratio i.e. debt to GDP, external debt to GDP or flow ratios i.e. debt to

revenue, external debt to foreign exchange earnings etc.

Table-9.5: Selected Public Debt Indicators (in percentage)

	2011	2012	2013	2014	2015	2016
Revenue Balance* / GDP	(3.3) ^(a)	(4.5) ^(b)	(2.9) ^(c)	(0.7)	(1.7)	(0.8)
Primary Balance* / GDP	(2.5) ^(a)	(4.2) ^(b)	(3.6) ^(c)	(0.2)	(0.5)	(0.2)
Fiscal Balance / GDP	(6.5) ^(a)	(8.8) ^(b)	(8.2) ^(c)	(5.5)	(5.3)	(4.6)
Gross Public Debt / GDP	58.9	63.3	64.0	63.5	63.3	67.6
Net Public Debt / GDP	54.3	59.3	60.2	58.1	58.3	61.2
Gross Public Debt / Revenue	477.9	494.7	480.1	439.7	442.1	442.5
Net Public Debt / Revenue	440.5	463.2	452.1	402.0	406.7	400.8
Debt Service / Revenue	38.0	39.9	40.5	40.1	40.4	35.9
Interest Service / Revenue	31.0	34.6	33.2	31.6	33.2	28.4
Debt Service / GDP	4.7	5.1	5.4	5.8	5.8	5.5

*Adjusted for grants

^(a) includes arrears of electricity subsidies amounting to Rs.120 billion or 0.7 percent of GDP

^(b) includes "one off" payment of Rs.391 billion on account of debt consolidation or 2 percent of GDP

^(c) includes payment for the resolution of the circular debt amounting to Rs.322 billion or 1.4 percent of GDP

Source: Debt Policy Coordination Office Staff Calculations, Ministry of Finance

Significant reduction was observed in primary and revenue deficits¹ during 2015-16 as the government adhered strictly to its objective of fiscal consolidation. Revenue deficit was reduced to 0.8 percent of GDP during 2015-16 from 1.7 percent during 2014-15 as the growth in total revenue (13 percent) outpaced the growth in current expenditure (6 percent) during 2015-16. Similarly, primary deficit was reduced to 0.2 percent of GDP during 2015-16 from 0.5 percent during 2014-15 as the growth in total revenue overshadowed the growth in non-interest expenditure during 2015-16. During first nine months of current fiscal year, revenue deficit was recorded at 1.4 percent of GDP while primary deficit was recorded at 0.4 percent of GDP.

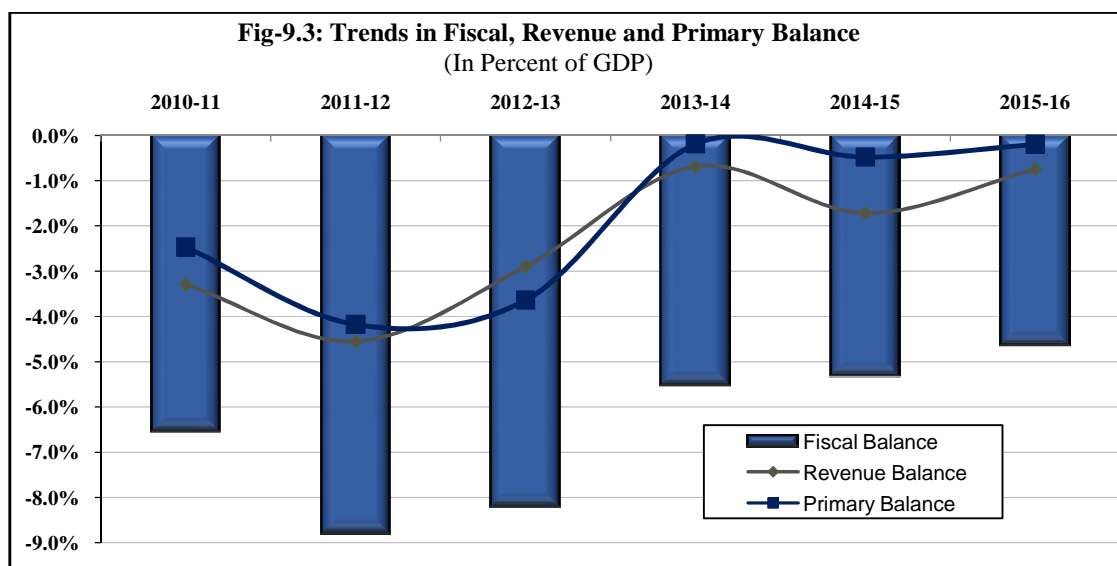
Fiscal consolidation remained on track as fiscal deficit continued to fall for the fourth year in a row. Fiscal deficit was contained at 8.2 percent in 2012-13 (down from a projected 8.8 percent), due to the concerted efforts by the government soon after assuming the office. Fiscal deficit

was reduced significantly in 2013-14 and recorded at 5.5 percent of GDP (lower than its budgeted target of 6.6 percent) and recorded at 5.3 percent of GDP in 2014-15. Fiscal deficit was reduced further at 4.6 percent of GDP during 2015-16 mainly owing to the following:

- FBR tax collections witnessed growth of over 20 percent during 2015-16;
- Interest payments recorded a significant decline and stood at 28 percent of government revenue during 2015-16 as compared with 33 percent in 2014-15 mainly due to low interest rate environment, downward revision of coupon rates of Pakistan Investment Bonds (PIBs) and higher growth in revenue as mentioned above;
- While deficit reduction was already visible at the federal level, surpluses in provincial accounts further consolidated the fiscal position.

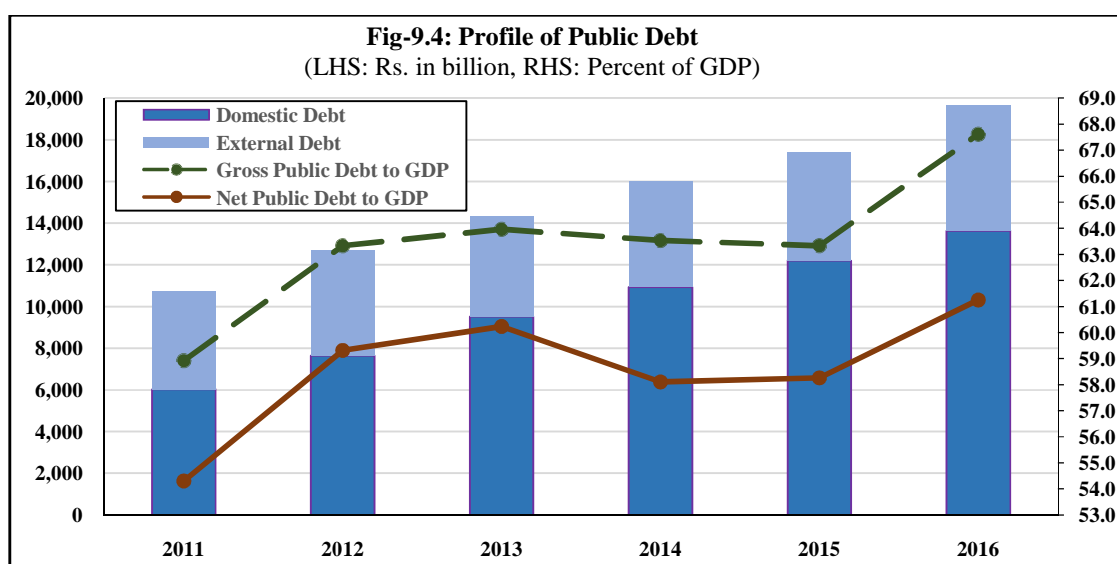
Fiscal deficit was recorded at 3.9 percent of GDP during first nine months of current fiscal year as compared with 3.5 percent in the corresponding period of last year. The increase may be attributed to lower growth in tax revenues owing to various tax incentives provided to promote investment and economic activity in the country.

¹ Revenue balance is the total revenues minus current expenditure. The persistence of revenue deficit indicates that the government is not only borrowing to finance its development expenditure, but partially to finance its current expenditure. Primary balance is the total revenues minus non-interest expenditure or fiscal deficit before interest payments. Primary balance is an indicator of current fiscal efforts since interest payments are predetermined by the size of previous deficits.



The net public debt to GDP ratio was recorded at 61.2 percent as at end June, 2016 slightly higher than 60.2 percent recorded at end June 2013 despite reduction in fiscal deficits over this period. The non-fiscal deficits factors like revaluation losses on account of cross currency movements and loans from IMF contributed to this increase. The IMF loans are only applied towards Pakistan's balance of payments, add to foreign currency reserves and do not come as an extra resource in the budget. In fact, net

public debt to GDP ratio was prevailing at the same level of 60.2 percent at end June 2016, however, this ratio went up to 61.2 percent due to downward revision of nominal GDP. As at end March 2017, net public debt to GDP ratio stood at 59.3 percent as compared with 59.6 percent in the corresponding period of last year. The gross and net public debt position since fiscal year 2011 (both in absolute and GDP term) are depicted in the following graph:



Public debt levels against actual government revenues measures debt repayment capacity of the country. There was around 6 percentage

point reduction in net public debt to government revenues ratio which stood at 401 percent in 2015-16 as compared with 407

percent in 2014-15, indicating some easing in government indebtedness. Whereas, gross public debt to government revenues increased slightly by 0.4 percentage point during 2015-16 as compared with previous fiscal year. Government is committed to reduce this ratio to a generally acceptable threshold of 350 percent by increasing its revenues and rationalizing current expenditures which will reduce the debt burden and improve the debt carrying capacity of the country to finance the growing

development needs.

9.5 Servicing of Public Debt

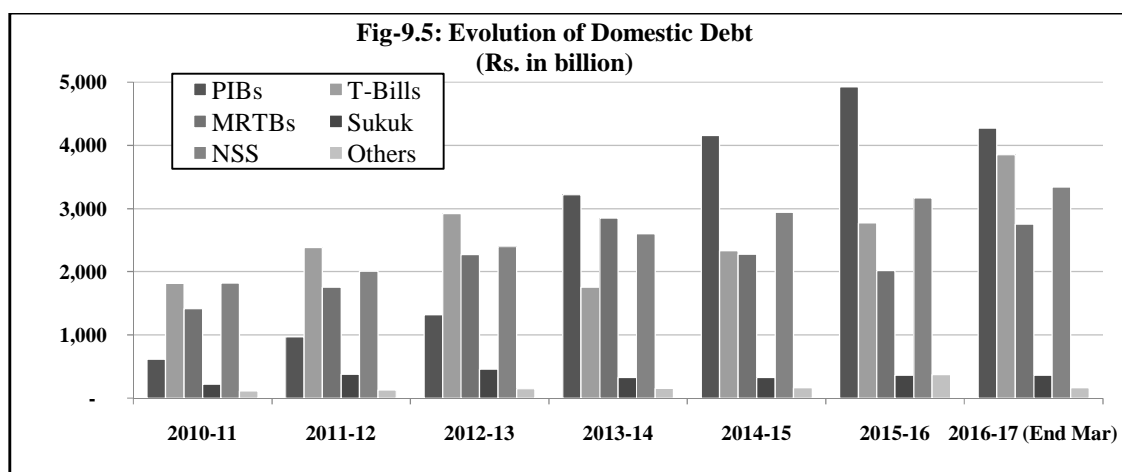
Public debt servicing was recorded at Rs.1,410 billion during first nine months of current fiscal year against the annual budgeted estimate of Rs.1,945 billion. Public debt servicing consumed nearly 45 percent of total revenues during first nine months of current fiscal year against a ratio of 46 percent during the same period last year.

Table-9.6: Public Debt Servicing				(Rs. in billion)
	2016-2017*			
	Budgeted	Actual	Percent of Revenue	Percent of Current Expenditure
Repayment of External Debt	585.2	315.6	10.0	8.8
Total External Principal Repayment (A)	585.2	315.6	10.0	8.8
Servicing of External Debt	113.0	84.6	2.7	2.3
Servicing of Domestic Debt	1,247.0	1,009.9	32.1	28.0
Total Interest Servicing (B)	1,360.0	1,094.5	34.8	30.4
Total Servicing of Public Debt (A+B)	1,945.2	1,410.0	44.8	39.1
*: July-March				
Source: Budget Wing and Debt Policy Coordination Office Staff Calculations, Ministry of Finance				

Domestic interest payments constituted around 72 percent of total debt servicing which is due to higher volume of domestic debt in public debt portfolio. Domestic interest payments were recorded at Rs.1,010 billion during first nine months of current fiscal year as compared with Rs.1,003 billion during the same period last year. This slight increase in interest payments (despite lower interest rates) was mainly driven by increase in domestic debt stock during the period. Out of total domestic interest payments, large portion was paid against PIBs (Rs.457 billion), National Savings Schemes (Rs.203 billion), T-Bills (Rs.164 billion) and Market Related Treasury Bills (Rs.119 billion). Furthermore, due to re-profiling of the domestic debt by the government, the domestic interest cost is expected to remain almost at the same level in the upcoming year despite increase in domestic debt volume.

9.6 Domestic Debt

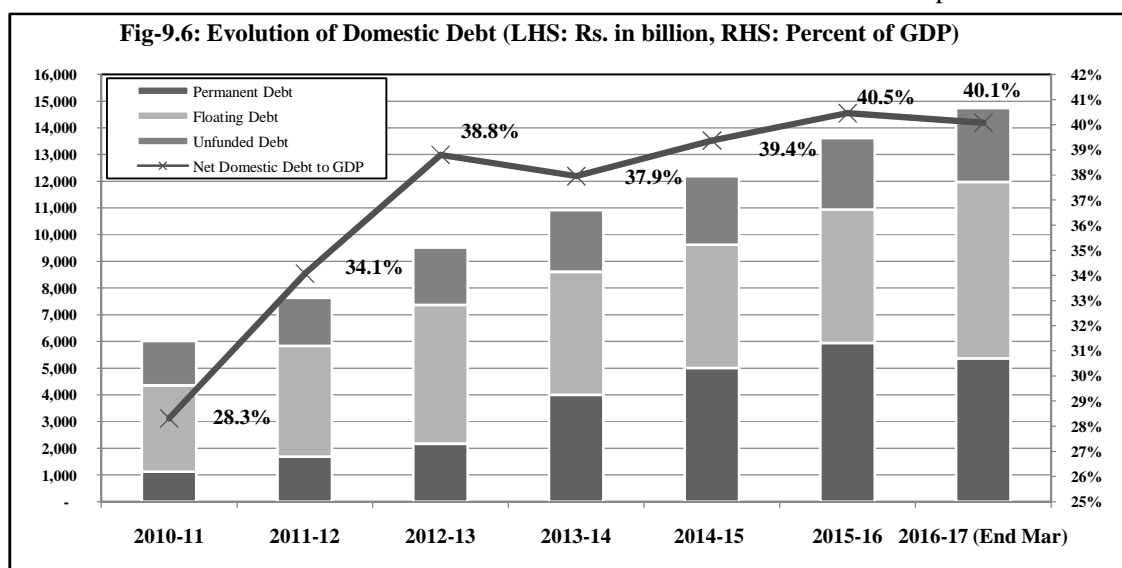
Pakistan's domestic debt comprises permanent debt (medium and long-term), floating debt (short-term) and unfunded debt (primarily made up of the various instruments available under the National Savings Schemes). Domestic debt increased by Rs.1,121 billion during first nine months of current fiscal year which was lower than Rs.1,200 billion witnessed in the same period last year. The composition of domestic debt witnessed some changes as most of the increase came from short-term debt while net retirement was witnessed in medium to long term debt during the said period owing to significant PIBs maturities. Accordingly, share of floating debt in total domestic debt increased to 45 percent at the end of March 2017 as compared with 37 percent at the end of last fiscal year while share of permanent debt in total domestic debt decreased to 36 percent at the end of March 2017 as compared with 44 percent at the end of last fiscal year.



9.6.1 Outstanding Domestic Debt

Gross domestic debt was Rs.14,748 billion while net domestic debt was Rs.12,768 billion as at end March 2017. Gross domestic debt registered an increase of Rs.1,121 billion during the year while government borrowing from domestic sources for financing of fiscal deficit was Rs.1,018 billion. This differential is mainly attributed to increase in government credit

balances with the banking system. Most of the incremental mobilization was recorded in floating debt while net retirement was witnessed in permanent debt. Despite significant PIBs maturities of Rs.1,427 billion, marginal net retirement was witnessed owing to proactive debt management that brought down the interest rates on long term domestic debt portfolio significantly, thus bringing down the overall cost of domestic debt portfolio.



The following section highlights the developments in the various components of domestic debt during first nine months of outgoing fiscal year:

I. Permanent Debt

Permanent debt mainly consists of medium to

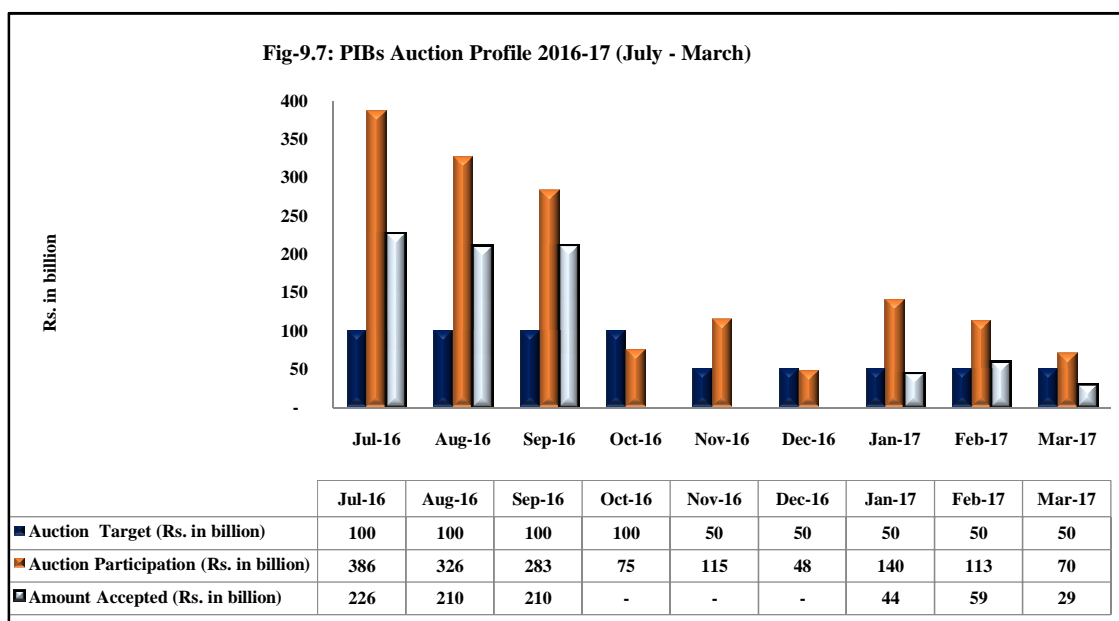
long term instruments including PIBs, Government Ijara Sukuk (GIS), Prize Bond etc. PIBs are non-callable instruments with fixed and semi-annual coupon payment. PIBs are issued in tenors of 3, 5, 10 and 20 years maturity. The 3, 5 and 10 years tenors are most liquid. Government Ijara Sukuk are medium

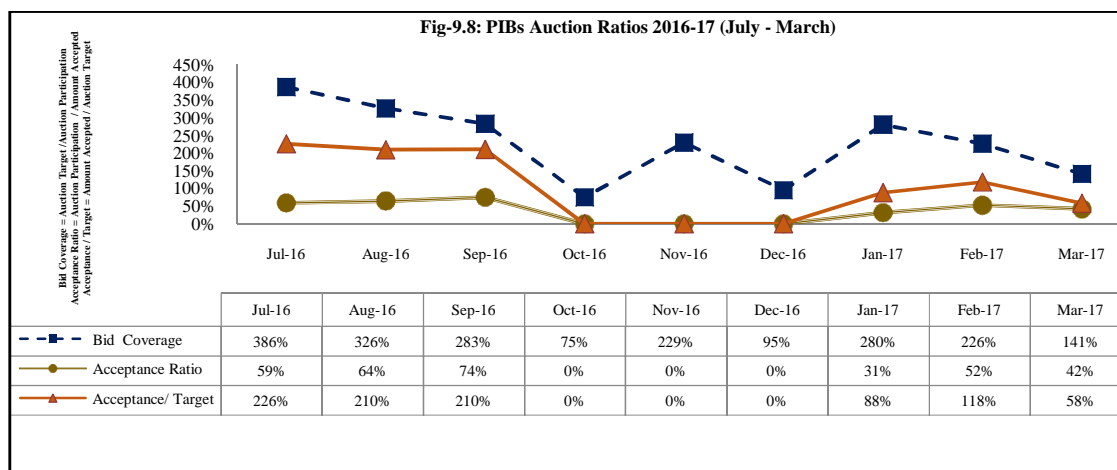
term Shariah compliant bonds currently issued in 3 years tenor. The purpose of issuance was to raise money from Islamic financial institutions which have grown substantially in Pakistan in past few years.

The amount of permanent debt in total domestic debt stood at Rs.5,379 billion as at end March 2017, representing decrease of Rs.565 billion as compared with the stock at the end of last fiscal year. This decrease was driven by PIBs maturity amounting to Rs.1,427 billion which was repaid during the first quarter of 2016-17. Given the impact of maturing amount on the appetite of domestic debt market, the government planned well in time and started mobilizing more through fresh issuance of PIBs and GIS to cover up the existing PIBs maturities i.e. the government issued Rs.2,271 billion from January 2015 to September 2016 and that too at lower yield and higher duration. Although the government was able to more or less neutralize the overall impact of PIBs maturity on domestic debt sustainability indicators, it was envisaged that the entire PIBs amount would be challenging to re-finance during the first quarter of 2016-17 through fresh issuance of PIBs given the local market appetite for long term paper.

Auction profile of government securities

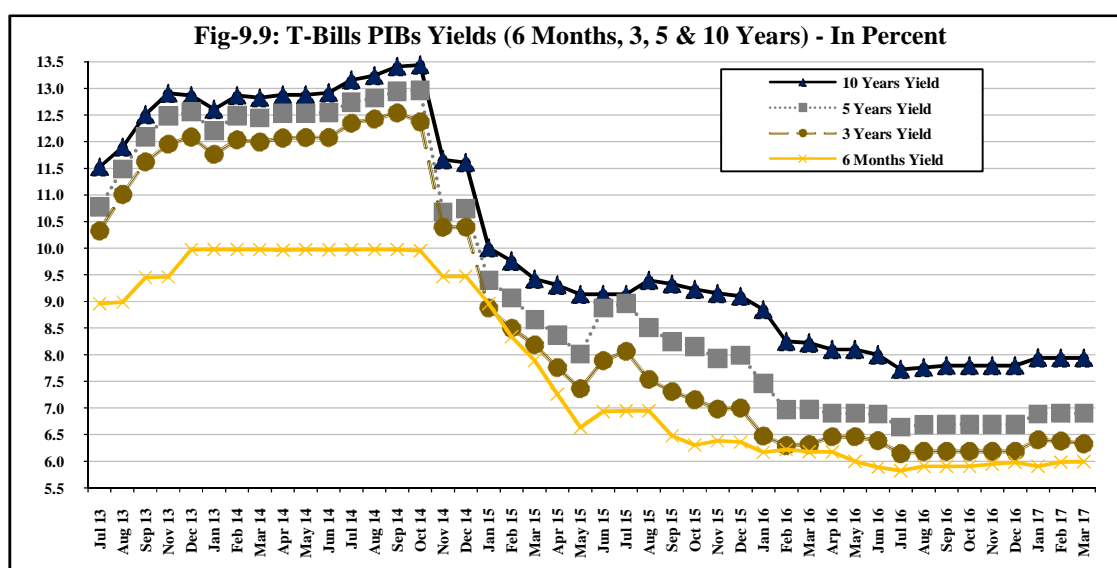
witnessed varied patterns of investment by the commercial banks during first nine months of 2016-17, mainly depending on their perception of changes in interest rates, inflation, liquidity conditions and external sector developments. The policy rate remained unchanged throughout first nine months of current fiscal year, however, unlike the first quarter, when the government (in gross terms) raised more than twice the combined targeted amount of Rs.300 billion, all bids received against PIBs auctions during second quarter of 2016-17 were rejected as the rates quoted by commercial banks were on a higher side. Any acceptance in these PIBs auctions may have signalled a reversal in long-term interest rates, which, in turn, would have had implications for the market's short-term interest rate expectations. The market was expecting an increase in interest rates due to increase in inflation and widening of the current account deficit. Nonetheless, as the actual inflation consistently turned out to be lower than market expectations (especially in November and December 2016) and accordingly some correction in the longer segment of the yield curve was observed during third quarter of 2016-17. The auctions wise details and PIBs yields are depicted through following graphs:





As depicted in the graph above, against the target of Rs.650 billion, government received participation of Rs.1,556 billion against which government accepted Rs.779 billion during first

nine months of current fiscal year. The yields (6 months T-bills, 3, 5 and 10 years PIBs) from July 2013 to March 2017 are depicted through following graph:



II. Floating Debt

Floating debt consists of short term domestic borrowing instruments such as Market Treasury Bills (MTBs) and State Bank borrowing through the purchase of MRTBs. Treasury Bills are zero coupon or discounted instruments issued in tenors of 3 months (introduced in 1997), 6 months (introduced in 1990) and 12 months (introduced in 1997). In order to raise short term liquidity, the government borrows from the domestic banks through auction in the form of Treasury Bills. The auction of Treasury Bills is arranged by the SBP twice a month.

Floating debt recorded an increase of Rs.1,602 billion during first nine months of current fiscal year and stood at Rs.6,604 billion at end March 2017. The share of floating debt in overall public debt and domestic debt stood at 32 percent and 45 percent respectively at end March 2017 while it was at 36 percent and 55 percent respectively at the end of 2012-13. During July-March 2016-17, net mobilization through T-bills and MRTBs stood at Rs.1,080 billion and Rs.735 billion respectively, while the government retired maturing Sukuk (Bai-Muajjal) of Rs.213 billion. The increase in

Pakistan Economic Survey 2016-17

floating debt was mainly driven by refinancing of portion of PIBs maturity during first quarter of 2016-17. Further, banks started offering higher amounts in T-bills auctions while participation and acceptance in PIBs auctions remained subdued in second and third quarter of 2016-17 owing to rising interest rate expectations. The share of 3 months, 6 months and 12 months maturity in total T-Bills portfolio was 30 percent, 41 percent and 29 percent respectively as at end-March 2017.

Government received massive participation of Rs.9,308 billion in the auctions of T-Bills against the target of Rs.5,300 billion including maturity of Rs.4,759 billion. However, the government mobilized Rs.5,829 billion resulting in additional mobilization of Rs.1,070 billion (net of maturity) against the targeted additional requirement of Rs.541 billion. The auctions wise details and relevant ratios related to T-bills are depicted through following graphs:

Fig-9.10: T-Bills Auction Profile 2016-17 (July - March)

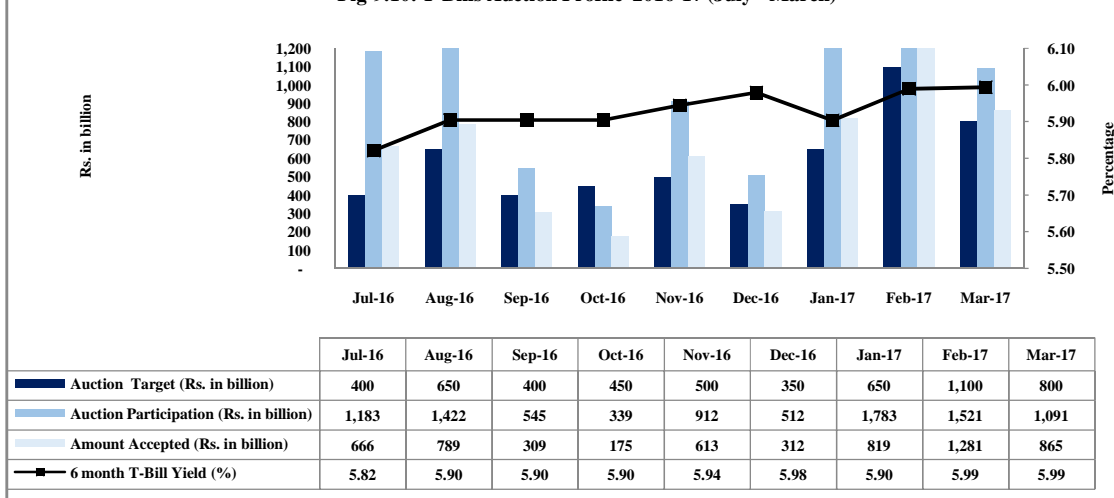
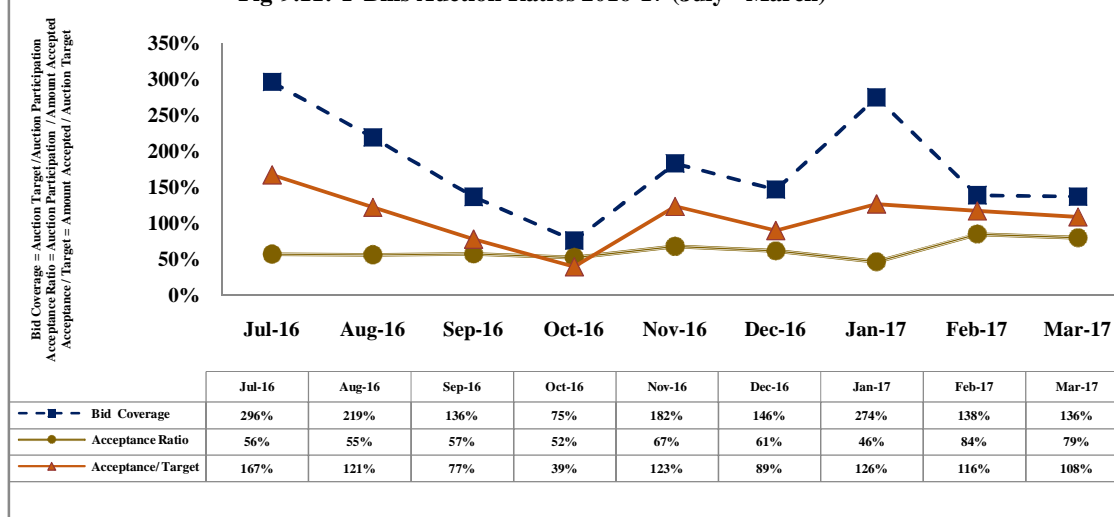


Fig-9.11: T-Bills Auction Ratios 2016-17 (July - March)



III. Unfunded Debt

The return offered on National Savings Schemes (NSS) instruments remained relatively

lower than previous year which mainly contributed towards decrease in net mobilization of Rs.85 billion during first nine months of current fiscal year as compared with

Rs.96 billion mobilized during the same period last year. Most of the incremental mobilization went into Bahbood Savings Certificates (Rs.45 billion) and Special Savings Certificates and Accounts (Rs.26 billion). The total share of unfunded debt in the government's domestic debt stood at Rs.2,766 billion or 19 percent as at end March 2017. The rates on NSS revised three times during first nine months of current fiscal year to align them with the market rates.

Over a period of time, government took various measures to transform CDNS from merely a retail debt raising arm of the government to an effective vehicle for financial inclusion and a provider of social security net to the vulnerable sections of the society. CDNS launched Rs.40,000 Premium Prize Bond which is issued to only registered investors with unique features of both the profits paid biannually and the prize money through quarterly draws. Both the profits and the prize money are also directly credited into investors' bank accounts. CDNS also became the only non-banking member of

National Institutional Facilitation Technologies (Pvt.) Limited ("NIFT") – the Banking Clearinghouse. With this initiative, the profits can be credited directly into investor's bank accounts, thereby offering safety and security along with access to other banking services.

CDNS is planning to introduce innovative products in order to increase financial inclusion of small savers and contribute towards the social safety net of deserving segments of the society. In this respect, extension of Bahbood Savings Certificates ("BSCs") to the disabled persons, launch of Shuhadas' Family Welfare Accounts ("SFWAs") for family members of the martyrs and introduction of Overseas Pakistanis Certificates ("OPCs"), an exclusive scheme for non-resident Pakistanis are under consideration. Shariah compliant products are taking firm roots in Pakistani society and accordingly CDNS is working on the possibility of launching Shariah Compliant Savings Certificates.

Table-9.7: Outstanding Domestic Debt - (Rs. in billion)

	2011	2012	2013	2014	2015(P)	2016(P)	2017(P) *
Permanent Debt	1,125.6	1,696.9	2,179.2	4,005.3	5,016.0	5,944.2	5,378.8
Market Loans	2.9	2.9	2.9	2.9	2.8	2.8	2.8
Government Bonds	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Prize Bonds	277.1	333.4	389.6	446.6	522.5	646.4	729.5
Foreign Exchange Bearer Certificates	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Bearer National Fund Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal Investment Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special National Fund Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Currency Bearer Certificates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
U.S. Dollar Bearer Certificates	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Special U.S. Dollar Bonds	1.0	0.9	4.2	4.4	4.4	4.5	4.5
Government Bonds Issued to SLIC	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Pakistan Investment Bonds (PIBs)	618.5	974.7	1,321.8	3,223.5	4,158.3	4,925.0	4,276.5
GOP Ijara Sukuk	224.6	383.5	459.2	326.4	326.4	363.9	363.9
Floating Debt	3,235.4	4,143.1	5,196.2	4,610.9	4,612.6	5,001.8	6,603.7
Treasury Bills through Auction	1,817.6	2,383.4	2,921.0	1,758.6	2,331.3	2,771.6	3,851.4
Rollover of Treasury Bills discounted SBP	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Market Related Treasury Bills (MRTBs)	1,417.3	1,759.2	2,274.7	2,851.8	2,280.9	2,017.1	2,751.7
Bai Muajjal	-	-	-	-	-	212.6	-
Unfunded Debt	1,655.8	1,798.0	2,146.5	2,303.8	2,570.3	2,680.9	2,765.7
Defence Savings Certificates	234.5	241.8	271.7	284.6	300.8	308.9	326.0
Khas Deposit Certificates and Accounts	0.6	0.6	0.6	0.6	0.6	0.6	0.6
National Deposit Certificates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Savings Accounts	17.2	21.2	22.3	22.6	26.4	29.2	31.8
Mahana Amdani Account	2.1	2.0	2.0	1.9	1.8	1.8	1.7
Postal Life Insurance	67.1	67.1	67.1	67.1	67.1	67.1	67.1

Table-9.7: Outstanding Domestic Debt - (Rs. in billion)

	2011	2012	2013	2014	2015(P)	2016(P)	2017(P) *
Special Savings Certificates and Accounts	529.1	537.4	734.6	738.8	867.5	896.5	922.2
Regular Income Scheme	182.6	226.6	262.6	325.4	376.0	359.8	339.1
Pensioners' Benefit Account	146.0	162.3	179.9	198.4	214.1	234.7	250.9
Bahbood Savings Certificates	428.5	480.8	528.4	582.4	628.3	692.1	737.4
National Savings Bonds	3.6	3.6	0.2	0.2	0.1	0.1	0.1
G.P. Fund	44.3	54.6	73.1	80.5	85.8	88.3	85.8
Short Term Savings Certificates	-	-	4.0	1.3	1.7	1.9	2.8
Total Domestic Debt	6,016.7	7,638.1	9,521.9	10,920.0	12,198.9	13,626.9	14,748.1

P: Provisional *end-March, 2017

Source: Budget Wing, Finance Division

9.6.2 Secondary Market Activities of Government Securities

An important role of secondary market for government securities is to assist in development of a reliable yield curve and the term structure of interest rates, thus facilitating new issuance. Government bond market in Pakistan is large, liquid and growing in size. The growth in trading activity, as reflected in the increased daily trading volume of government securities in secondary market, shows that the depth and efficiency of the market has increased over time. Banks and non-banks financial institutions also use secondary market trading of government securities as a source of liquidity management.

Secondary Market Outright Trading

In Pakistan, outright trading of government securities, which include MTBs, PIBs and GIS has been growing steadily. The secondary market for these securities is liquid, efficient and deep with Rs.11.3 trillion and Rs.10.7 trillion traded outright in 2015-16 and 2014-15, respectively. During first nine months of 2016-17, the outright trading volume in the secondary market is recorded at Rs.10.6 trillion, compared to Rs.8.3 trillion during the same period of last year. Additionally, the growth in outright segment of secondary market can also be viewed from increase in daily trading volumes which has also increased from Rs.44.4 billion in July-March period of 2015-16 to Rs.56.5 billion during July-March, 2016-17.

Table-9.8: Secondary Market Outright Trading Volume**(Rs. in billion)**

	Full Year		July-March		
Securities	2016	2015	2017	2016	2015
MTB-3M	1,369	1,550	2,502	1,027	1,294
MTB-6M	2,142	2,156	2,432	1,851	1,325
MTB-12M	2,720	2,325	2,156	2,076	1,763
PIB-3Yr	2,387	1,753	1,209	1,520	1,417
PIB-5Yr	959	741	974	651	511
PIB-10Yr	1,018	1,014	641	682	692
PIB-20Yr	10	34	19	6	31
GIS-3Yr	653	1,109	682	526	732
Total	11,257	10,683	10,616	8,338	7,765
Daily Volume	45.0	43.2	56.8	44.4	43.4
Memo:					
Government securities (end period stock)	8,199	6,955	8,620	7,969	6,828
Turnover	1.37	1.54	1.23	1.05	1.14

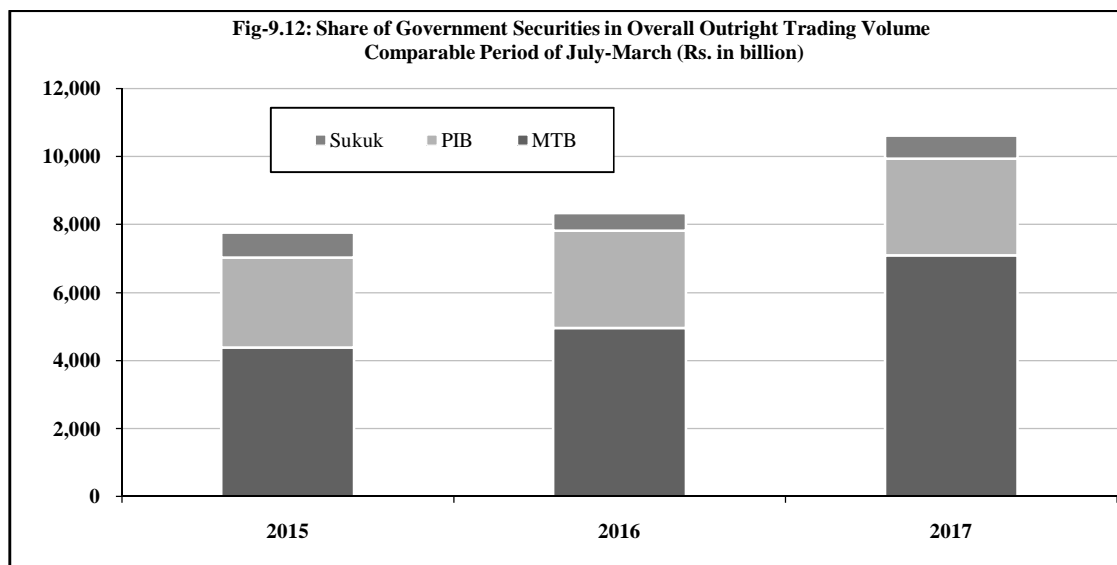
Source: State Bank of Pakistan

The share of MTBs in the overall outright secondary market volume of government securities increased to 46 percent in the period July-March, 2016-17 compared to 35 percent in

the same period of 2015-16, mainly on account of increased volume of MTBs issued in the primary market. On the other hand, the share of PIBs reduced to 50 percent from 60 percent

during the period under consideration. A major reason for this shift is the greater primary issuances of MTBs as market interest shifted

towards short tenor government securities. The shift possibly reflects market perception of interest rate bottoming out.



The turnover ratio (represented by ratio of trading volume to outstanding stock of Government securities) increased to 1.23 during July-March, 2016-17 compared to 1.05 and 1.14 in the same period of 2015-16 and 2014-15, respectively. Increased issuance of MTBs, as discussed above, during 2016-17 has improved the turnover ratio, as the market tend to trade short term securities more frequently for their liquidity management compared to buy and hold behaviour for PIBs and GIS.

Repo Market Trading

Repo market continues to dominate the secondary market trading activities of government securities in Pakistan. In the first nine months of 2016-17, 57 percent of the overall secondary market trades were generated in the repo market, having a trading volume of Rs.13,938 billion. The significantly large trade volumes and high liquidity in the repo market for government securities allow the market participants to swiftly meet their temporary liquidity requirements.

Table-9.9: Government Security based Transactions (July-March)

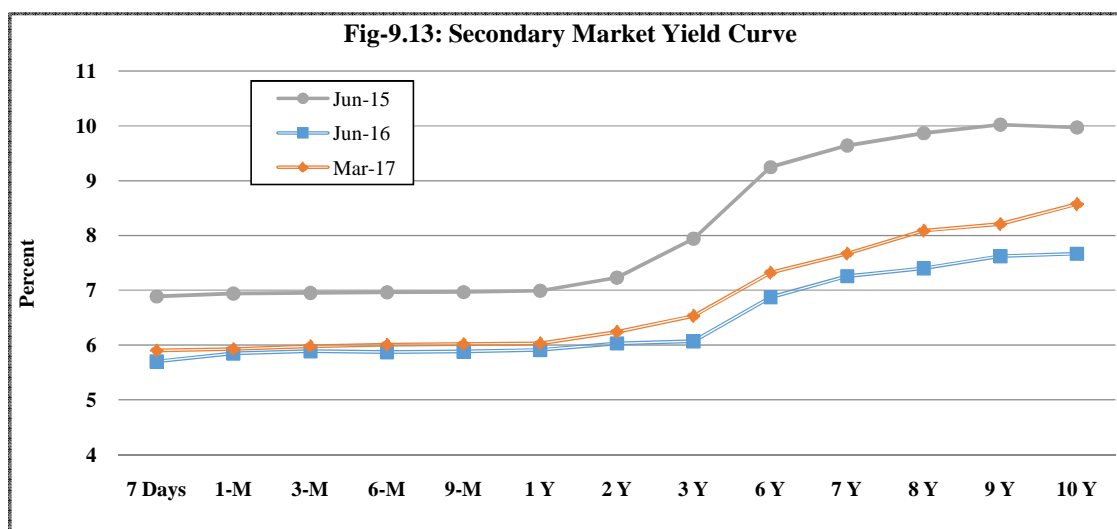
Type	Volume (Rs. in Billion)			Percentage Share		
	2017	2016	2015	2017	2016	2015
Repo	13,938	9,820	10,453	57%	54%	57%
Outright	10,616	8,338	7,765	43%	46%	43%
Total	24,554	18,158	18,218	100%	100%	100%

Source: State Bank of Pakistan

Yield Curve

In continuation to easy monetary policy stance, SBP cut its policy rate by a cumulative 75 bps from June-2015 to June-2016, which is reflected in the downward movement in the yield curve of June 2016. However, SBP kept

its policy rate at 5.75 percent during July-March, 2016-17. The upward movement in the yield curve of March 2017 reflects market view regarding the direction of policy rate, going forward.



9.7 External Debt and Liabilities

Pakistan's External Debt and Liabilities (EDL) include all foreign currency debt contracted by the public and private sector as well as foreign exchange liabilities of SBP. Out of EDL, external public debt of the government is defined as debt which is serviced out of consolidated fund and debt owed to the International Monetary Fund. External public debt is obtained to supplement the domestic resources required to accelerate the pace of economic development and make positive contribution towards developing the country's infrastructure base. The receipts are used for balance of payment support, reducing domestic borrowing and covering the repayment obligations. The external inflows, altogether, help in building foreign exchange reserves, provide stability to exchange rate vis-à-vis other currencies and help in achieving accelerated economic growth.

EDL stock was US\$ 75.7 billion as at end March 2017 out of which external public debt was US\$ 58.4 billion. External public debt recorded an increase of US\$ 0.7 billion during first nine months of current fiscal year. The impact of net fresh external borrowing was partially offset by revaluation gains during first nine months of current fiscal year. Within external debt, the largest component is the multilateral debt and bilateral debt, constituting around 87 percent of the external public debt as at end March, 2017. The loans from multilateral

and bilateral development partners are primarily aimed at removing structural bottlenecks from Pakistan's economy. These concessional loans are primarily utilized towards implementing structural reforms in the areas of energy, taxation, doing businesses, trade facilitation, education and promotion of small and medium enterprises (SMEs). Such concessional lending programs are instrumental in enhancing Pakistan's potential output by promoting efficiency and productivity. These loans are, thus, simultaneously adding to the debt repayment capacity of the country. It may also be highlighted that these loans are also dominated by long term maturities and, therefore, do not add much to the country's debt servicing burden. Furthermore, these concessional external loans have been used to retire relatively more expensive domestic debt.

During first nine months of 2016-17, disbursements against external public debt stood at US\$ 4,955 million. Details of gross inflows from main creditors during the period are as follows:

- Pakistan mobilized US\$ 1,000 million as proceed of the international Sukuk;
- Disbursements from ADB US\$ 757 million included US\$ 188 million under the Social Protection Development and remaining portion was dominated by the proceeds against power sector programs;

Public Debt

- Disbursements from China reached at US\$ 1,033 million and recorded an increase of US\$ 432 million as compared with the comparable period last year. This occurred in tandem with a pickup in CPEC-related economic activities in the country;
- Government borrowed US\$ 1,315 million from commercial lenders.

Table-9.10: Pakistan External Debt and Liabilities							
	2011	2012	2013	2014	2015(P)	2016(P)	2017(P) *
(US Dollar in billion)							
PUBLIC EXTERNAL DEBT							
1. Public Debt (i+ii+iii)**	55.3	53.5	48.1	51.3	50.9	57.7	58.4
i). Medium and Long Term(>1 year)	45.7	45.6	43.5	47.7	45.8	50.0	51.3
Paris Club	15.5	15.0	13.5	13.6	11.7	12.7	11.9
Multilateral	25.8	25.3	24.2	25.8	24.3	26.4	25.9
Other Bilateral	1.9	2.5	2.9	3.4	3.9	4.4	5.2
Euro Bonds/Saindak Bonds	1.6	1.6	1.6	3.6	4.6	4.6	5.6
Military Debt	0.1	0.1	0.1	0.0	-	-	-
Commercial Loans/Credits	-	-	-	0.2	0.3	0.9	2.2
Local Currency Bonds**	0.0	-	0.0	0.0	0.0	0.0	-
Saudi Fund for Development	0.2	0.2	0.2	0.1	0.1	0.1	0.0
SAFE China Deposits	0.5	1.0	1.0	1.0	1.0	1.0	0.5
NBP/BOC Deposits	0.1	-	-	-	-	-	-
ii). Short Term (<1 year)	0.6	0.5	0.3	0.7	1.0	1.7	1.1
Commercial Loans/Credits	-	-	-	0.2	-	0.6	-
Multilateral	0.6	0.5	0.3	0.4	1.0	1.1	1.1
Local Currency Securities**	0.0	0.0	0.0	0.1	0.0	0.0	0.0
iii). IMF	8.9	7.3	4.4	3.0	4.1	6.0	6.0
of which Central Government	2.0	1.9	1.5	0.9	0.1	-	-
Monetary Authorities	6.9	5.4	2.9	2.1	4.1	6.0	6.0
PUBLICLY GUARANTEED DEBT							
2) Publicly Guaranteed Debt	0.1	0.2	0.6	0.5	1.0	1.3	1.2
i). Medium and Long Term(>1 year)	0.1	0.2	0.6	0.5	1.0	1.3	1.2
Paris Club	-	-	-	-	-	-	-
Multilateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Bilateral	0.0	0.2	0.6	0.5	1.0	1.3	1.2
Commercial Loans/Credits	-	-	-	-	-	-	-
Saindak Bonds	-	-	-	-	-	-	-
ii). Short Term (<1 year)	-	-	-	-	-	-	-
NON PUBLIC DEBT							
3. Private Sector Debt	4.4	3.6	3.1	3.0	3.0	3.3	4.3
4. Public Sector Enterprises (PSEs Debt)	1.3	1.3	1.2	1.7	1.5	1.5	1.6
5. Banks	1.1	1.8	1.6	2.0	2.3	2.7	3.7
Borrowing	0.4	0.9	0.7	1.1	1.3	1.6	2.6
Non-resident Deposits (LCY & FCY)	0.7	1.0	0.8	0.9	1.0	1.1	1.2
6. Debt liabilities to direct investors - intercompany debt	1.6	2.7	3.1	3.4	2.7	2.9	3.0
Total External Debt (1 through 6)	63.8	63.1	57.8	62.1	61.4	69.5	72.2
FOREIGN EXCHANGE LIABILITIES							
7. Foreign Exchange Liabilities	2.6	2.4	3.1	3.3	3.7	3.6	3.5
Total External Debt & Liabilities (1 through 7)	66.4	65.5	60.9	65.4	65.1	73.1	75.7
Memo:							
GDP (Rs. in billion)	18,276.4	20,046.5	22,385.7	25,168.8	27,443.0	29,102.6	31,862.2
Exchange Rate (Rs./US\$, End of Period)	86.0	94.5	99.7	98.8	101.8	104.8	104.8
GDP (US\$ in billion)	213.8	224.6	231.4	244.7	270.9	279.2	304.4

P: Provisional *end-March,2017

**excluding local currency bonds/securities since they are already included in domestic debt

Source: State Bank of Pakistan, Economic Affairs Division & Debt Policy Coordination Office

9.7.1 External Debt Servicing

External public debt servicing declined to US\$ 4,340 million during 2015-16 as compared with US\$ 4,475 million during 2014-15. This decline in public debt servicing was mainly due to lower principal repayments made to the IMF.

Servicing of external public debt was recorded at US\$ 3,883 million in first nine months of

2016-17. A segregation of this aggregate number shows a repayment of US\$ 3,008 million in respect of maturing external public debt stock while interest payments were US\$ 875 million. Among the principal repayments, US\$ 1,000 million of multilateral debt and US\$ 500 million of Safe China Deposit accounted for most of the share.

Table-9.11: Public External Debt Servicing

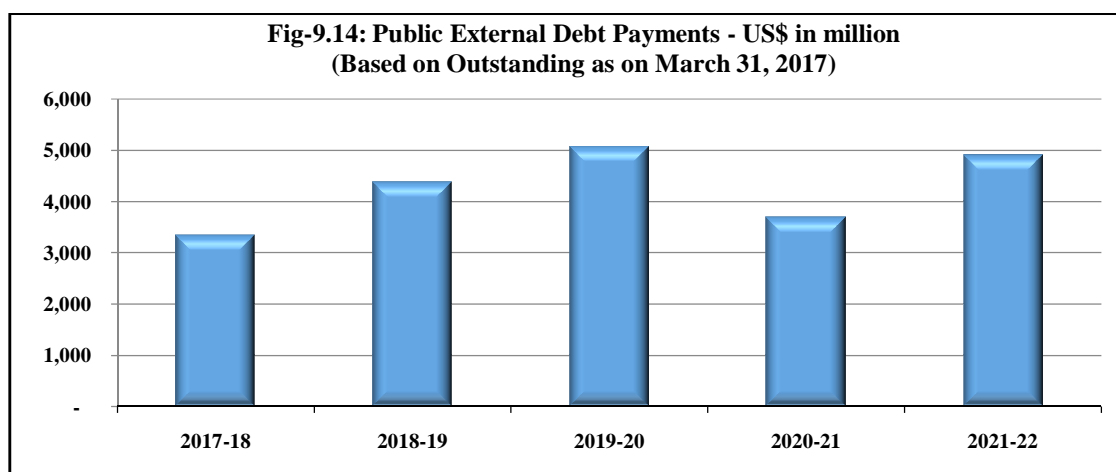
Years	Principal	Interest	Amount Rolled Over	Total
(US Dollar in million)				
2010-11	2,084.7	930.0	488.0	3,502.7
2011-12	2,700.0	880.9	543.0	4,123.9
2012-13	4,794.6	800.4	500.0	6,095.1
2013-14	5,220.0	774.6	1,000.0	6,994.5
2014-15	3,500.3	974.5	1,000.0	5,474.8
2015-16	3,213.1	1,126.7	1,248.3	5,588.1
2016-17*	3,008.4	875.0	-	3,883.3

*July-March, 2016-17

Source: Source: State Bank of Pakistan and Debt Policy Coordination Office, Ministry of Finance

Going forward, there is limited pressure from external debt repayments in the medium term. Projected principal repayments to the IMF against Extended Fund Facility (EFF) are stretched over a longer timeframe, starting at US\$ 0.2 billion in 2018 and rising to US\$ 0.8 billion in 2020, with the final payment due in 2025. An amount of US\$ 0.75 billion due in

this fiscal year is the only Eurobond maturing until 2019. Repayments for Official Development Assistance from the Paris Club began in 2016 which are spread over a 23-year period. The projected external public debt repayments based on outstanding as at end March, 2017 is presented through the graph below:



As depicted in the graph above, external debt repayment obligations for Pakistan are not more than an average of US\$ 4.3 billion per annum until 2022 based on outstanding external public debt as at end March, 2017. Keeping in view the track record of the country, this amount of

repayments should not raise any concern. Pakistan has successfully met higher repayment obligations of US\$ 4.8 billion and US\$ 5.2 billion in 2013 and 2014 respectively, even with much smaller volume of foreign exchange reserves. Furthermore, it is anticipated that

average yearly external inflows would be around US\$ 6.7 billion until 2022 against expected annual average repayment obligations of US\$ 4.3 billion (based on outstanding external public debt as at end March, 2017) i.e. inflows are expected to be sufficient to meet repayment obligations.

9.7.2 Impact of Exchange Rate Fluctuations

In Pakistan, external loans are contracted in various currencies but disbursements are effectively converted into Pak Rupee. As Pak Rupee is not an internationally traded currency, the other currencies are bought and sold via selling and buying of US Dollar. Hence, the currency exposure of foreign debt originates from two sources: US Dollar/other foreign currencies and Pak Rupee/US Dollar. This two pronged exchange rate risk has been a major source of fluctuation in the stock of public external debt over a period.

During first nine months of current fiscal year, appreciation of US Dollar against other major currencies resulted in decrease in foreign currency component of public debt mainly driven by Japanese Yen which depreciated around 16 percent against US dollar. However, Pak Rupee remained almost at the same level of end June, 2016 against US Dollar which resulted in negligible increase in external public debt in Pak Rupee terms.

9.7.3 External Debt Sustainability

The external debt sustainability can be assessed with two types of indicators; (i) solvency indicators and (ii) liquidity indicators. Solvency indicator such as external debt-to-GDP ratio shows debt bearing capacity while liquidity indicators such as external debt servicing to foreign exchange earnings ratio shows debt servicing capacity of the country

Table-9.12: External Debt Sustainability Indicators

	2011	2012	2013	2014	2015	2016
ED/FEE (times)	1.2	1.1	1.0	1.0	1.0	1.1
ED/FER (times)	3.0	3.5	4.4	3.6	2.7	2.5
ED/GDP (Percentage)	25.9	23.8	20.8	21.0	18.8	20.7
ED Servicing/FEE (Percentage)	6.3	7.4	11.1	11.7	8.5	8.4

FEE: Foreign Exchange Earnings; **ED:** External Public Debt; **FER:** Foreign Exchange Reserves

Source: Debt Policy Coordination Office Staff Calculations, Ministry of Finance

External public debt to GDP ratio increased from 18.8 percent at the end of 2014-15 to 20.7 percent at the end of 2015-16. Apart from next external inflows, translational losses on account of depreciation of US Dollar against other foreign currencies contributed to increase in this ratio. Similarly, ED to FEE ratio increased slightly and recorded at 1.1 times at the end of June, 2016 as compared with 1 times at the end of preceding fiscal year. However, external debt to GDP ratio of 20.7 percent was still lower when compared with 20.8 percent recorded at the end of June 2013. By end March 2017, this ratio stood at 19.2 percent.

A decrease in external debt in relation to foreign exchange reserves reflects the consolidation of foreign exchange reserves and a general improvement of the country's repayment capacity or vice versa. This ratio

started improving since 2013-14 and recorded at 2.7 times in 2014-15 as compared with 4.4 times at the end of 2012-13. This ratio improved further and recorded at 2.5 times as at end June, 2016 despite increase in external public debt which shows that growth in foreign exchange reserves outpaced the growth in external public debt in 2015-16. As at end March 2017, this ratio stood at 2.7 times.

External public debt servicing to foreign exchange earnings ratio dropped to 8.5 percent in 2014-15, from 11.7 percent in 2013-14 due to decline in external debt repayments coupled with strong growth in the remittance. This ratio improved further and recorded at 8.4 percent during 2015-16 mainly on account of decline in external public debt servicing. During first nine months of current fiscal year, external public

debt servicing to foreign exchange earnings ratio stood at around 10 percent.

A pragmatic and realistic approach is to measure the “net external indebtedness” of the country which is the difference between external public debt and official FX reserves. As at end June 2013, the SBP FX reserves were around US\$ 6 billion, out of which US\$ 2 billion were through short term FX swap with a friendly country maturing in less than 60 days. Therefore, practically SBP’s true FX reserves were US\$ 4 billion as at end June 2013 against which external public debt stood at US\$ 48.1 billion, thus net external indebtedness on June 30, 2013 was US\$ 44.1 billion (US\$ 48.1 billion - US\$ 4.0 billion). As at end March 2017, the FX reserves of SBP were US\$ 16.5 billion and external public debt stood at US\$ 58.4 billion, thus net external indebtedness was US\$ 41.9 billion (US\$ 58.4 billion - US\$ 16.5 billion). Therefore, net external indebtedness of the country improved by US\$ 2.2 billion by end March 2017 compared with end June 2013.

9.8 Pakistan’s Link with International Capital Market

The issuance of Eurobonds has great significance for Pakistan as it not only introduced Pakistan back in the international capital market but also allowed access to foreign resources for building country’s reserves, which have paved the way for exchange rate stability. Further, the proceeds from Eurobonds were utilized to retire the expensive domestic debt.

Sukuk is referred as a ‘Sharia compliant’ bond.

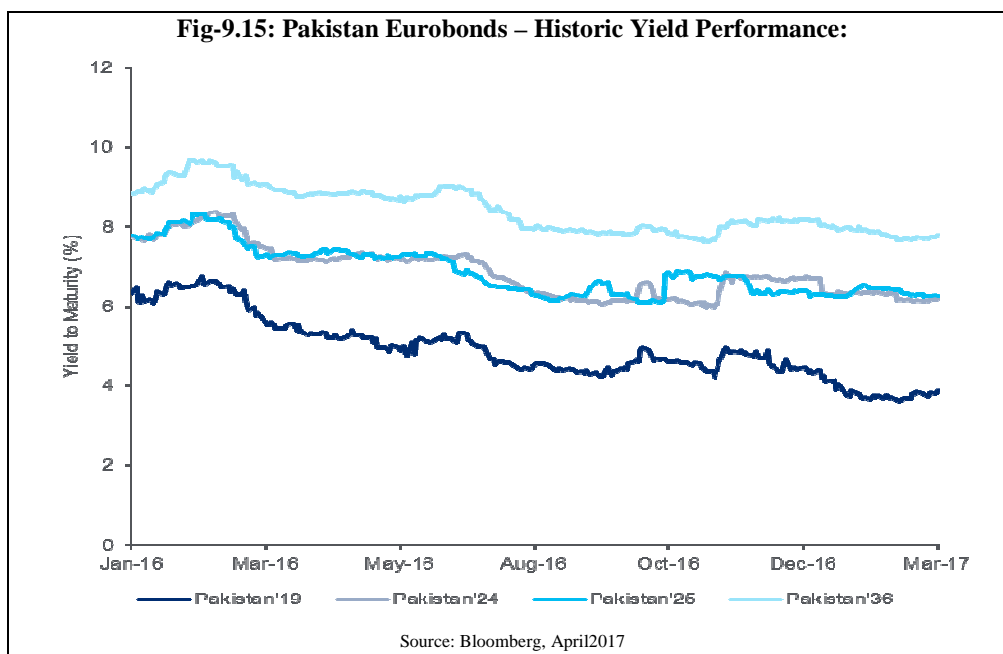
It represents an undivided proportionate ownership interest in an asset with the corresponding right to the Sharia acceptable income streams generated by the asset. These income streams are established and translated into tradable securities which can be issued in the capital markets for investors’ participation. The issuance of Sukuk is one of the most significant mechanisms for raising finances in the domestic/international capital markets. It is being used extensively in the world as an alternative to conventional syndicated financing. In October 2016, the government successfully issued 5-year US\$ 1,000 million Sukuk at the rate of 5.5 percent, the lowest rate ever achieved by the government in the international capital market. The order book saw solid momentum from the start with strong demand from international investors and reached over US\$ 2.4 billion. About 57 percent of the subscription for the Sukuk came from Investment Advisors, Hedge/Mutual/Pension Funds while the remaining was from banks and other financial institutions. In terms of geographical spread, 38 percent of subscription came from Europe, 27 percent each from North American and Middle East and 6 percent from Asia. The proceeds of Sukuk were utilized for balance of payments and budgetary support.

Pakistan’s international Eurobonds have traded well since issuance and levels have remained relatively stable since the start of 2015, other than intermittent impact for broad based market wide volatility. Pakistan’s 19s, 24s, 25s and 36s Eurobonds have broadly traded at a premium since February 2016.

Table-9.13: Secondary Trading Levels

Bond	Ratings			Maturity	Size	Coupon (%)	Price (Bid/Ask)	Yield (%)
	M	S&P	F		(\$ in million)			
EM Sovereign Bonds								
Pakistan	B3	B	--	Jun-17	750	6.875	100.38/ 100.44	3.050
Pakistan	B3	B	--	Apr-19	1,000	7.250	106.13 / 106.50	3.990
Pakistan (Sukuk)	B3	B	--	Dec-19	1,000	6.750	105.13 / 106.50	4.240
Pakistan (Sukuk)	B3	B	B	Oct-21	1,000	5.500	103.75 / 104.13	4.560
Pakistan	B3	B	--	Apr-24	1,000	8.250	111.88 / 112.38	6.130
Pakistan	B3	B	B	Sep-25	500	8.250	112.88 / 113.38	6.260
Pakistan	B3	B	--	Mar-36	300	7.875	102.38 / 103.13	7.630

Source: Reuters, 20th April 2017



9.9 Conclusion

Government is committed to accomplish objectives outlined in FRDL Act, 2005. Going forward, the prime objectives of public debt management include: (i) fulfilling the financing needs of the government at the lowest possible cost, consistent with prudent degree of risk; (ii) broadening the investor base and have a well-functioning domestic debt capital market; (iii) lengthening of maturity profile of its domestic debt portfolio to reduce the re-financing and

interest rate risks; and (iv) mobilization of concessional external financing to enhance potential output by promoting efficiency and productivity, thus, simultaneously adding to the debt repayment capacity of the country. Further, it is important for the government to adopt an integrated approach for economic revival and debt reduction which will require trade-offs in the short-term, thus implementing structural reforms that boost potential growth which is a key to ensure public debt sustainability.

Education

Education plays key and central role in the economic development of a nation by engineering social development, economic prosperity and human resource development. The government assigns a very high priority to developing a high quality, equitable, and widely accessible education system in Pakistan.

Under the 18th Constitutional Amendment Education has been devolved to the provinces which are responsible for the award of education up to intermediate level. The Academy of Educational Planning and Management (AEPAM), after the devolution of the Ministry of Education under 18th Constitutional Amendment, is being administratively controlled by Ministry of Federal Education and Professional Training and performing the functions of collation of education data collected through Provincial/Regional EMISs (Education Management Information System) and maintain linkages with Provincial and District Organization and Educational Institutions.

i) Pre-Primary Education

Pre-primary education is a vital constituent of a child's elementary education. Internationally, it is recommended that every child must be provided with pre-primary education to prepare him for later stages of education. Prep or Katchi class is meant for children between 3 to 4 years of age. In Pakistan there are no separate pre-primary institutions in public sector. At national level, Pre-Primary enrolment witnessed an increase of 2.1 percent as it increased to 9,791,725 in 2015-16 as compared to 9,589,223

in 2014-15. However, it is estimated to increase further by 1.9 percent i.e. from 9,791,725 to 9,976,263 during 2016-17. [Table 10.1].

ii) Primary Education (Classes I-V)

Primary education is the most important and crucial stage for a child's education. At national level, there were 164,630 primary schools with 444,567 teachers in 2015-16 registering a significant increase of 8.6 percent in primary enrolment to 21,550,582 compared to 19,846,824 in 2014-15. It is estimated to increase by 3.6 percent i.e. from 21,550,582 to 22,330,034 during 2016-17. [Table 10.1].

iii) Middle Education (Classes VI-VIII)

Middle schools include grades six through eight. The official age-group is 10-12 year for this level. There were 45,680 middle institutes with 394,231 teachers were functional in 2015-16. A significant increase of 5.2 percent is witnessed in middle classes enrolment as it has increased to 6,922,251 in 2015-16 against 6,582,173 in 2014-15 and is expected to increase further by 2.4 percent i.e. from 6,922,251 to 7,087,061 during 2016-17. [Table 10.1].

iv) Secondary/High Education (Classes IX-X)

High/secondary school is where the final stage of schooling up to a specific age, takes place. High schools in Pakistan usually include grades 9 and 10. During 2015-16, at national level there were 31,740 secondary institutions compared to 31,225 institutions over 2014-15

registering an increase of 1.6 percent, whereas the total number of teachers at high school level stood at 529,520 in 2015-16 as compared to 514,158 over 2014-15 an increase of 3.0 percent. Secondary school enrolment experienced increase of 4.3 percent from 3,652,537 in 2015-16 against 3,500,692 in 2014-15. It is estimated to increase by 5.8 percent i.e. from 3,652,537 to 3,865,408 during 2016-17. [Table 10.1].

v) Higher Secondary / Inter Colleges (Classes XI-XII)

The Higher Secondary Schools/ Inter Colleges in Pakistan include grades 11 and 12. At national level, 5,470 higher secondary schools/ inter colleges with 123,061 teachers were functional in 2015-16 as compared to 5,393 institutions with 118,079 teachers in 2014-15. The overall enrolment of students in higher secondary education witnessed an increase of 2.0 percent in 2015-16 as compared to 2014-15. The enrolment during 2015-16 was 1,698,047 as compared to 1,665,490 during 2014-15. For 2016-17, it is estimated to increase to 1,911,085. Number of institutes is expected to increase to 5,572 in 2016-17 as compared to 5,470 in 2015-16. [Table 10.1].

vi) Technical & Vocational Institutes

Technical and Vocational education is an educational activity that imparts academic and technical knowledge and skills to the individuals. During 2015-16, 3,746 technical and vocational institutes with 18,157 teachers were functional at national level. A decrease of 1.5 percent in enrolment was recorded as it decreased to 315,168 in 2015-16 against 319,937 in 2014-15. However, it is estimated to increase by 0.7 percent i.e. from 315,168 to 317,399 during 2016-17. [Table 10.1].

vii) Degree Colleges (Classes XIII-XIV)

During 2015-16, 1,418 degree colleges have provided their academic services compared to 1,410 over 2014-15 showing an increase 0.7 percent whereas the total teachers at degree college level stood at 37,082 in 2015-16 as compared to 36,587 over 2014-15. A decline of

18.2 percent in enrolment of degree education has been witnessed as it decreased to 937,132 in 2015-16 against 1,144,826 in 2014-15. However, it is estimated to increase by 13.0 percent i.e. from 937,132 to 1,058,795 during 2016-17. [Table 10.1].

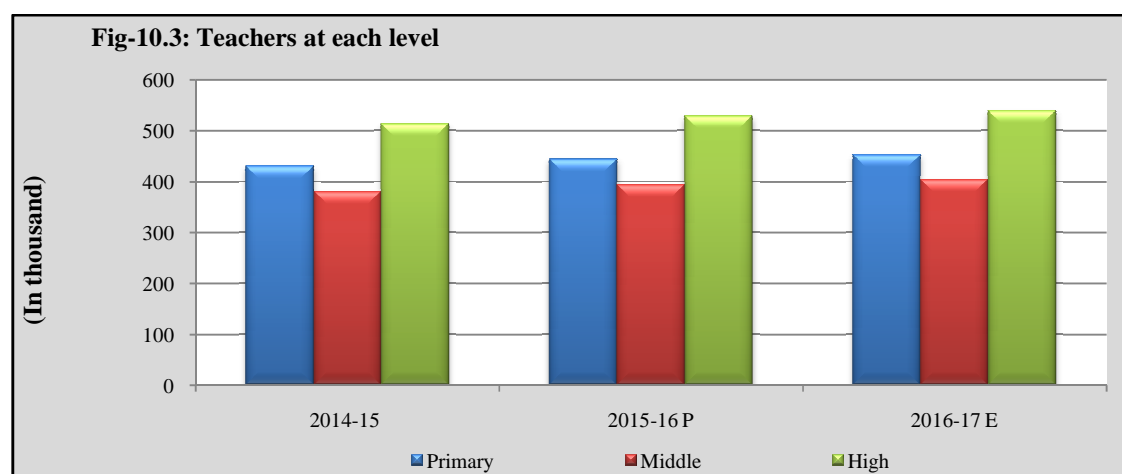
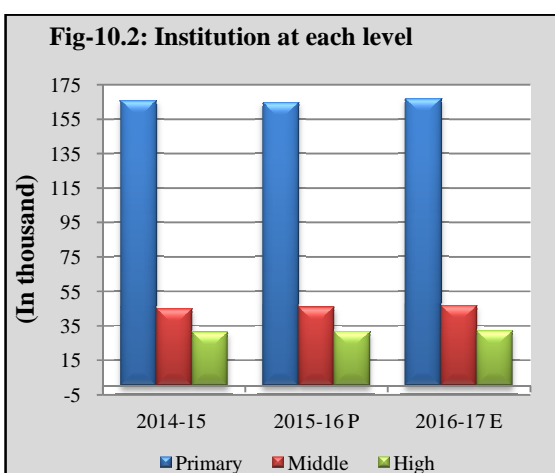
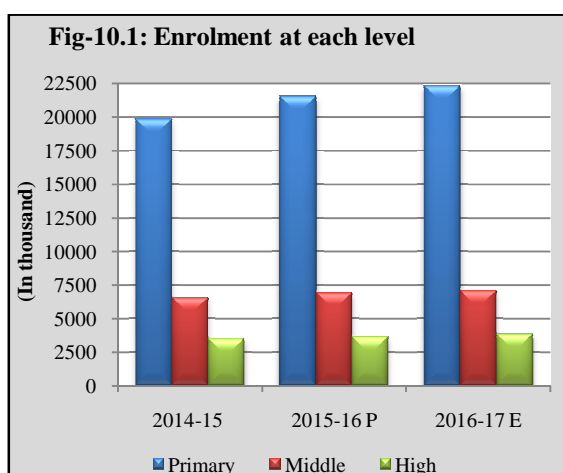
viii) Universities (Classes XV onwards)

A university provides higher education, research and number of disciplines. Now universities are offering grade 13 to 16 classes for completion of four years bachelor's degree programme as well as traditional grades 15 and 16 are offered while grade 17 and 18 classes are also being offered for completion of MS/M.Phil degree. The PhD degrees are also awarded by universities. University provides not only the high-level skills necessary for every labour market but also the essential training for teachers, doctors, nurses, civil servants, engineers, humanists, entrepreneurs, scientists, social scientists, and a myriad of other personnel. During 2015-16, there were 163 universities with 83,375 teachers in both private and public sectors, the overall enrolment of students in higher education (universities) stood at 1,355,694 as compared to 1,299,160 over 2014-15 witnessing an increase of 4.6 percent. During 2016-17, the enrolment is expected to be at 1,287,923. [Table 10.1].

Overall Assessment

The overall education condition is based on key performance indicators such as enrolments, number of institutes and teachers which has witnessed minor improvement. The total number of enrolments at national level during 2015-16 stood at 46.223 million as compared to 43.948 million during 2014-15. This shows an increase of 5.2 percent and it is estimated to increase to 47.834 million during 2016-17. The total number of institutes stood at 252.8 thousands during 2015-16 as compared to 252.6 thousands during last year. However, the number of institutes is estimated to increase to 257.1 thousands during 2016-17. The total number of teachers during 2015-16 were 1.630 million as compared to 1.588 million during last year showing an increase of 2.6 percent. This number of teachers is estimated to increase

further to 1.667 million during the year 2016-17. [Table 10.1].



Year	Enrolment			Institutions			Teachers		
	2014-15	2015-16 (P)	2016-17 (E)	2014-15	2015-16 (P)	2016-17 (E)	2014-15	2015-16 (P)	2016-17 (E)
Pre-Primary	9589.2	9791.7	9976.3	-	-	-	-	-	-
Primary*	19846.8	21550.6	22330.0	165.9	164.6	167.0	430.9	444.6	453.2
Middle	6582.2	6922.3	7087.1	44.8	45.7	46.7	380.8	394.2	404.8
High	3500.7	3652.5	3865.4	31.3	31.7	32.1	514.2	529.5	539.8
Higher Sec./ Inter	1665.5	1698.0	1911.1	5.4	5.5	5.6	118.1	123.1	122.6
Degree Colleges	1144.8	937.1	1058.8	1.4	1.4	1.6	36.6	37.1	42.4
Technical & Vocational Institutes	319.9	315.2	317.4	3.6	3.7	3.9	19.4	18.2	18.8
Universities	1299.2	1355.6	1287.9	0.163	0.163	0.164	88.3	83.4	85.5
Total	43948.3	46223.0	47834.0	252.6	252.8	257.1	1588.3	1630.1	1667.1

Source: Ministry of Professional & Technical Training, AEPAM, Islamabad

E: Estimated, P: Provisional, *: Including Pre-Primary, Mosque Schools, BECS and NCHD

Literacy

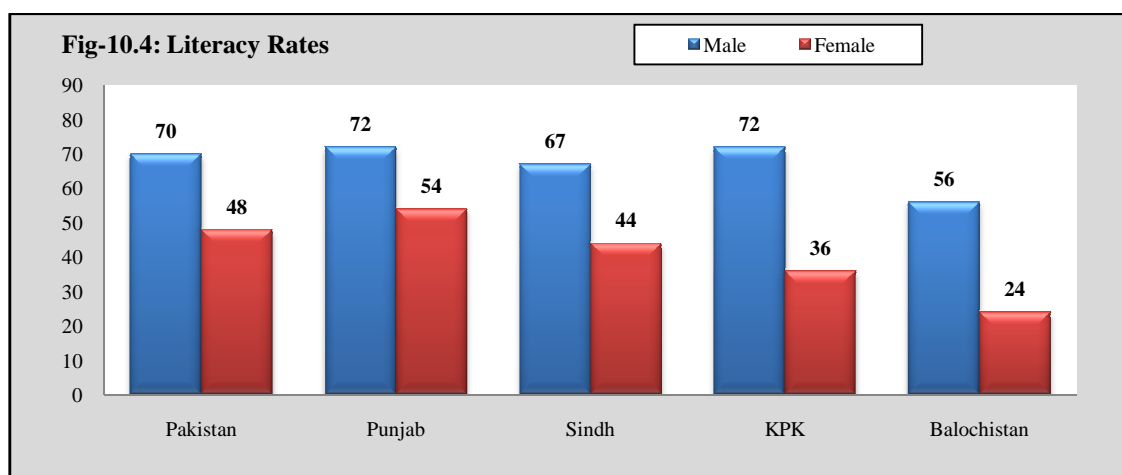
According to the Household Integrated Income and Consumption Survey (HIICS) 2015-16 at National/Provincial levels with urban/rural breakdown, the literacy rate of the population (10 years and above) remained at 58 percent as compared to previous conducted PSLM Survey at National/Provincial level in 2013-14¹.

The data shows that literacy remains much higher in urban areas (74 percent) than in rural areas (49 percent), with male (81 percent) and female (68 percent) in urban areas. Province wise data suggest that Punjab and Sindh leads with 62 percent and 55 percent respectively followed by Khyber Pakhtunkhwa with 53 percent and Balochistan with 41 percent. The details are given in Table 10.2.

Table 10.2: Literacy Rate (10 Years and Above)-Pakistan and Provinces (Percent)

Province/Area	2013-14			2015-16		
	Male	Female	Total	Male	Female	Total
Pakistan	70	47	58	70	48	58
Rural	63	36	49	63	36	49
Urban	81	66	74	81	68	74
Punjab	71	52	61	72	54	62
Rural	65	43	53	66	44	55
Urban	82	71	76	82	73	77
Sindh	67	43	56	67	44	55
Rural	53	21	37	51	19	36
Urban	80	63	72	80	65	73
KPK	72	36	53	72	36	53
Rural	70	32	49	70	33	50
Urban	81	55	68	77	52	64
Balochistan	59	25	43	56	24	41
Rural	54	17	36	48	15	33
Urban	74	45	59	76	44	61

Source: PSLM Section, Pakistan Bureau of Statistics



¹ PSLM Surveys, which were conducted at both District and Provincial level respectively at alternate years. PSLM district level survey collected information (Sample size 80,000) on key Social indicators (for "literacy" captured through one question " Did the person can read or write with understanding in any language") whereas provincial level surveys (Social & HIES) collected information (Sample size 21,000) on social indicators (for "literacy" captured through two separate question "Did person can read with understanding in any language" & "Did the person can write with understanding in any language") as well as on Income and Consumption.

Note: Household Integrated Economic Survey (HIES) which was conducted in 2015-16 under special survey namely Household Integrated Income and Consumption Survey (HIICS) which was especially designed by merging HIES and Family Budget Survey (FBS).The main aim of FBS was to derive weights for rebasing of price statistics, by covering urban and rural areas alongwith income and other social indicators. In future the PSLM/HIES activities likely to be continued as per previous practice.

Primary Enrolment Rates

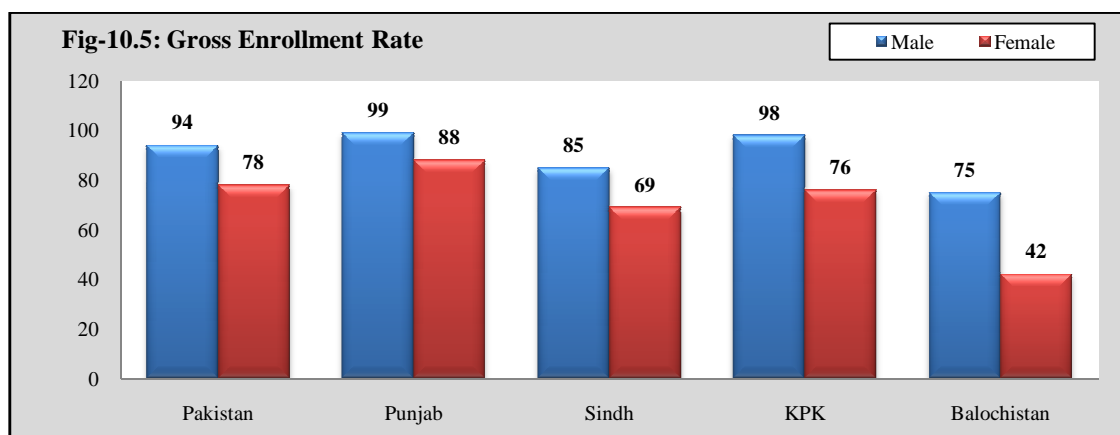
A. Gross Enrolment Rates

Gross Enrolment Rate (GER), is also referred to the participation rate, defined as the number of children attending primary school divided by the number of children with specific age group (5 to 9 years) who ought to be attending school. The overall GER at the Primary level for the age group at National/Provincial level in HIICS 2015-16 recorded at 87 percent as compared to 90 percent in 2013-14 showing a decline of 3 percent. A cursory look at the table, GER indicates that the only Sindh province has

shown some improvement of 2 percent by achieving primary level GER at 78 percent in 2015-16 against 76 percent in 2013-14. The decrease in overall GER in Pakistan is mainly due to decline in Punjab and Balochistan where GER in Punjab declined from 100 percent in 2013-14 to 93 percent in 2015-16 while GER in Balochistan has witnessed a decline of 7 percent from 67 percent in 2013-14 to 60 percent in 2015-16. Khyber Pakhtunkhwa GER also slightly declined as it stood at 88 percent in 2015-16 against 89 percent in 2013-14. The details are given in Table 10.3.

Table 10.3: National and Provincial GER (Percent)						
Province/Area	2013-14			2015-16		
	Male	Female	Total	Male	Female	Total
Pakistan	98	81	90	94	79	87
Punjab	106	94	100	99	88	93
Sindh	85	67	76	85	69	78
Khyber Pakhtunkhwa	102	76	89	98	76	88
Balochistan	83	49	67	75	42	60

Source: PSLM Section, Pakistan Bureau of Statistics



B. Net Enrolment Rates

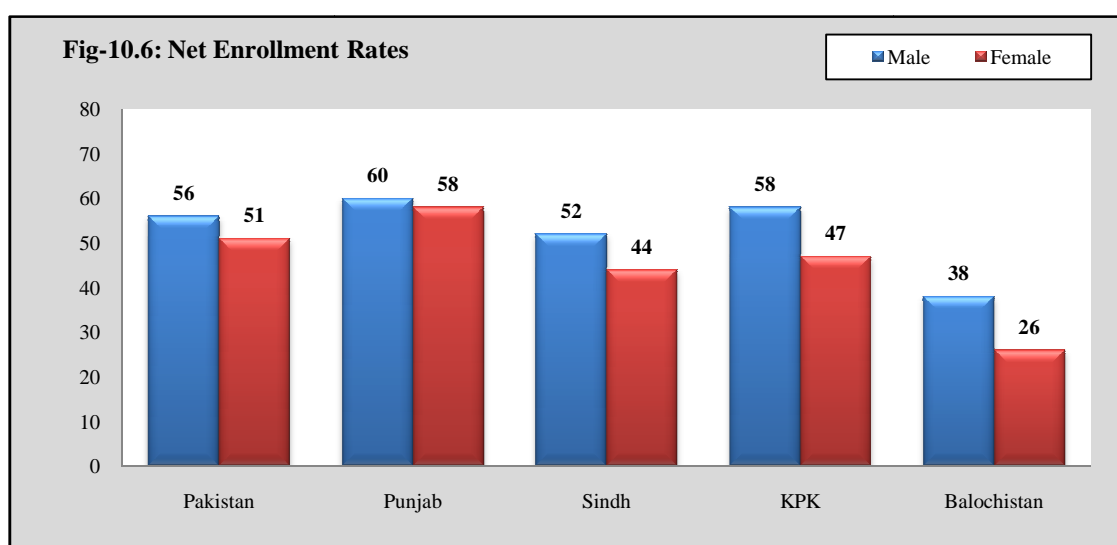
Net Enrolment Rate (NER) at the primary level refers to the number of students enrolled in primary school of required primary school age (5 to 9 years) divided by the number of children in the same age group for that level of education. For Pakistan, the primary NER is the number of children aged 5 to 9 years attending primary level divided by the total number of children aged 5 to 9 years.

The overall NER at the Primary level for the

age group at National/Provincial level in HIICS 2015-16 recorded at 54 percent as compared to 57 percent in 2013-14 showing a decline of 3 percent. NER table indicates that amongst the provinces, only Sindh remained stable with 48 percent while Punjab and Khyber Pakhtunkhwa declined from 64 percent to 59 percent and 54 percent to 53 percent. Balochistan has witnessed a significant decline from 39 percent in 2013-14 to 33 percent in 2015-16. The details are given in Table 10.4.

Table 10.4: National and Provincial NER at Primary Level (Percent)						
Province/Area	2013-14			2015-16		
	Male	Female	Total	Male	Female	Total
Pakistan	60	53	57	56	51	54
Punjab	66	63	64	60	58	59
Sindh	53	43	48	52	44	48
Khyber Pakhtunkhwa	62	46	54	58	47	53
Balochistan	46	30	39	38	26	33

Source: PSLM Section, Pakistan Bureau of Statistics



The reason for the large difference between the GER and the NER is the significant number of over-age children who attend primary school.

Expenditure on Education

Public Expenditure on Education as percentage to GDP is estimated at 2.3 percentage in FY 2016 as compared to 2.2 percentage of GDP in FY2015. The Table-10.5 shows that expenditure on education increasing gradually since FY 2012. The education related expenditure

recorded at Rs. 663.36 billion in FY2016 increased by 10.74 percent to Rs. 599.05 billion in FY 2015. The Government of Pakistan is cognizant to increase the flows of resources to education sector by ensuring proper and timely utilization of funds in order to achieve the target of 4.0 percent of GDP by 2018. The provincial governments are also spending sizeable amount of their Annual Development Plans (ADPs) on education to achieve the target.

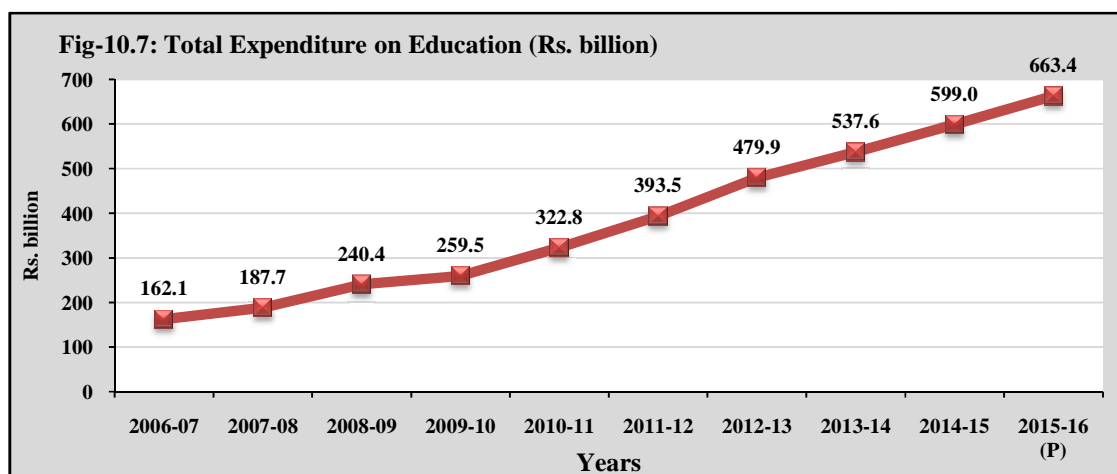
Table 10.5: Expenditure on Education					(Rs. million)
Years		Current Expenditure	Development Expenditure	Total Expenditure	As % of GDP
2012-13	Federal	57,027	14,686	71,713	2.1
	Punjab	186,763	9,323	196,086	
	Sindh	92,697	5,728	98,425	
	Khyber Pakhtunkhwa	65,856	18,602	84,458	
	Balochistan	26,601	2,570	29,171	
	Pakistan	428,944	50,909	479,853	

Education

Table 10.5: Expenditure on Education					(Rs. million)
Years		Current Expenditure	Development Expenditure	Total Expenditure	As % of GDP
2013-14	Federal	65,497	21,554	87,051	2.1
	Punjab	187,556	30,485	218,038	
	Sindh	99,756	6,157	106,093	
	Khyber Pakhtunkhwa	7,0948	18,756	89,704	
	Balochistan	29,978	6,911	36,889	
	Pakistan	453,735	83,863	537,598	
2014-15	Federal	73,729	28,293	102,022	2.2
	Punjab	201,882	25,208	227,090	
	Sindh	109,275	7,847	117,122	
	Khyber Pakhtunkhwa	83,205	28,506	111,711	
	Balochistan	32,299	8,803	41,102	
	Pakistan	500,390	98,657	599,047	
2015-16	Federal	84,496	34,665	119,161	2.3
	Punjab	224,608	26,863	251,471	
	Sindh	123,855	11,153	135,008	
	Khyber Pakhtunkhwa	92,306	19,925	112,231	
	Balochistan	36,121	9,364	45,485	
	Pakistan	561,386	101,970	663,356	
2016-17*	Federal	35,523	3,304	38,827	-
	Punjab	116,126	19,634	135,760	
	Sindh	60,109	2,814	62,923	
	Khyber Pakhtunkhwa	49,468	5,064	54,532	
	Balochistan	17,208	905	18,113	
	Pakistan	278,434	31,721	310,155	

*July-December (Provisional)

Source: PRSP Budgetary Expenditures, External Finance Policy Wing, Finance Division, Islamabad



Development Programmes FY 2017

Federal Public Sector Development Programme (PSDP) FY2017

In Federal Public Sector Development Programme FY 2017, an amount of Rs. 2.22 billion has been provided for 12 on-going &

new projects of the Ministry of Federal Education & Professional Training. An amount of Rs.3.06 billion has also been allocated for 13 on-going & new education related projects being handled by Finance and Capital Administration & Development Divisions. The implementation of PSDP funded projects will

have long lasting impact on the inclusive socio-economic development of the country.

Provincial Annual Development Programmes (ADPs) FY2017

The provincial governments have prioritized up gradation of girls primary school to middle/high schools, construction of new boys and girls schools and colleges, up gradation of boys primary school to Middle/high/higher secondary levels along with provision of missing facilities, provision of scholarship through endowment funds and scholarship schemes, provision of stipends to girls students up to Matric level, improvement of physical infrastructure, establishment of IT/ Science labs in secondary and higher secondary level schools and strengthening of Provincial Institutes of Teacher Education (PITE). All the provinces have allocated budget to education foundations. Development budget have been allocated for capacity building of teachers for quality education in public sector schools and establishment of cadet colleges to meet the demand of quality education.

Punjab

During FY2017, Punjab government has allocated Rs. 67.82 billion against last year Rs.55.56 billion, an increase of 22.1 percent for 231 on-going and 475 new development projects for education which includes for school education Rs.47.76 billion, Higher Education Rs.17.22 billion, Special Education Rs.0.96 billion and Literacy Rs.1.88 billion.

Sindh

During FY2017, Sindh government has allocated Rs.20.07 billion compared to Rs.14.82 billion last year showing an increase of 35.4 percent for 172 on-going and 225 new development projects for education which includes Rs.15.14 billion for Education & literacy, Rs. 0.21 billion for Special Education, Rs.1.76 billion for Sindh TEVTA and Rs.2.96 billion for Universities & Boards.

Khyber Pakhtunkhwa

Government of Khyber Pakhtunkhwa has allocated Rs.17.23 billion in FY2017 as

compared to Rs.16.39 billion in FY2016 showing an increase of 5.12 percent for 109 on-going and 23 new development projects for the development of education. It includes Primary Education Rs.2.23 billion, Secondary Education Rs.10.22 billion and Higher Education Rs.4.78 billion.

Balochistan

Balochistan government has allocated Rs. 6.65 billion for FY 2017 against Rs. 10.20 billion last year, showing a decline of 34.8 percent for 201 on-going and 110 new development projects for development of education which includes Rs. 0.542 billion for Primary Education, Rs. 0.232 billion for Middle/Elementary Education, Rs. 0.795 billion for Secondary Education, Rs. 2.274 billion for College Education, Rs. 0.534 billion for University Education, Rs.2.258 billion for General Education and Rs. 0.016 billion for technical education during FY2017.

Technical and Vocational Education

NAVTTTC

National Vocational and Technical Training Commission (NAVTTTC) is an apex body and a national regulatory authority to address the challenges of Technical and Vocational stream in the country. It is involved in policy making, strategy formulation and regulation & revamping of TVET system. The Commission is establishing and promoting linkages among various stakeholders existing nationally and internationally. Since the inception of Commission, high priority has been paid to TVET sector and maximum initiatives have been taken for timely address of issues faced by TVET sector across the country.

Achievements

Prime Minister's Youth Skill Development Programme

Under this programme 73,627 youth both male and female has so far been trained in more than 100 demand-driven trades across Pakistan. Training classes of another 25,000 trainees under Phase III (Batch-II) has been commenced on 02 January, 2017. Minimum 25 percent of

the total training slots are reserved for female trainees. Madaaris students and disabled youth are also covered under this scheme. Furthermore, another 100,000 youth will be trained during 2017-18 & 2018-19 under Phase-IV and the allocation for this phase is Rs. 6,196.50 million

Objectives of Prime Minister's Youth Skill Development Programme

The ultimate objective of PMYSDP is to create competent, motivated, entrepreneurial, adaptable, creative and well trained/skilled workforce for local and international market. Better earning and livelihood will abstain the diversion of mind-set of the young generation towards the negative activities. This will also contribute towards poverty reduction, social and economic developments through facilitating demand driven, high quality technical and vocational training

Characteristics of the PMYSDP

NAVTTTC has ensured transparent mechanism for selection of institutes/industry for execution of its skill development programme across the Country. The selection of executing agencies is undertaken through prescribed procedure assuring the utmost credibility and merit based criteria i.e. Expression of Interest. A meaningful criteria has also been devised for selection of best candidates for PMYSDP. Deserving candidates like women, disable, eunuch and orphans etc are given equal opportunity during the selection process. Accordingly, the target of training of youth has been enhanced from 50,000 to 100,000 annually in the forthcoming phases of PMYSDP.

National Skills Information System (NSIS)

NAVTTTC has established a National Skills Information System to consolidate the demand and supply related information of TVET graduates at local and international level including analysis of labour market for informed decision making. The database will facilitate for future planning, management and delivery of training in TVET sector. It will also develop the linkage between industries and

trained labour force for employability. Vocational guidance and placement services for TVET trainees will also be provided.

Job Placement Center (JPC)

NAVTTTC has established Pakistan's first ever Job Placement Center (JPC) in its Headquarter ,Islamabad, to facilitate and provide carrier counselling to the job seekers. It help jobseekers in finding the jobs of their own choice, while providing a unique platform for employers to advertise different career opportunities available in their organization and received resumes from the potential candidates online as well as offline. The initiative of NAVTTTC will bridge the gap between employers and skilled youth.

Skill Competitions & Job Fairs

NAVTTTC organized the Skill Competition at divisional, provincial and national level for PMYSDP passed out trainees. The employers and representative from industry were also invited to motivate the trainees and ensure the employability of passed outs.

Curricula Development

- Developed National Vocational Qualifications Framework (NVQF)
- Developed 08 Operational Manuals of NVQF
 - i. Developing, Reviewing and Registering NVQF Qualifications
 - ii. Assessment of Competency Based Training (CBT) Qualifications
 - iii. Recognition of Prior Learning (RPL) and Recognition of Current Competencies
 - iv. Curriculum Development of NVQF Qualifications
 - v. Teaching and Learning Material for NVQF Qualification
- Developed 61 competency standards and 61 curricula for various CBT Qualifications
- Developed 61 Assessment Packages for various qualifications
- Developed Teaching and Learning Manuals for 35 qualifications

- Developed booklet for Migrant Workers
- Developed competency standards and curricula for 12 trades for Cooperative Vocational Training (CVT). The duration of these courses is 02 years. In CVT approach trainee spends half of its training period at institute and half in the industry for on job training
 - i. Piloting of CVT has been started in UET Lahore for Energy Efficiency Advisor Trade and Hunar Foundation Karachi for Mechanical Manufacturing with Specialization in CNC
 - ii. Developed 8 Assessment packages for CVT qualifications

CBT Implementation

- Implemented 10 CBT qualifications in 97 Institutes across the country
- Trained 221 Assessors for conducting formative and summative competency based assessment from across the country
- Trained 150 Teachers for conducting CBT
- Trained 175 Principals/Managers

Future Plans

- NAVTTC intends to make socio-economic empowerment of 100,000 individuals through provision of market-able hands-on-skills in PMYSDP (Phases-IV)
- Formal Certification of 50,000 informally skilled individuals under NAVTTC's Recognition of Prior Learning Programme (RPL)
- Skill Development Training of 1100 Temporarily Displaced FATA Youth in best of the best institutes located in ICT, Rawalpindi and Peshawar etc through Pak-Italian Debt Swap Agreement
- Skill Development training of 200 individuals belonging to Oil & Gas producing /experience districts with the collaboration of OGDCL
- NAVTTC is enhancing level of collaboration with Development partners like Germany, Norway & European Union etc.
- Coordination with developing agencies like TIKA, KOIKA, USAID, JAICA, DFID etc

- Collaboration for equivalence of qualifications, NVQF and Accreditation with other countries like USA,UK, Australia, Philippine, Sri Lanka, China & CARs etc

Higher Education Commission

The Higher Education Sector plays a critical role in the production of the human capital, and the generation and transmission of knowledge, critical to achieving a high growth rate and a competitive position in the global knowledge economy. The financial support of the Government of Pakistan towards Higher Education has resulted in a dramatic revival of the sector, led through the activities of the Higher Education Commission (HEC). The policies of the HEC - for improving the higher education system and its contribution to economic prosperity are geared towards facilitating development in key areas relating to faculty development, improving access and increased participation in higher education, promoting excellence in learning and research, and ensuring relevance to the economy through increased stakeholder participation.

A. Planning and Development

The government has initially allocated Rs.21.5 billion under PSDP 2016-17 for 122 (83 ongoing & 39 new) development projects being executed in Public Sector Universities/HEIs and HEC. In addition to this allocation, later on, the government allocated development grant of Rs.5.4 billion for the Prime Minister's laptop scheme and Rs.0.560 billion for the Project titled "**Award of Scholarships to Students from Afghanistan under Prime Minister's Directive**".

During first three quarters i.e. 2016-17 (July-March), the government has released Rs.8.0 billion for the development projects reflected under PSDP 2016-17. Whereas, the releases for 3rd and 4th quarterly instalments are under process. Similarly, Rs.5.4 billion and 0.574 billion have also been disbursed to the Prime Minister's laptop Scheme and Afghan Scholarship schemes.

New Projects Approved during FY 2016-17

During 2016-17 (July-March), 29 out of 39 new un-approved PSDP projects have been approved from the competent forum at a total cost of Rs. 69,488 billion. Details are given below:

21 projects have been approved for universities at a total cost of Rs. 22,272 billion including 03 from Khyber Pakhtunkhwa province, 02 from Sindh, 04 from Punjab and 05 from ICT, 01 from AJ&K and 06 from Balochistan. 08 projects have been approved for HEC at total cost of Rs. 47,215 billion during current PSDP.

B. Human Resource Development

Human Resource Development (HRD) Division is responsible for the provision of scholarships to talented candidates. Programmes initiated are primarily designed to fill the gap of the trained people in various fields relevant to the national priorities. Moreover, it also envisages building an environment of research which is vital for the country's economic and social wellbeing. The creation of an ambience of research in the context of national needs and in line with the global trends is the core vision of HRD Division. The HRD performance and future strategies in brief are as under:

Table-10.6: Detail of Scholarships under HRD Schemes During FY 2016-17		(Nos.)
Scholarship Titled		2016-17
Indigenous (PhD)		269
Foreign (PhD)		270
Prime Minister's Fee Reimbursement Scheme (PMFRS) for less developed areas		17,137
Need Based Graduate/Undergraduate Scholarships		1,471
Grand Total		19,147

Source: Higher Education Commission (HEC)

- Prime Minister's Fee Reimbursement Scheme for less developed areas (selected regions) was successfully executed and is continued during FY 2016-17. The scheme is focused on building capacities and enabling them to compete in the normal course. And in future it would provide manpower for public sector universities. Reimbursement to around 17,137 students of less developed areas is being carried out this year.
- "An Initiative of Aghaz-e-Haqooq-e-Balochistan (Indigenous and Overseas)" is focused towards providing scholarships in MS leading to PhD and PhD studies to less privileged areas of Balochistan, who despite possessing academic merit are unable to overcome the financial difficulties. This project covers tuition, accommodation and living expenses as well. In FY 2016-17, 31 candidates availed the overseas scholarships while 16 candidates availed the indigenous scholarships.
- The project "Provision of Higher Education

Opportunities for Students of Balochistan and FATA Phase II (President's Directives)" is based on the provision of higher education opportunities to students from Balochistan and FATA through enrolling them in an educational institution of other province and supporting them by paying their tuition fee and other living expenses. The quantitative target of the programme is to provide financial support to a total of 3900 students (2500 Undergraduate and 1400 Post-graduate). The scholarship distribution ratio for the students of Balochistan & FATA is 50:50. The test has been conducted for Undergraduate and postgraduate students during FY 2016-17. 188 scholarships were awarded to MS/M.Phil. students while 500 scholarships were awarded to Bachelors students.

C. Academic Division

Academic Division serves the role of a primary coordinating unit for delivery and discourse of academic programmes and academic support operation. The division coordinates the

development and continuous revision of curricula of all subjects offered at different levels of tertiary education covered under National Qualification Framework, and improve the quality of instruction through offering competitive awards i.e. Best University Teacher Award, Civil Awards announced by Cabinet Division, works for uniform implementation of semester system guidelines across all universities and affiliated colleges, offers institutional strengthening grants to universities for upgrading their Laboratories and Libraries; upgrades national journals of Social Sciences, and implements policy on Social Sciences, Arts/Humanities and Management Sciences regarding faculty appointment, evaluation, promotion, and tenure on the basis of research publications, offers thematic research grants for the social

scientists, involved in the capacity building of college Principals/Vice-Principals etc.

D. Learning Innovation

Learning Innovation is the hub for In-Service Continuous Professional Development of HEIs Teaching Faculty and Management. With a two pronged objective it is spearheading initiatives for the In-Service professional quality enhancement of academia and their management. Learning Innovation initiatives for HEIs Academic and Management revolve around two major categories:

1. Professional Training Programmes for HEIs Teachers
2. Professional Training Programmes for HEIs Management

Table-10.7 Province wise Distribution of Faculty and Management Staff Trained								(Nos.)
Programmes	Federal	Punjab	Sindh	KPK	Baloc- histan	AJ&K	Gilgit/ Baltistan	Total
Professional Training Programmes for HEIs Teachers (MT-FPDP)	14	21	22	13	11	6	-	87
Professional Training Programmes for HEIs Management	7	21	14	14	2	3	-	61
Transforming English Language Skills (TELS)	33	196	50	35	29	-	24	343
Continuous Professional Development (CPD)	120	90	240	90	30	-	-	47
Total	174	328	326	161	72	9	24	1,047
Source: Higher Education Commission (HEC)								

Source: Higher Education Commission (HEC)

E. Research and Development

HEC executes programmes and projects which ensure sustainable and progressive research culture.

International Linkages

- Under Pak-US Science and Technology Programme, Phase-VII of the programme was launched in August 2016 under which 220 research projects are in review process and selection will be finalized in 1st week of May 2017
- Under Pak-France PERIDOT Research Programme, 3rd phase was launched wherein 38 new joint research proposals

were received and under review while 2nd installment to 4 ongoing projects have been released

F. National Research Grants

- Under Pakistan Programme for collaborative research, 14 projects were approved for grant of Rs.6.6 million
- Under National Research Programme for Universities (NRPU), 647 national research projects were approved with the maximum duration of three years while funds for 83 projects amounting of Rs. 365 million have been released 2016-17 (July-March)
- Under Travel Grants Programme, 997 fresh

cases have been approved during 2016-17(July-March)

- Under Text book and Monograph program 12 books are expected to be published in FY 2017-18. 13 books are expected to be published in 2018-19 and 14 books are expected to be published in 2019-20

G. Resource Development

- 750 new applications were received while 650 applications are under review process for 6th HEC Outstanding Research Awards
- 04 Offices of Research, Innovation and Commercialization (ORICs) have been established. In total 49 ORICs are working in various universities
- Two new projects were awarded under “University Industry Technology Support Program” during 2016-17(July-April)

The impact factor published articles for the year 2016-17 is 12000. Content subscription is more than 1.5 million that comprised of e-journals about 11,000+ and e-books around 150,000. The numbers of institutes that are taking the facilities of National Digital Library Programme are 544 in 2016-17.

H. Accreditation & Attestation (A&A)

For effective functioning of A&A the work has been divided into three (3) cells:

i) Accreditation Cell dealing with

- Establishment of new universities/institutions both in public and private sectors;
- Franchising of local institutions with foreign universities;
- Correspondence with the private chartered universities

ii) Equivalence Cell dealing with

- Equivalence of degrees/diplomas awarded by local and foreign universities;
- Equivalence of deeni asnad

iii) Attestation Cell

- Attestation of Degrees/Transcripts awarded

by the HEIs of Pakistan

I. Quality Assurance

Following quality parameters have been developed and implemented to fill the gaps in quality provision between National and International Systems of higher learning:

a) Tenure Track System (TTS)

TTS of appointments is introduced in public sector universities which aim at enhancing performance and efficiency of the faculty members by creating a healthy competition among them, allowing freedom of research and teaching, as well as the financial independence to pursue these objectives.

- TTS appointments: Version: 2.0 implemented since 2008
- 3,337 faculty members have been appointed by 58 Public Sector Universities /DAIs till date

a	Professors.....	341
b	Associate Professor	147
c	Assistant Professors.....	2849
	Total	3337

b) Pakistan Qualification Framework (PQF)

PQF provides clearly defined levels of Knowledge, Skills and Competencies to be acquired by each graduate that are easy to comprehend by Students, Employers and Human Resource Development policy makers. It is augmented by a Register that lists all the charter Higher Education degree awarding institutions and details about the programmes offered by them. It defines levels, structure of education system, structure of curriculum, content, learning areas and subjects. It also describes criteria for use of degree titles/nomenclature etc.

c) National Quality Assurance Committee (NQAC)

- HEC contributes as an advisory body for quality provision in higher education sector and review current policies for continuity

and facilitation in response to global advancements and challenges

- NQAC comprises eminent scholars, policy makers and the Vice-Chancellors of major universities to carry out the consultative process vital for effectiveness and ownership of the policy recommendations.

J. Information Technology

HEC has signed a contract with M/s Haier Electrical Appliance Corp. China for the provision of 200,000 laptops during this year, out of which 150,000 laptops are being assembled locally at the Haier Industrial Park, Lahore. The objective is achieved with the support of renowned Original Design Manufacturers (ODMs) along with M/s Haier being the Original Equipment Manufacturers (OEM). In addition, Haier will also take local engineers and scientists onboard for the R&D activities related to the design and performance testing of laptops which are assembled or manufactured locally.

Smart Universities through Smart Campuses

HEC intends to transform HEI's into Smart Universities by augmenting a highly conducive, technologically advanced, and cost effective learning environment at the HEIs. While making conventional university into modern ICT driven and technologically advanced universities, Smart Universities through Smart Campuses will provide Wi-Fi blanket coverage among with EduRoam services to all nomadic users at the universities' premises.

The deployment of ninety universities has been divided into three years with further granular milestones of 7-8 universities per quarter. Currently nine institutes have been provided the blanket WiFi coverage in all the three regions and more than 10,000 students in these institutes have been extended the facilities of different IT services through this project.

K. Strategic Plans for FY 2016-17

a) Call Center Services for HEIs

HEC has planned to establish, "One Stop Call Center Service" which will serve as a focal contact center to provide support for the different government schemes / services

launched for higher education sector through various channels. Call Center will be first point of contact regarding government Higher Education related schemes and projects like Prime Minister Fee Reimbursement scheme, Prime Minister Laptop scheme, Student Scholarships affairs, Universities Admissions etc.

b) Safe Campus for HEIs

HEC intends to launch safe campus project for HEI's (all public universities/ Institutes) to help in improving overall law and order situation and to take important measures for protection of life and property of the people working within the campus. The installation of safe campus will be deployed using the same infrastructure resulting in huge cost saving and quick deployment as per the need. An average cost of Rs.10 million is estimated to transform the campuses of the universities into "Safe Campuses"

c) e-Learning

The concept has been realized on the directives of the Prime Minister of Islamic Republic of Pakistan for the award of laptop computers amongst the talented students. Accordingly, 500,000 laptops have been awarded amongst the students of all public sector universities/ degree awarding institutes.

d) Knowledge Incubation Center (KIC)

HEC intends to develop a KIC with the concept to provide a unified platform to develop synergy amongst the stakeholders relating to IT Solutions and Services. The Center is aimed at accommodating multinational ICT companies Microsoft, Oracle, SAP, Cisco, Huawei, etc. along with their partners or system integrators, who are to work closely and develop synergy with researchers from higher education institutes.

e) Digital Library & Resource Center (DLRC)

HEC believes in the capacity building and human resource development to address the challenges being faced by the country and

to produce skillful resources in order to compete at the international level. HEC has initiated many capacity building programmes which offers high level trainings and international certifications to the technical resources and students of HEIs. This provides an easy platform to get beginner, intermediate and expert level trainings and certifications from ICT industry leaders.

f) IT Academy @ HEIs

HEC has taken another technology initiative and has signed an agreement with Microsoft for setting up and award the status of Microsoft IT Academy to all private and public sector universities and Certipoint Testing Center to all public sector universities across Pakistan and AJ&K. Though the initiative has been taken under the Prime Minister's Laptops Scheme for the beneficiary students, however, the facility, once established at the university, will benefit all students equally.

g) Open Source Research Laboratory (OSRLab)

HEC intends to establish around thirty research laboratories at the technology universities across Pakistan. Under this initiative, universities will be provided with necessary hardware infrastructure with open source platform and tools. In addition,

the technical support from the experts available with Open-Source Forum Pakistan (OSFP) will also be extended to the universities to encourage both faculty and students to take up research projects and product development activities

Conclusion

The government's resolve to create a knowledge society through an ongoing development process and allocating more financial resources for capacity building, research & development, provision of access to low social strata children, decrease disparity, increase quality to strengthen retention and decrease dropout rate at all levels. Reduction of regional and gender disparity in human development is necessary to improve social indicators. The development of plans and strategies are under consideration of the federal and provincial governments to improve access, equity and quality of the basic and college education. For improving access, equity and quality education, investment is being made in the physical infrastructure, assurance of teachers' attendance, up gradation of educational institutions and opening of new educational facilities for boys and girls. Standards for assessment and examination system are being improved to compete the systems of education at regional and international levels.

Health and Nutrition

Human welfare and development is a basic right of every individual as enshrined in the constitution of the Islamic Republic of Pakistan and the charter of the United Nations. However, at the global level and within nation states, a tug of war has been on-going for decades whether welfare or growth should be the barometer of real economic development. Health, education, drinking water and sewerage was considered to be the main contributor of welfare of the citizens of a country. It was for this reason that improvement in these sub-sectors of economy always received top priority in different models of economic development. Ill health and weak body breeds poverty. In Pakistan successive governments including the incumbent government have endeavoured for poverty alleviation through several programs.

The national immunization program is providing free of cost vaccine facility to every Pakistani child and steps are being taken to arrest the spread of polio. Prime Minister's Health Program has been launched to provide free treatment of chronic diseases like cancer, burns, diabetes and cardiovascular diseases etc. Ministry of National Health Services, Regulations and Coordination (NHSRC) is effectively undertaking the federal health functions and inter provincial-coordination. A Drug Regulatory Authority of Pakistan (DRAP) has been established in the domain of Ministry of National Health services to ensure safety, quality and affordability of medicines in the country. A Drug Pricing Policy 2015 has been announced to devise a transparent mechanism for fixation and price adjustment. Although health sector has been devolved to the

provinces under 18th Constitutional Amendment and provinces are now devising their own health strategies. At provincial level, KPK has recently enacted Medical Teaching Institutions Act, Injured Persons Medical Aid Act, Child Nutrition Act. The Governments of Sindh and Punjab have already established Health Care Commissions and have devised health strategies that outlines priority programs. Besides, the federal government is also implementing other programs such as National Maternal and Child Health Program, Malaria, TB and HIV/ Aids Control Program. These programs have made significant impact to improve health of people. Immunization coverage has been increased. Polio reported cases have been reduced. Deaths from tuberculosis have been declining while child and maternal mortality rates since 2007 continued to improve.

Box-1: Sustainable Development Goals

The 2030 agenda of Sustainable Development Goals (SDGs) incorporate 169 targets and 17 goals that UN member states are expected to localize in their socio economic policies during 2015-2030. SDGs Goal-3 and Goal-6 relates to health of people and under takes a commitment to end endemics of AIDS, TB, Malaria and other communicable disease by 2030. One of the SDGs targets is to end the global TB epidemic.

The WHO's End TB strategy calls for a 90% reduction in TB deaths and an 80% reduction in the TB incidence rate by 2030. Provision of safe water and sanitation is one of the key component of SDG's strategy and is meant to universalize the coverage of water and

sanitation around the world to protect population from deadly diseases .

Pakistan has decided to translate SDG framework into National Development Planning. In order to operationalize SDGs, the federal government and four provincial governments have already committed to set up SDG Support Units to coordinate activities at both national and provincial levels. These SDG Support Units have been established in Federal Planning Commission and Punjab, while the process of establishing units is underway in other provinces and local governments. These support units will work to deliver five main outputs: (i) Mainstreaming the SDGs in national policies and plans; (ii) Data and Reporting; (iii) Inclusive Budgeting Process and Tracking Expenditures; (iv) Monitoring and Evaluation of progress against indicators; and (v) Innovation.

Prime Minister's National Health Program

To achieve universal health coverage, a National Health Program has been launched under the guidance of the Prime Minister by Ministry of National Health Services, Regulations and Coordination (MoNHSRC). The program will help millions of poor to access quality health care services. The package of the program is:

- Secondary Care: Rs.50,000 per family per year
- Priority Diseases: Rs.250,000 per family per year

Diseases covered under the priority/ tertiary coverage include cardiovascular disease, Diabetes, Burns, HIV/Aids Complication, Cancer, Road Traffic Accidents. The program has been launched in phases in 23 targeted districts during 2016. For monitoring of the program, a Central Management Information System (CMIS) has been developed using the technical expertise of NADRA.

Polio Eradication Initiatives

Polio incidence has almost been eradicated around the world. Improved and routine immunization have eradicated the disease from many countries including Pakistan. According to WHO, in Pakistan only 2 polio cases has been reported this year till April 25th 2017 against 9 cases recorded during same period last year and the country is almost close to polio eradication. The containment of polio incidence indicates that immunization program is going in right direction. Under the Global Polio Eradication Initiatives (GPEI), national governments and number of organizations like World Health Organization (WHO), United Nations Children Fund (UNICEF) and US Centres for Disease Control (CDC) are working to eradicate polio worldwide. The world famous philanthropist Mr. Bill Gates in a meeting with Prime Minister of Pakistan on World Economic Forum in Davos in January 2017 appreciated the tremendous success on polio eradication and commended that Pakistan Government has achieved great success and the year 2017 would be the year of polio eradication from Pakistan.

Table 11.1: Provinces Wise Polio Cases

Province	2010	2011	2012	2013	2014	2015	2016	2017
Punjab	7	9	2	7	5	2	0	1
Sindh	27	33	4	10	30	12	8	0
KPK	24	23	27	11	68	17	8	0
FATA	74	59	20	65	179	16	2	0
Balochistan	12	73	4	0	25	7	2	0
Gilgit-baltistan	0	1	1	0	0	0	0	1
Azad jammu & kashmir	0	0	0	0	0	0	0	0
TOTAL	144	198	58	93	306	54	20	2

Source: End Polio Pakistan (www.endpolio.com.pk)

Health System

Health delivery system in Pakistan consists of public and private health facilities. The public

health sector services are provided at federal, provincial and district levels through a well established network of rural health centers, basic health units, ,dispensaries, district and

tehsil head quarter hospitals and allied medical professionals. However, the rising population pressure on state health institutions has allowed the private sector to bridge the gap of rising demand and limited public health facilities. A number of private hospitals, clinics and diagnostic labs has increased considerably and is contributing health services in urban areas of the country.

Health Facilities

The public health activities have persistently increased in terms of physical infrastructure and workforce. The number of doctors, dentist, nurses and LHV's have increased and

availability of one doctor, dentist, nurse and one hospital bed versus population has also improved. Today, the doctor population ratio stands at 1: 997, dentist 1: 10658 and hospital bed 1:1584. While national health infrastructure comprises of 1201 hospitals, BHUs 5518, RHCs 683, Dispensaries 5802, Maternity & Child Health Centers 731 and TB centers 347, and the total availability of beds in these health facilities is estimated at 123394. Despite an elaborate and extensive health infrastructure, the health care delivery suffer from some key issues like the high population growth, uneven distribution of health professionals, deficient workforce, insufficient funding and limited access to quality health care services.

Table 11.2: Healthcare Facilities						(Numbers)
Health Manpower	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Registered Doctors	152368	160880	167759	175223	184711	195896
Registered Dentists	11649	12692	13716	15106	16652	18333
Registered Nurses	77683	82119	86183	90276	94766	99228
Population per Doctor	1162	1123	1099	1073	1038	997
Population per Dentist	15203	14238	13441	12447	11513	10658
Population per Bed	1647	1616	1557	1591	1604	1584

Source: Pakistan Bureau of Statistics

Health Expenditure

Health spending is slow but persistently rising. The country is spending 0.5 to 0.8 percent of its GDP on health over the last 10 years. These percentages are less than the WHO bench mark of at least 6 percent of GDP required to provide basic and life saving services. During 2015-16, total expenditure increased by 13 percent over

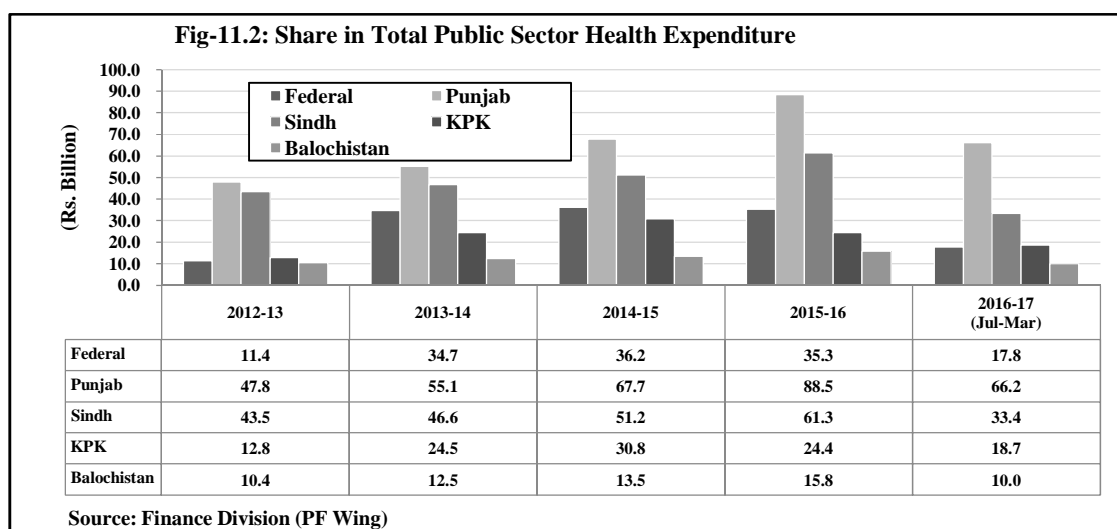
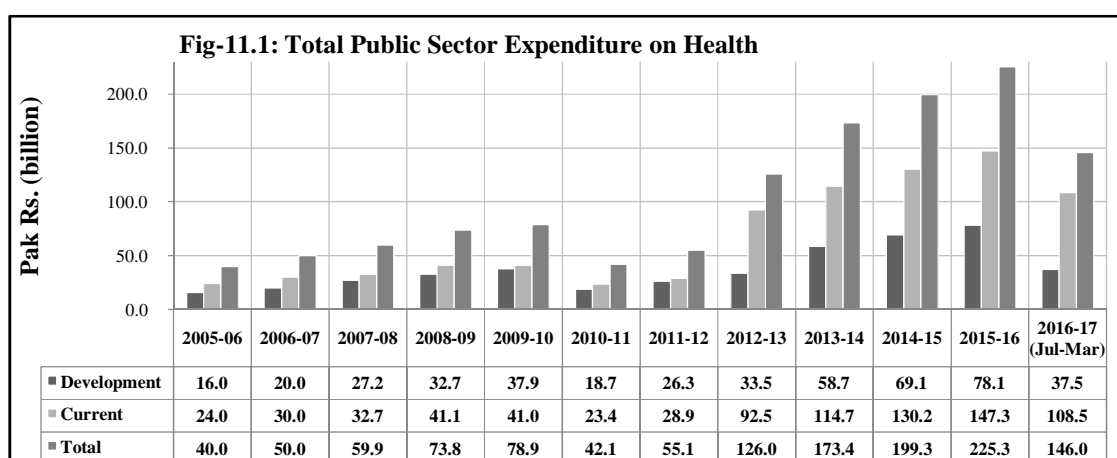
2014-15, and during current fiscal year (July-March) 2016-17, the expenditure remain at 145.97 billion showing an increase of 9 percent over the same period of last year. According to world Bank latest report, currently Pakistan's per capita health spending is US \$ 36.2 which is below than the WHO'S low income countries bench mark of US\$ 86.

Table 11.3: Health & Nutrition Expenditures (2000-01 to 2016-17)					(Rs. billion)
Fiscal Years	Public Sector Expenditure (Federal and Provincial)			Percentage Change	Health Expenditure as % of GDP
	Total Health Expenditures	Development Expenditure	Current Expenditure		
2000-01	24.28	5.94	18.34	9.98	0.58
2001-02	25.41	6.69	18.72	4.63	0.57
2002-03	28.81	6.61	22.21	13.42	0.59
2003-04	32.81	8.50	24.31	13.85	0.58
2004-05	38.00	11.00	27.00	15.84	0.58
2005-06	40.00	16.00	24.00	5.26	0.49
2006-07	50.00	20.00	30.00	25.00	0.54
2007-08	59.90	27.23	32.67	19.80	0.56
2008-09	73.80	32.70	41.10	23.21	0.56
2009-10	78.86	37.86	41.00	6.86	0.53
2010-11	42.09	18.71	23.38	-46.63	0.23

Pakistan Economic Survey 2016-17

Table 11.3: Health & Nutrition Expenditures (2000-01 to 2016-17)					(Rs. billion)
Fiscal Years	Public Sector Expenditure (Federal and Provincial)			Percentage Change	Health Expenditure as % of GDP
	Total Health Expenditures	Development Expenditure	Current Expenditure		
2011-12	55.12	26.25	28.87	30.96	0.27
2012-13	125.96	33.47	92.49	128.51	0.56
2013-14	173.42	58.74	114.68	37.68	0.69
2014-15	199.32	69.13	130.19	14.94	0.72
2015-16	225.33	78.07	147.26	13.05	0.76
July-March 2015-16	133.93	39.94	94.00	-	-
2016-17	145.97	37.47	108.50	8.99	0.46

Source: Finance Division (PF Wing)



Source: Finance Division (PF Wing)

Several programs and projects are funded through the PSDP and implemented by the provincial and area governments includes Civil Registration and vital statistics, Family

Planning and Primary Health Care (FP&PHC), Expanded Program on Immunization, Malaria Control Program, Tuberculosis (TB) Control Program, HIV/AIDS Control Program,

Maternal Neonatal & Child Health (MNCH) Program, Prime Minister's Program for Prevention and Control of Hepatitis and Cancer Treatment Program.

Civil Registration and Vital statistics

Civil Registration and Vital statistics (CRVS) is a system of collecting information of civil registration or enumeration on the frequency of occurrence of specified and defined vital events, its compilation, processing, analyzing, presenting and dissemination of the data in some statistical form. .

Box-2

Ministry of Planning, Development and Reforms has initiated the development of National Strategic Framework for acceleration and enhancement of Civil Registration and Vital Statistics (CRVS) in Pakistan and in this regard Technical Support Unit (TSU) for CRVS has also been established in the ministry. The recruitments have been completed to make it functional. The TSU will facilitate and supplement CRVS Secretariat/ Health Section M/o PD&R for the development of national strategic plan/ framework for acceleration and enhancement of CRVS in Pakistan. CRVS data is important to support the functioning of National Health System.

Vertical Programmes

1. Family Planning and Primary Health Care (FP&PHC)

The FP & PHC program so far has recruited more than 100,000 Lady Health Workers (LHWs). LHWs services encompasses the health conditions of women and children through improved sanitation, birth spacing, iron supplementation, larger vaccination coverage and through Ante-natal and post-natal coverage of the pregnant women. A PC-I of provincial and area governments is under process for approval in which salary packages of the staff under this program will be increased and regularization of services in compliance to the orders of the Supreme Court of Pakistan. These positive steps will help better improved health

service delivery at the door steps of the vulnerable people.

2. Expanded Program on Immunization (EPI)

EPI Program provides immunization to children against seven vaccine-preventable diseases under one year of age i.e. childhood tuberculosis, poliomyelitis, diphtheria, pertussis, neonatal tetanus, measles and hepatitis B. New vaccines like pentavalent vaccine has been introduced with the help of United Nations Children Fund's (UNICEF). During 2015-16, 8 million children of 0-11 months and 6.5 million pregnant women were immunized against 7 deadly diseases and tetanus toxoid vaccine, respectively. After devolution, it is the responsibility of the provincial/area governments but Federal EPI cell currently took the responsibility of the procurements, coordination and technical guidance whereas provincial EPI cells are largely responsible for implementation of the program. World Bank along with other financial partners such as World Health Organization (WHO) and Japanese International Cooperation Agency (JICA) has largely contributed to smooth implementation of the program. Still the issues of routine immunization in the out reached areas of Federally Administered Tribal Areas (FATA) and Baluchistan needs consideration.

3. Malaria Control Program

Malaria control has always been the main concern in Pakistan which is a moderate endemic. The program targets is to reduce the malaria burden by 60% in high and moderate endemic districts/agencies and eliminate malaria in low endemic districts by the year 2017-18. The two highly prevalent parasitic species identified so far are Plasmodium Vivax and Plasmodium Falciparum. P.vivax is being the major parasite species and accounts for more than 80% reported confirmed cases in the country. More than 90% of disease burden in the country is shared by 56 highly endemic districts, mostly located in Baluchistan (17 out of 32 districts), FATA (7 agencies), Sindh (12

districts) and Khyber Pakhtunkhwa (12 districts). FATA is the second highest malaria affected belt of the country which accounts for 12-15% of the total case load of the country. National strategy for Malaria Control is based on the key Result Based Monitoring (RBM) which includes early diagnosis and prompt treatment, improved detection and response to epidemics, developing viable partnerships with national and international partners, multiple prevention, focused operational research and national commitment.

4. Tuberculosis (TB) Control Program

Pakistan has the sixth highest burden of tuberculosis worldwide and is among the high multidrug-resistant tuberculosis burden countries. The government has declared tuberculosis a national emergency, and implementing the directly observed treatment, short-course (DOTS) strategy followed by the Stop TB Strategy, which includes universal access to quality tuberculosis care in the country. Incidence of TB stands at 231 per 100,000 population. National TB Control Program (NTP) has achieved over 85% Directly Observed Treatment System (DOTS) coverage in public sector and in the last five years the program has provided care to more than half a million TB patients in Pakistan. The program is moving steadily to achieve the global targets of 90% case detection.

5. Human Immunodeficiency Virus (HIV)/ Acquired Immune Deficiency Syndrome (AIDS) Control Program

Pakistan to a large degree has controlled AIDS cases. HIV / AIDS program aims for the behavior change communication (BCC), services to high-risk population groups, treatment of sexually transmitted infections (STIs), and supply of safe blood for transfusions and capacity building of various stakeholders. Pakistan's epidemic is primarily concentrated among two of the key population groups. These two groups are Who Inject Drugs (PWID) with a national prevalence of 27.2% (weighted prevalence of 37.8%); Hijra (Transgender) Sex Worker (HSW) standing at

5.2% and 1.6% among Male Sex Worker (MSW). The prevalence in Female Sex Workers still remains low at 0.6%. The program is technically supported by the UN agencies and Global Fund against AIDS, TB and Malaria.

6. Maternal & Child Health Program

Maternal and Child Health (MCH) Program was initiated to improve women and children health conditions through better service delivery and supported health systems. Mother and Child healthcare is one of the most important areas of public health in Pakistan. The program aspires to provide better access to Mother and Child health and Family Planning services with provision of comprehensive Emergency Obstetric and Neonatal Care (EmONC) services in 275 hospitals/health facilities, provision of basic EmONC services in 550 health facilities and family planning services to all health outlets. Pakistan has shown improvement in the Infant Mortality Rate (IMR) of 62 per thousand from 66 per thousand in 2015, but maternal mortality rate 170/100000 is still very high as compared to the other countries in the region.

Prime Minister's Program for Prevention and Control of Hepatitis in Pakistan

The program envisioned meeting the challenges caused by the elevated incidence of viral hepatitis. The program was launched to bear treatment of hepatitis B and C for patients who are unable to meet the expenses of the treatment due to high cost of medicines and diagnostics along with promoting preventive interventions. The program also intends to decrease more than half of new cases of hepatitis B and C through advocacy and behavior change communication, hepatitis B vaccination of high risk groups, establishment of screening, diagnosis and treatment facilities in DHQ hospitals, Safe Blood Transfusion and prevention of hepatitis A and E. A long awaited Safe Blood Transfusion project with the technical cooperation of GIZ and KfW has been revived and is in the implementation process in all four

provinces that will bring down the incidence of hepatitis in the country.

Cancer Treatment Program

Cancer is a deadly disease. The increasing incidence of the diseases is due to lack of public awareness, change in life style and environmental factors. Pakistan Atomic Energy Commission's Cancer Hospitals are providing diagnosis and treatment facilities to cancer patients. Currently, there are eighteen cancer hospitals functioning in different cities. These hospitals are equipped with latest and advanced

facilities in Diagnostic/ Therapeutic Nuclear Medicine and in Clinical Oncology. The most important task started at these hospitals is to establish a PAEC Cancer Registry Program (hospitals based) for better management of cancer and early prevention. During the period July to December 2016 more than 0.46 million patients were registered at Nuclear Medicine & Oncology (NM&O) hospitals and benefitted from the facilities in the fields of Diagnostic/ Therapeutic Nuclear Medicine and Clinical Oncology (Radiation & Medical Oncology).

Box-3: Prime Minister National Health Program

Prime Minister National Health Program was launched initially in Islamabad on 31st December 2015. Later it was launched in Muzaffarabad (AJK) on 25th February 2016 and Quetta (Balochistan) on 2nd May 2016. The program is a milestone towards social welfare reforms; ensuring that the under-privileged citizens across the country get access to their entitled medical health care in a swift and dignified manner without any financial obligations. Initially, the program has been launched for the benefit of people of Islamabad, but later on it will be expanded to all parts of Punjab, Balochistan and the Federally Administered Tribal Areas (FATA). The programme would benefit 3.2 million families living in Punjab, Balochistan and FATA in its two phases and a social mobilization campaign would be launched to ensure registration of all deserving people under the scheme. The program offers free of cost treatment for ailments such as cardiovascular diseases, Diabetes Mellitus and Burma. It will also cover end-stage renal diseases and dialysis, chronic infections (Hepatitis), organ failure and cancer treatment. Under the programme health care cards will be issued to the beneficiaries on which they will get free medical treatment of seven diseases. 1.2 million card holder families will get this facility in the first phase.

Around 63,000 people will be issued health cards through 300 centres in Islamabad and Lahore which have initially been established for the distribution of health cards. Every card holder will be able to avail health facilities worth Rs0.3 million per year; however, in case of exceeding the card limit the patient will be provided financial assistance through Baitul Mal.

Drug Abuse

To address the narcotic drug issue and to control its spread, a National Anti-Narcotics Policy 2010 is being implemented in collaboration with provincial governments and Law Enforcing Agencies (LEAs). The policy with its three strategies of Drug Supply Reduction, Drug Demand Reduction and International Cooperation focuses on to strengthen Law Enforcement Agencies at the federal, provincial and district levels to control the flow of drugs in Pakistan. The policy also seeks to promote international co-operation for mutual support and partnership against narcotics. The Anti Narcotic Force Department (ANF) has taken numerous

initiatives to fight drug hazards which include regular monitoring of areas around education institutions, coordination & liaison with the schools, colleges and universities, expansion of intelligence network of ANF inside main cities to locate and hunt drug smugglers, surprise checking by ANF Special Squads at all Railway Stations, Use of CCTV cameras for effective profiling of passengers at all airports and extension of NADRA Biometric Verification System to regional Directorates HQ for speedy investigations. Various narcotic seizures and punishments were awarded to culprits during the period July-Dec 2016. Details are given in the following tables:

Table 11.4: Narcotics Seized by ANF & Precursors/ Synthetic / Psychotropic Drugs (July- December 2016)	
Opium	31398.88 Kg
Heroin/ Morphine	15319.74 Kg
Hashish	72710.87 Kg
Cocaine	2.774 Kg
Amphetamine	1247.457 Kgs
Methamphetamine	17.060 Kgs
Ecstasy Tablets	450 Nos.
Psychotropic Tablets	280 Nos.
Acetic Anhydride (AA)	3660 Liters
Source: Narcotics Control Division	

Table 11.5: Details of Punishment Award to Culprits (Numbers)	
Cases Registered	605
Accused Arrested	696
Total decided cases	185
Convicted cases	161
Acquitted cases	08
Dormant/ Final order cases	16
Convicted persons	197
Acquitted persons	17
Conviction rate	95%
Source: Narcotics Control Division	

Area Development Projects

Eradication of poppy cultivation and socio-economic development through alternate development programs is the main objective of Area Development Projects. The area development strategy provides a mix of activities and services to improve the quality of rural life by introducing improve grain and

vegetable varieties, improved breeds of livestock, improved varieties of grass and introduction of new farming techniques. In addition, construction of farm to market roads, provision of electricity, construction of irrigation channels and measures to control land erosion have also been undertaken. Following area development projects are being implemented by Narcotics Control Division;

Table 11.6: Area Development Projects

Sr. No.	Name of Projects	Estimated Cost (Rs. million)
1	Kala Dhaka Area Development Project Executed by Special Development Unit Office, Government of Khyber Pakhtunkhwa	1,770.696
2	Khyber Area Development Project Executed by FATA Secretariat	1,235.530
3	Mohmand Area Development Project Executed by FATA Secretariat	859.079
4	Bajaur Area Development Project Executed by FATA Secretariat	911.016
Source: Narcotics Control Division		

Physical targets and achievements during 2016-17

The achievements of the health sector during 2016-17 included establishment of 7 Rural Health Centers (RHCs) 32 Basic Health Units (BHUs) and up gradation of 10 existing RHCs and 37 BHUs. The manpower included the addition of 4500 new doctors, 450 dentists, 3500 Nurses, 4550 paramedics and 475 Traditional Birth Attendants. Under the

preventive program, about 7 million children were immunized and 21 million packets of ORS were distributed during 2016-17. The HIV positive cases around 4500 have been reported to the National and Provincial AIDS Control Programs. The total number of TB cases reported are 63470, whereas the absolute number of cases is 211500 upto the third quarter of 2016 and the treatment success rate remained, 91%.

Table 11.7: Physical Target/Achievement 2015-16 and 2016-17

Sub Sector		2015-16			2016-17		
		Targets	Achievements	(%)	Targets	Achievements	(%)
A.	Hospital Beds	5000	4200	84	5000	4350	87
B.	Health Manpower						
	Doctors	5000	4400	88	5000	4500	90
	Dentists	500	430	86	500	450	90

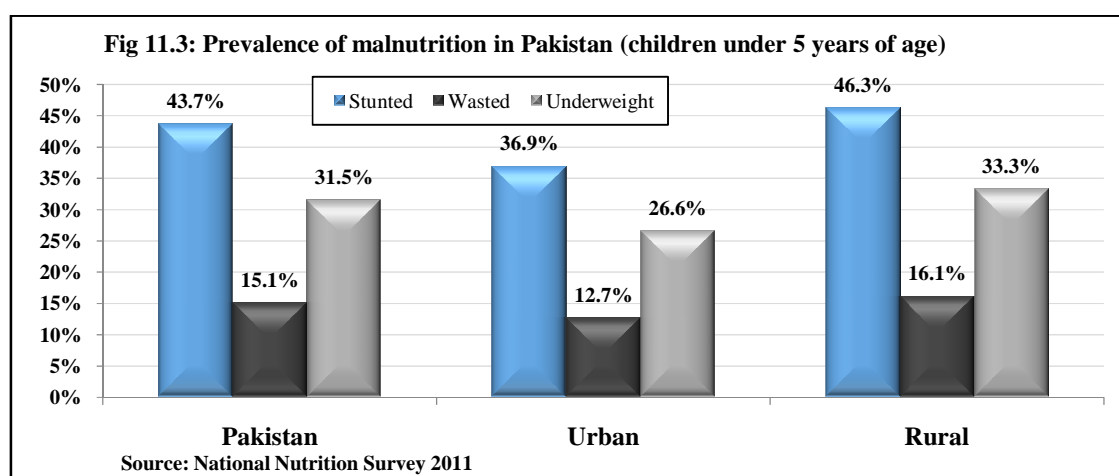
Table 11.7: Physical Target/Achievement 2015-16 and 2016-17 (Nos.)						
Sub Sector	2015-16			2016-17		
	Targets	Achievements	(%)	Targets	Achievements	(%)
Nurses	4000	3300	83	4500	3500	78
Paramedics	5500	4500	82	5500	4550	83
TBAs	550	450	82	500	475	95
Training of LHWs	10000	8000	80	10000	8300	83
C. Preventive Programme						
Immunization (Million)	8	6	75	8	7	88
Oral Rehydration Salt (ORS) (Million Packet)	23	20	87	23	21	91

Source: Ministry of Planning, Development & Reforms

Food & Nutrition

Nutrition is a major component of human resource development. Malnutrition is a situation that results from eating a diet in which nutrients are either not enough or too much that causes health problems. It includes calories, protein, carbohydrates, vitamins or minerals. Almost half of the population is suffering from high rates of malnutrition particularly children and mothers. According to the National

Nutrition Survey (NNS) 2011 and Pakistan Demographic & Health Survey (PDHS) 2013 malnutrition in under five children is prevalent; 44% children stunted, over 15% is the wasting¹ rate and 31.5% underweight. The incidence of stunting² and malnutrition among children varies across urban and rural areas. The rate of stunted, wasted and underweighted children was lower in urban areas than in rural areas.



The results of NNS 2011 revealed that 58% of households were food insecure at the national level. 28.4% were food insecure without hunger, 19.8% were food insecure with moderate hunger and 9.8% were food insecure with severe hunger. Rural household were more food insecure (60.6%) as compared to urban households (52.4%).

The NNS 2011 also indicates worsening

nutrition situation in the country when compared with the earlier survey 2001.

¹ Wasting, or low weight for height, is a strong predictor of mortality among children under five. It is usually the result of acute significant food shortage.

² Stunting, or low height for age, is caused by long-term insufficient nutrient intake and frequent infections. Stunting generally occurs before age two, and effects are largely irreversible.

Pakistan Economic Survey 2016-17

Pakistan Vision 2025 recognizes the malnutrition and set a goal to improve nutritional status of the population for good health leading to an active and vibrant socio-economic life and prosperity. To achieve this goal, Pakistan joined the global Scaling Up Nutrition (SUN) Movement in 2013 and adopted multi-sectoral strategy. SUN is a renewed effort to eliminate all forms of malnutrition, based on the principle that everyone has a right to food and good nutrition.

Food Availability:

The trend of the availability of essential food items is assessed through food balance sheets every year. The food availability situation in the country has improved during 2016-17 to meet the overall national requirements by adjusting import and export of food commodities. The caloric availability through major food items has remained at about 2485 calories a day per person. The availability of all essential food items for the last five years is given in the following table:

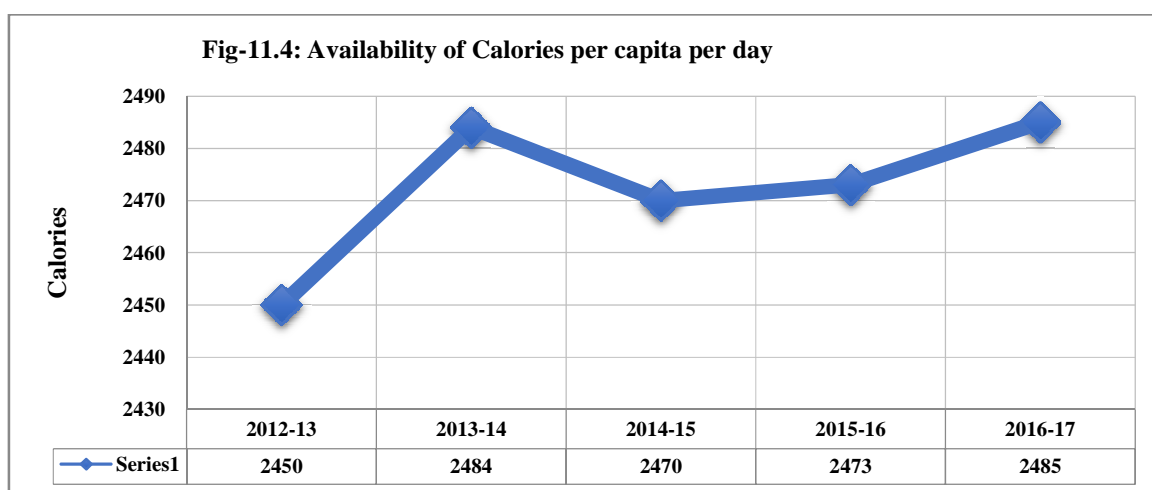
Table No.11.8: Food Availability (Kg) Per Capita per Annum

Items	Year/ Units	2012-13	2013-14	2014-15	2015-16	2016-17 (P)
Cereals	Kg	160.0	161.0	162.0	162.0	162.5
Pulses	Kg	7.0	6.5	7.0	7.0	6.5
Sugar	Kg	31.0	32.0	32.0	32.0	31.5
Milk*	Ltr	167.0	169.80	170.0	170.0	170.2
Meat	Kg	13.14	13.13	13.10	13.8	14.5
Poultry	Kg	5.42	5.74	6.10	6.03	6.02
Eggs	Dozen	6.0	6.0	6.0	6.0	6.0
Edible Oil/Ghee	Ltr	13.5	12.6	14.0	14.0	14.5

P: Provisional

* Milk availability has been revised according to FAO criteria

Source: Ministry of Planning, Development & Reforms



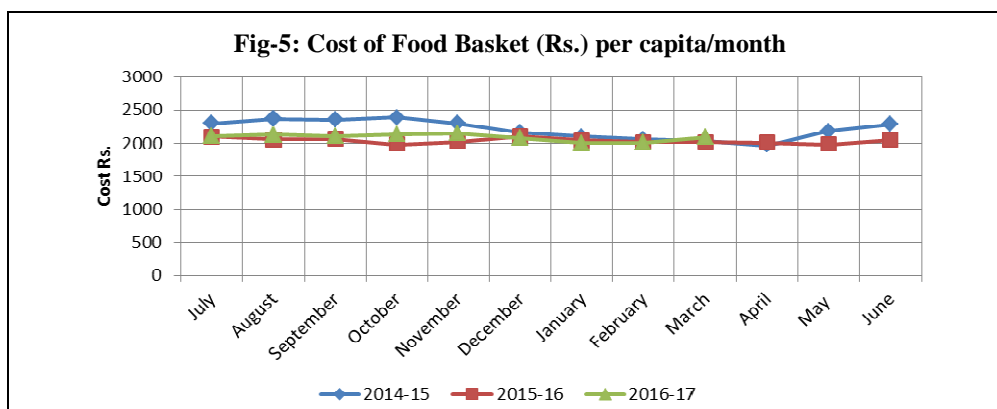
Cost of Food Basket (Rs.):

- Food basket cost is estimated every month using representative information from Pakistan Bureau of Statistics (PBS). This expenditure corresponds to commodities for

basic food basket for provision of 2150 calories. Based on national average, the estimated average food expenditure remained fluctuated during this period (July, 2016 to March, 2017).

- The average cost during the last three years from 2014-15 to 2016-17 at national level has been worked out which shows significant difference among the years and

months. However, overall cost trend of the food basket is similar among the years and remained low during the first quarter of the year (January to April) as given below:



Nutrition Activities / Programs

The Nutrition related activities/programs are summarised as under;

- Federal Government has allocated Rs. 100 million in PSDP for the National Initiative for SDGs/Nutrition for next three years. The PC-1 is being prepared to utilize this allocation for nutrition sensitive activities.
- In Khyber Pakhtunkhwa three programs are being implemented namely: Health Integrated Reforms Program having 4th component as nutrition at a cost of Rs 20 million out of Rs 14.11 billion; Special Initiative for Susta Atta/ Ghee Package at a cost of 2.45 billion and Primary Education School Feeding Program of Rs 97.6 million.
- In Punjab; Health integrated Reforms Program (Integrated Reproductive Maternal New Born & Child Health (IRMNCH) & Nutrition Program) costing Rs.13 billion having 4th component as nutrition with specific allocation of Rs. 4 billion; Stunting Prevention Nutrition program for 11 southern districts of Punjab costing Rs. 7 billion; and Water, Sanitation and Hygiene (WASH) program in 11 districts at the cost of Rs. 9 billion.
- In Balochistan Nutrition Program for Mother& Children has been initiated in 7

districts at a cost of Rs. 1.5 billion.

- In Sindh: Nutrition Support Program has been started at a cost of Rs. 4.5 billion; Saaf Suthro Sindh (SSS) Program at a cost of Rs. 278.00 and Nutrition Sensitive Agriculture” Project for three districts (Jacobabad, Sanghar&Umerkot) at a cost of Rs. 582.00 million and “Accelerated Action Plan (AAP) for the Reduction of Stunting and Malnutrition to reduce stunting from 48% to 30% over the next three years by allocating Rs. 1 billion every year.
- In each province SUN Units have been established at P&DD’s with technical, human and secretariat support from nutrition development partners. This shall increase the coordination and bring all stakeholders across the country on the same page for improving nutrition situation in the country.
- The Food Composition Table (FCT) and Dietary Guidelines (DG) for Pakistan are going to be revised for providing information on foods & diet to the general public.
- Benazir Income Support Program (BISP) served 5.42 million beneficiaries during 2016-17 and continues as effective Social Safety Net Measure by providing cash transfer to the poor segments of the

population throughout the country. Further advocacy is needed to include nutrition as one of the criteria for provision of cash transfer to improve dietary intake of the beneficiaries.

- In addition to Universal Salt Iodisation (USI) Program in 110 districts through Public Private Partnership, Food Fortification Program in Pakistan (FFP) is going to start implementation with the aim to support national efforts to improve the nutrition situation in the country.
- Ministry of National Food Security and Research with the support of Harvest Plus succeeded to develop a bio-fortified wheat variety “Zincol 2016” to overcome the deficiency of zinc and iron.
- Capacity building exercises for media personnel have been conducted to spearhead nutrition awareness as part of

behavior change communication campaigns.

- Early Childhood Development (ECD) task force is established to provide a high level platform for policy/strategic framework, planning, coordination, exchange of information.

Conclusion

Health profile of Pakistan is characterized by high population growth. Despite a significant investment in health sector over the year, the rate of progress is lower than most other countries. The disease pattern is heavily dominated by malnutrition and poor dietary practices. SDGs is a national commitment to improve health outcomes. The federal and provincial/area governments all developing, implementing and monitoring health sector strategic framework to achieve health related SDGs.

Population, Labour Force and Employment

Pakistan is the sixth most populated country in the world with an estimated population of 199.71 millions. The estimated population growth and fertility rate is 1.86 and 3.0 respectively. The government is well aware of the issue of high population growth and fertility rate and trying to overcome through different programs like establishment of Family Welfare Centers (FWC), Reproductive Health Services Centers (RHS), Regional Training Institutes and Mobile Services Unit. The government has allocated Rs. 8176 million in 2016-17 to population welfare programs for smooth functioning.

In addition, the government is also trying to utilize the potential abilities of youth and has initiated many projects and programs to improve the employment level in the country. As a result the unemployment rate has

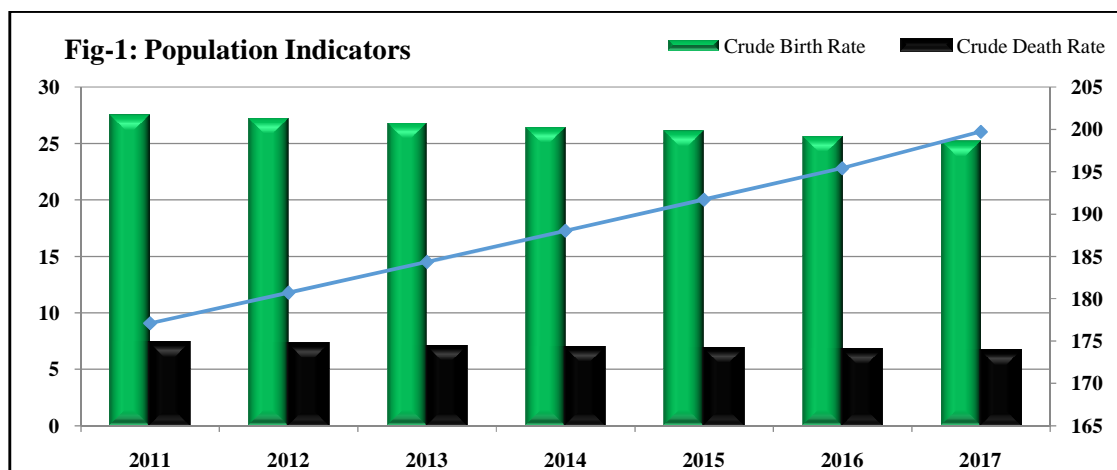
decreased from 6.2 percent in 2012-13 to 5.9 percent in 2014-15. Youth Development Program is one of the major initiatives taken by the government to generate employment opportunities for youth through different modes of business operations. It aims to provide various opportunities to the youth including micro interest free loans, small business loans for entrepreneurial activities, youth training and skill development facilities. In addition, the government is also providing fee assistance to students of less developed areas and laptops to the talented youth.

Demographic statistics of a country plays an important role in making the plans and frame work of economic policies. The Table 12.1 shows the selected demographic indicators of Pakistan.

Table 12.1: Selected Demographic Indicators

	2015	2016	2017
Total Population (Million)	191.71	195.4	199.1
Urban Population (Million)	75.19	77.93	80.72
Rural Population (Million)	116.52	117.48	118.38
Total Fertility Rate (TFR)	3.2	3.1	3.0
Crude Birth Rate (Per thousand)	26.1	25.6	25.2
Crude Death Rate (Per thousand)	6.80	6.70	6.60
Population Growth Rate (Percent)	1.92	1.89	1.86
Life Expectancy (Year)			
- Females	67.3	67.7	68.2
- Males	65.2	65.5	65.8

Source: Ministry of Planning ,Development and Reforms (Population Projections For the Year 2007-2030)



Crude Rates

The Crude Birth Rate (CBR) and Crude Death Rate (CDR) are important statistical values that can be utilized to measure the growth or decline of a population. The Crude Birth Rate and Crude Death Rate are both measured by the rate of births or deaths respectively, among a population of 1000. These rates can have major impacts on the welfare of the population. In Pakistan CBR has been marginally improved from 26.1 per thousands in 2015 to 25.6 per thousand in 2016 and 25.2 in 2017. While the crude death rate has declined from 6.8 per thousand in 2015 to 6.7 per thousand in 2016 and in 2017 it is 6.6 per thousand. This improvement is due to the better health facilities like vaccination and availability of life saving drugs.

Population Growth

Population growth plays a determinant role in the development process of a country. Increasing population growth raise the dependency ratio and puts pressure on education, health system and food supply. However, Women's education can help to reduce population growth because education would increase awareness about their duty towards children and health risk factor. A constant improvement in health and education indicators along with effective population welfare programs, the population growth is persistently declining. It was 1.92 in 2015

which declined to 1.89 in 2016 and 1.86 in 2017.

Life Expectancy

Life expectancy at birth (LEB) is defined as the average number of years one would expected to live at birth. It is generally used as one of the main indicators to review the health status of a population in developed as well as developing countries and it also illustrate the economic and social development of a country.

The increased average life is strongly linked with better health facilities and in this regard the government is making serious efforts for provision of better health facilities to its citizens. The main objective of the health care system is to provide long and healthy life to the people. Increase in healthy average life of individual shows that people are living longer on account of awareness, better nutrition, health care programs, improved sanitation facilities, and economic well-being.

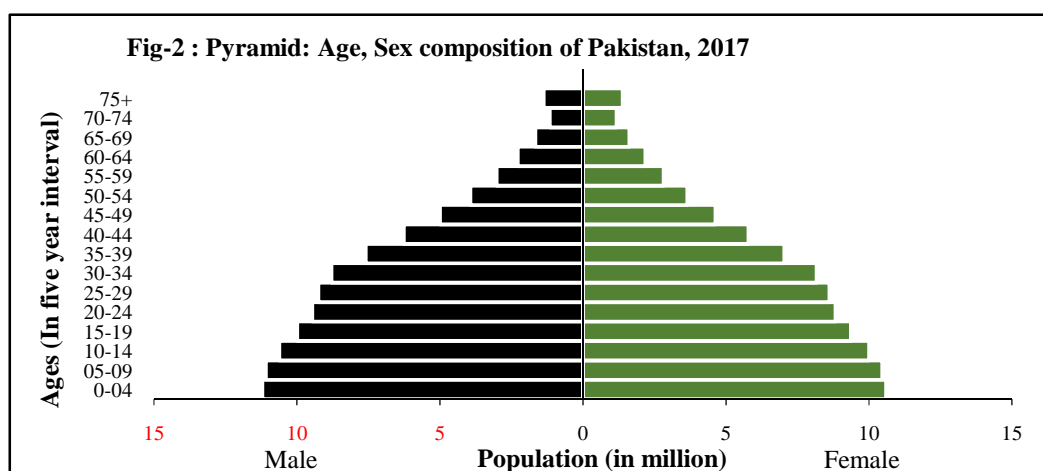
In Pakistan, average life for both male and female has improved on account of governments' efforts to handle health issues effectively. The average life expectancy of males has increased from 65.2 year in 2015 to 65.5 in 2016 and 65.8 years in 2017 whereas female's life expectancy rate also improved from 67.3 years in 2015 to 67.7 in 2016 and 68.2 years in 2017

Age Composition

Population composition shows characteristics of population such as age and sex. It provides a framework to interpret the health status and behaviors of the population. The distribution of population by age is an important feature which is required for socio economic sectors like education, health and employment. If the proportions of children and older persons is higher than government would spend more on schools, childcare, immunization and old-age social security systems and health care for

chronic diseases.

In Pakistan 10.9 percent of population is between the ages of 0-4 years and 21.2 percent is between 5-14 years. Population composition of the country is skewed towards working age population as 61.4 percent of population is falling in the age group 15-59. This demographic dividend may be best utilized for the economic growth by providing proper education, skill and vocational training in coming years.



Government's Initiatives and Strategies

PSDP funding for Population Sector

The Population Welfare Program is being executed by the Population Welfare Departments of the provinces and the federal units through the PSDP. Initially the Population Welfare Program was to end in June 2015 but on account of low PSDP allocations during some years, the projects have been extended till June 2017 to utilize the remaining amount. The provincial governments of Punjab and Sindh

are also funding the programs in addition to the PSDP funds.

The following table shows the yearly details of the allocation of PSDP funds to the provinces and federating units during last 4 years period. During this period an amount of Rs. 32 billion was allocated to the Population Welfare Departments of Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, AJ&K, Gilgit Baltistan and FATA.

Table 12.2: PSDP Funding to Population Welfare Program from 2013 to 2017					(Rs. in millions)
Province/ Area	2013-14	2014-15	2015-16	2016-17	Releases up-to March 2017
Punjab	3,288.368	3,633.589	3,608.653	3,583.590	2,508.512
Sindh	2,082.373	2,082.373	2,082.333	2,057.370	1,440.161
Khyber Pakhtunkhwa	1,026.575	1,283.378	1,283.447	1,268.450	887.913
Balochistan	523.728	805.736	805.736	795.736	557.015
AJ&K	180.021	223.356	223.354	273.356	191.349
Gilgit Baltistan	118.722	118.722	118.722	118.722	83.105
FATA	78.841	78.841	78.841	78.841	55.189
Total	7,298.628	8,225.995	8,201.086	8,176.060	5,723.244

Source: Ministry of Planning, Development and Reform, Islamabad

During the current financial year 2016-17, the amount of Rs. 8.176 billion has been allocated to population sector projects.

The physical progress under the Population Welfare Program (PWP) is shown in the Table below:

Table 12.3: Physical Progress		
Service Delivery	Target 16	Achievement 2016
Family Welfare Centres (FWC)	3200	3405
Reproductive Health-A Centres	250	253
Mobile Service Units (MSUs)	350	178
Reproductive Health-B Centres	225	86

Source: Population Welfare Departments of provinces and federating units.

- Population welfare program has established 3405 Family Welfare Centres (FWC) during 2016. FWC is one of the main service delivery networks of the program established in rural and urban areas for the provision of Mother Child Health Services (MCH), contraceptives and treatment of minor ailments.
- Reproductive Health Services-A Centres (RHS-A) are hospital based units which provide infertility treatment full range of family planning methods including contraceptive surgery services. These centres also assists in public health education campaign and awareness raising about personal hygiene etc. There are 253 RHS-A centres established in the country.
- 178 Mobile Service Units (MSU) has been established in 2016. The MSU extends reproductive health services and family planning services to villages through regular camping services
- The hospitals registered as RHS-B Centres is providing training to doctors and paramedics. During 2016 government has launched 86 RHS-B Centres.

The Country Engagement Working Group

The government is signatory of London Family Planning Summit of July 2012 (FP-2020) and Sustainable Development Goals (SDGs). The government has formed the Country Engagement Working Group (CEWG) of the population and family planning stakeholders for project's better implementation to achieve the targets of 2012 London Summit of Family Planning (FP-2020) like universal access to reproductive health and

raising the contraceptive prevalence rate to 55 percent by 2020. The CEWG comprised of all the public and private sector stakeholders including development partners.

National Population Policy

The Prime Minister has assigned the task to the Planning Commission to carry out the strategic review of National Policies of different sectors, including the preparation of National Population Policy. For this purpose Ministry of National Health Services Regulation & Coordination will coordinate with the public and private sector stakeholders to formulate the National Population Policy. In this regard, the work is under process and Provincial Population Policies will be helpful for the finalization of National Population Policy.

Box-1: National Population and Housing Census 2017

The present government has given importance to population sector and the long awaited 6th National Population and Housing Census is under way in Pakistan. The census is in two phases, first phase from 15th March to 15th April and the second from 25th April to 25th May. The census data will be helpful for government, researchers and planners for critical evidence-based decision making, planning and evolving strategy for population control. The census will provide reliable data on population, its growth and migration trends in different regions/ areas, employment, urban-rural population, male-female ratio, Afghan refugees etc. The national population census is also important for the resource allocation formula under National Finance Commission (NFC) Award.

Women Empowerment

Women's empowerment is defined in different ways some of which include access to material resources such as land, money, credit and income, availability of decent employment opportunities that involve good working conditions, access to power through representation in political and decision making bodies, freedom to make choices in life, enjoyment of basic rights granted in the constitution and international agreements, equal access to quality education, health facilities and access to various facilities.

Pakistan is committed to meet the Sustainable Development Goals (SDGs) and the Goal 5 i.e. Gender Equality; Ending all forms of discrimination against women and girls. Pakistan is also a signatory of the UN Convention for Elimination of all forms of Discrimination against Women (CEDAW). The government has internalized Sustainable Development Goals (SDGs) as National Goals. The seven pillars of Vision-2025 are fully aligned with the SDGs and provide a comprehensive long-term strategy for achieving inclusive and sustainable growth.

The present government has taken various steps to achieve women's empowerment through awareness campaigns and allocation of budget.

- Women's employment is encouraged, and the government has announced a 10 percent quota for women in public sector employment; Punjab raised this to 15 percent and Sindh to 25 percent.
- Punjab has lifted the ban on recruitments and 25,000 posts for women have been created at different tiers, and 70 percent of jobs in primary education have been earmarked for women.
- Moreover, Punjab Fair Representation of Women Act 2014 ensures 33 percent representation of women on all boards of statutory bodies, public sector companies, etc.
- Pakistan Army started recruiting women officers. Pakistan Air Force also has

women fighter pilots on duty alongside their male counterparts.

- Under the federal PSDP an amount of Rs.20.0 million was allocated for implementation of project of human rights. Around Rs. 20 million is estimated to be utilized during the year for the establishment of a "Helpline for legal advice on violations of human rights" by the Ministry of Human Rights.
- Action Plan to improve the Human Rights Situation in Pakistan by the Ministry of Human Rights has been approved and for establishment of the "National Institute of Human Rights" Rs. 58.70 million was allocated, out of this Rs.10 million is expected to be utilized.
- Prime Minister directed to ensure fifty percent (50 percent) participation of women in PM's Youth Loan Schemes for the empowerment of women.
- In order to promote innovative ideas based on business plans leading to solution of social problems, the government has established a Centre for Social Entrepreneurship at a cost of Rs.178.43 million. The project is unique in nature for addressing social issues through innovative business plans and women are equally encouraged to grow as an entrepreneur.
- Benazir Income Support Program (BISP), a flagship social protection program of the government is designed to provide social assistance to women. BISP also gives interest free financial assistance to the female beneficiaries under their Waseela-e-Haq (Micro-finance) program to start their own business. Only the woman can be the recipient and sole proprietor of the business but she can authorize any member of her family to run the business on her behalf.
- Vocational and Technical Training of one month to a year's duration, to the female beneficiary or her nominee is provided under the Waseela-e-Rozgar (Technical & Vocational Training) program (target is 150,000 beneficiaries) with a monthly stipend for each trainee is Rs. 6,000.

- The Waseela-e-Sehat (Life & Health Insurance) programs subsidizes healthcare for beneficiaries and life insurance provided to one million women, the premium is paid by the program.
- Waseela-Taleem (Primary Education) encourages beneficiary families to send their children ages 5-12 years to school through a co-responsibility cash transfer of Rs. 200/- per child (limit to three per family).
- Being a state party to the Convention on Elimination of All Forms of Discrimination against Women (CEDAW), Pakistan is committed to implement its provisions in true spirit. The government has already taken measures to ensure women's right as envisaged in the CEDAW.
- Acknowledging 'honor' killings one of the most critical problems facing the country, the present government has enacted effective legislation to address women's issues with a view to safeguard their rights i.e. (Criminal Law (Amendment) (Offences in the name or pretext of Honour) Act, 2016) and (Criminal Law (Amendment) (Offences Relating to Rape), 2016).
- The women are being encouraged to fully participate in electoral process and in this regard a Gender Cell in Election Commission of Pakistan has been established.
- The women entrepreneurships have been encouraged and promoted by the Ministry of Commerce with cooperation of US Government.
- The government has set up several institutions to secure and promote women's rights and National Commission on the Status of Women is one of them. National Commission on the Status of Women Act, 2012 provides a financially and administratively autonomous body with the objective of promoting social, economic, political and legal rights of women as guaranteed in the Constitution of Pakistan and in accordance with Pakistan's

international obligations as embodied in various conventions, covenants and declarations.

- National Commission On The Status Of Women has prepared a comprehensive road map defining goals, priorities and strategies for empowerment of women of Pakistan with special focus on home based/informal sector workers and their inclusion in the labour force, affirmative action for reservations and quotas in government including minority communities, and legislation where necessary.
- Financial inclusion of women population with bank account has increased considerably from 4 percent in 2008 to 11 percent in 2015.

Urbanization

Urbanization has the potential to drive the country towards prosperity and competence, but this process needs effective tackling of critical issues like improvement in service delivery, provision of infrastructure and housing, laws and regulations related to land use, planning and observing building code and solid waste environmental problems.

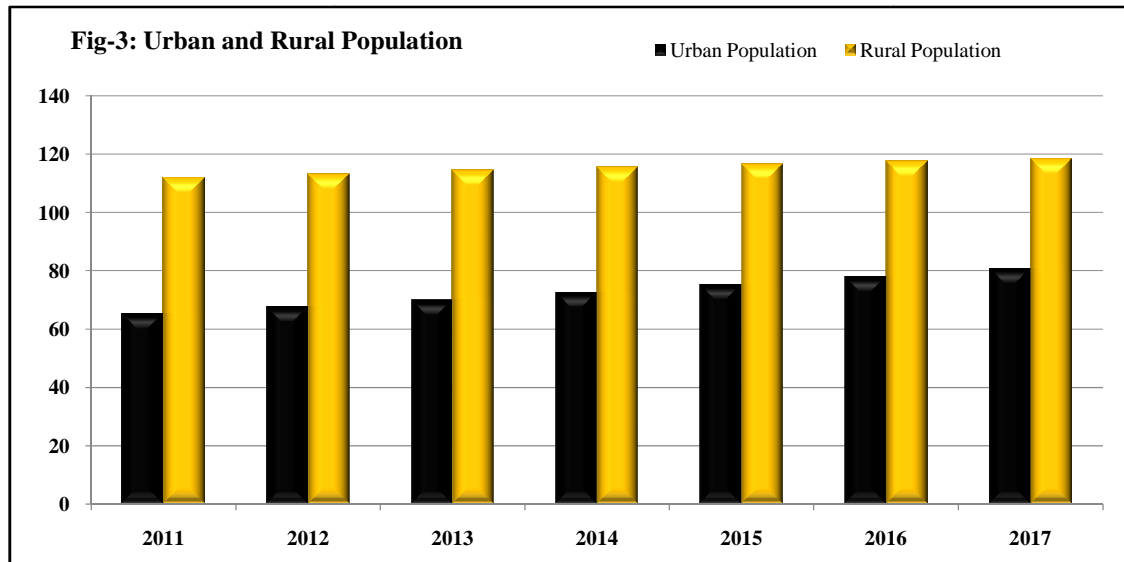
In Pakistan the urbanization trend is not different from other countries of the world, as Pakistan is also facing a rapid increase in urbanization caused by population growth, urban migration, and refugees' migration. Due to this there is an expansion of under-resourced urban settlements, which caused unprecedented levels of economic, spatial, social, and infrastructural challenges and climate change impacts. The population of the country is expected to reach 242 million by 2030 and half of the population will live in urban areas. The facts and figures shows that the estimated population in the rural areas decreased from 62.1 percent in 2013 to 59.46 percent in 2017, whereas, the population in urban areas increased from 37.9 percent in 2013 to 40.54 percent in 2017.

The government is well aware of this issue and is making sincere efforts to improve the quality of life of the population living in urban cities

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through planned urbanization. For this purpose, the Ministry of Climate Change and the United Nations Human Settlements Program (UN-Habitat) in Pakistan have been working closely on various initiatives related to sustainable urbanization and climate change. These include

policy formulation and implementation of climate change vulnerability and adaptation assessments and urban-related initiatives that contribute to the Sustainable Development Goals (SDGs).



Box-2: Sustainable Development Goals

SDGs are a universal set of goals, targets and indicators that all UN member states are expected to use to frame their development agendas and socio-economic policies during 2015-2030. SDGs are much broader in scope than outgoing MDGs. One of the strengths of the SDG framework is its recognition of the direct linkages among human well-being, economic development and healthy environment. The government has also launched the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly which has focused on social, environmental and economic development. The parliament has become the first entity to adopt the SDGs, and has established exclusive SDGs centre in the National Assembly. The government has shown its commitment by setting up SDG units with its own resources in Federal, Punjab while the process of establishing units in other provinces is under process for the achievement of its goals.

Employment Expansion Policies

Prime Minister's Youth Program is a remarkable initiative of the government for the socio-economic development of youth to combat unemployment in the country. This program has a broad canvas of schemes enabling youth and poor segments of population to get good employment opportunities, economic empowerment, acquiring skills needed for gainful employment, access to IT and imparting on-the-job training for young graduates to improve the probability of getting a productive job. Prime Minister's Youth Program includes six schemes. Details of the program are given below.

Prime Minister's Youth Business Loan Scheme: 21,734 loans cases worth Rs. 18.039 billion have been disbursed so far. The recovery rate is 90 percent with 10 percent Non Performing Loan (NPL) ratio. These are subsidized business loans at 6 percent mark up for a period of 8 years, and are granted after

satisfactory evaluation of borrower's business feasibility by the bank.

Prime Minister's Interest Free Loan Scheme: More than 283,321 interest free loans amounting to Rs. 6.393 billion have been awarded to people in 44 districts across Pakistan. 62 percent of the loan beneficiaries are female, and the recovery rate of the scheme is 99 percent.

Prime Minister's Youth Skill Development Program: Under this program 73,627 youth both male and female has so far been trained in more than 100 demand-driven trades across Pakistan. Training classes of another 25,000 trainees under Phase III (Batch-II) has been commenced on 02 January 2017. Minimum 25 percent of the total training slots are reserved for female trainees. Madaaris students and disabled youth are also covered under this scheme. Furthermore, another 100,000 youth will be trained during 2017-18 & 2018-19 under Phase-IV and the allocation for this phase is Rs.6,196.50 million.

Prime Minister's Program for Provision of Laptops to Talented Students: In Phase- II, 200,000 laptops have been delivered to HEC recognized universities across Pakistan. The distribution of laptops to students is in process. Further the procurement process for additional 200,000 is also under process for the upcoming phases of the scheme.

Prime Minister's Fee Reimbursement Scheme: A cumulative Rs. 6.8 billion have been released for this scheme since 2012-17 and Higher Education Commission (HEC) has paid around Rs5.74 billion tuition fee to 187,544 deserving students of less developed areas across Pakistan. Due to this valuable intervention, 100 percent enrollment has been increased in some universities of Balochistan.

Prime Minister's Youth Training Scheme: In Phase-I around 49,505 fresh graduates, degree/diploma holders, have been granted 12-month paid internship of Rs. 12000/month based on their matching demand in reputed public and private sector organizations.

The government has taken following measures to provide the employment opportunities to the youth.

- The government has increased the development expenditure from Rs. 348 billion in FY 2013 to Rs. 800 billion in FY 2017. These investments will create numerous jobs in various sectors of the economy and spur other economic activities, which will create further opportunities for gainful pursuits by our people.
- National Vocational & Technical Training Commission (NAVTTTC) has established a National Skills Information System to consolidate the demand and supply related information of TVET graduates at local and international level including analysis of labor market for informed decision making. It will also develop the linkages between industries and trained labor force for employability.
- Pakistan's first ever Job Placement Center (JPC) has been established to facilitate and provide carrier counselling of the job seekers. It is providing a unique platform for employers to advertise different career opportunities available in their organization. This initiative will bridge the gap between employers and skilled youth.
- NAVTTTC has organized the Skill Competition at Divisional, Provincial and National level for its Prime Minister's Youth Skill Development Program passed out trainees. The employers and representative from industry were also invited to motivate the trainees and ensure the employability of passed outs.
- National Training Bureau (NTB) is implementing important interventions to expand the TVET Sector through active participation of Skill Development Councils (SDCs), affiliated institutes and NGOs. It is expanding the base of Trade Testing & Certification/Informal Training through Public-Private Partnership. NTB has entered into agreements with foreign companies on Public Private Partnership

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(PPP) basis for setting up infrastructure and arranging training courses in various skills in Islamabad. This initiative of NTB will be helpful in enhancing the skills. The females are also being encouraged to acquire different skills which will be helpful in employability.

Export of Manpower

Migration is a significant feature of globalization and the number of migrants has been increasing tremendously for the past few years. These people have a positive impact on the economy of their home country in the form of remittances which encourages investment and support growth.

Bureau of Emigration and Overseas

Employment is responsible to control and regulate emigration and to look after the interest of emigrants. Seven regional offices of the Bureau are directly responsible to process the manpower demand and control/supervise the activities.

There are about 9.0 million overseas Pakistanis working around the globe. The main concentration of overseas Pakistanis is in Middle East 54.80 percent, Europe 26.81 percent and America 11.90 percent. During 2016, around 0.84 million labour force proceeded to different countries, especially Saudi Arabia and Middle East which not only contributed the economies of the host country through their services but also earned remittances for the county.

Table-12.4: Number of Pakistani Workers Registered

S.No.	Countries	2013	2014	2015	2016
1	UAE	273,234	350,522	326,986	295,647
2	Bahrain	9,600	9,226	9,029	8,226
3	Malaysia	2,031	20,577	20,216	10,625
4	Oman	47,794	39,793	47,788	45,085
5	Qatar	8,119	10,042	12,741	9,706
6	Saudi Arabia	270,502	312,489	522,750	462,598
7	UK	158	250	260	346

Source: Bureau of Emigration and Overseas Employment

Saudi Arabia is the largest country to host Pakistani workers and 1.6 million workers proceeded for job from 2013 to 2016 followed by UAE 1.2 million, Oman is 0.18 million and 0.04 million from Qatar.

Pakistan has a remarkable human resource which is classified into five occupational categories i.e. professional, un-professional,

skilled, semi skilled and un-skilled. The Table below shows that 1.3 million skilled people and 1.26 million unskilled workers went abroad from 2013 to 2016. The government has taken many steps for the welfare of the overseas which includes the establishment of vocational training institutions for providing training in such trades which are in demand overseas.

Table-12.5: Profession Wise Pakistani Workers Registered.

Year	Highly Qualified	Highly Skilled	Skilled	Semi skilled	Un skilled	Total
2013	12,057	5,032	263,138	102,963	239,524	622,714
2014	14,647	6,216	287,649	120,204	323,750	752,466
2015	17,484	7,853	397,317	151,636	372,281	946,571
2016	16,510	8,172	335,671	152,235	326,765	839,353

Source: Pakistan Bureau of Emigration and Overseas Employment

Manpower export has gradually decreased from 0.946 million in 2015 to 0.84 million in 2016. The major reason of declining the number of Pakistani workers proceeded abroad during 2016 was slowdown in construction - related

activities in Saudi Arabia and GCC countries , decrease in oil prices and Kingdom of Saudi Arabia slashed its transport and infrastructure budget in 2016 by 63 percent as compared to 2015. Presently, there is reversal of oil prices

and number of activities is in process which may likely to generate employment opportunities. The government has taken various measures and initiatives to increase the export of Pakistani manpower to other countries. Some of the steps are as follows.

- The Prime Minister of Pakistan paid follow up visit in February 2016 to Qatar after Emir of Qatar announced 100,000 Jobs from Pakistan for its FIFA World cup 2022 in which 2 million foreign manpower is required. A number of Memorandums of Understanding (MoUs) in the field of Health, Radio & Television, Education & Research and a Long-term Sale/Purchase Agreement (SPA) of LNG are signed by both sides. The aforesaid agreements will create employment opportunities for Pakistanis in Qatar. The Chief Minister Punjab also visited Qatar to get the maximum benefit from upcoming mega events.
- During the recent visit of Prime Minister to Kuwait the restriction on issuing of visas to Pakistani national has been lifted by the Kuwaiti Government
- Various steps are under consideration to capture the manpower market of UAE with special reference to Dubai Expo, 2020. There will be the demand of skilled workforce in future and the government is working on skill development of workers

through NEVTTC/TEVTA.

- The government is working with UAE for up skilling and certified manpower. In this regard following four institutes have been accredited by UAE Government under the Pilot Project on Skills Up gradation Accreditation of Vocational Training Centre in Pakistan.
 - i. Institute of Technical & Professional Education, Rawalpindi,
 - ii. College of Technology, Rasul Mandi Bhaudin,
 - iii. Construction Technology Training Institute, Rawalpindi,
 - iv. Applied Technologies Institute, NLC, Mandra with the collaboration of Group of Arfat Tirocinium (UAE).

Ministry of OP&HRD is taking measures for maximum export of Pakistani manpower to other countries especially Malaysia

The comparison among provinces shows that the manpower export is higher from Punjab as compared to other provinces. During 2016, the highest number of workers went abroad were from Punjab 446566, followed by Khyber Pakhtunkhwa 206929. However, the situation in other provinces is not encouraging which shows that proper attention in terms of establishment of new Skill Development Centers is required to increase the number of skilled labour force in the country .

Table 12.6: Province Wise Workers Registered for Overseas Employment

YEAR	Federal	Punjab	Sindh	Khyber Paktun-khwa	Baloc-histan	Azad kashmir	N/areas	Tribal area	Total
2013	7,109	326,012	55,608	150,418	9,293	40,038	1,190	33,046	622,714
2014	8,943	383,533	89,703	167,424	7,258	52,120	2,073	41,412	752,466
2015	9,028	478,646	116,935	220,993	7,686	64,586	2,899	45,798	946,571
2016	8,472	446,566	85,326	206,929	6,378	43,093	2,961	39,628	839,353

Source: Pakistan Bureau of Emigration and Overseas Employment

Conclusion

Pakistan is the sixth populous country in the world with current estimated population growth rate of 1.86 percent. The country has limited resources and increasing population is putting more pressure on these resources. The

government is much concerned about this issue and making serious efforts to control the population growth rate through education and media campaign. Another major initiative taken by the government is conducting the National Population and Housing Census that would be

Population, Labour Force and Employment

helpful for government and planners in decision making and formulating a strategy for population control. Pakistan is blessed with energetic youth and this workforce can be a productive asset of the country if properly trained through skill development programs. The government is cognizant of this fact and

has initiated different skill development programs and training institutes for the youth which are being imparted through the establishment of vocational training centres. Focus on technical and vocational education will not only improve individual performance but also increase national productivity.

Transport and Communication

Connectivity is the buzz word for economic growth. Realizing the importance of transport and communication, the incumbent government has pinned top priority to the transport and communication sector during last four years.

China-Pakistan Economic Corridor (CPEC) envisioned as part of One Belt One Road (OBOR) / Maritime Silk Route initiative launched by China will link producers and consumers of Pakistan and China to 50 countries across the globe who came together in Beijing in May this year to study the spirit and philosophy of the whole concept. Economic powers from five continents are bracing themselves to join various mega projects on anvil under CPEC and OBOR.

Road Transport

The development of infrastructure pertaining to roads is critical to economy and socio-economic development of the country. It is not an exaggeration to suggest that growth of several other economic sub-sector sectors

depends on better roads network for timely availability of inputs and disposal of goods and services. The road infrastructure not only creates the demand of primary inputs including labour movement but also stimulates consumption pattern of society. A safe road transport system links farmers and producers to markets, gives a fillip to employment, inter-community trade, alleviation of poverty, and extension of industrial units to the rural areas. Recent economic development in the country resulted in increasingly pressure on the transport system, therefore, continuous expansion, maintenance, replacement and modernization is made in this sector.

During July-March FY 2017, total length of roads in Pakistan including GB and AJK is 264.401 thousand kilometres as compared to 263.356 thousand kilometres over the corresponding period of last year, the table given below represents the total length of both in low and high type in the country as given below:

Estimated Length of Roads in Provinces (kms)							
Years	Category	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	GB & AJK	TOTAL
2012-13	Total	107,805	81,385	42,980	29,655	1,590	263,415
	Low Type	33,090	24,685	13,140	20,525	470	91,910
	High Type	74,715	56,700	29,840	9,130	1,120	171,505
2013-14	Total	107,973	81,493	43,035	29,692	1,592	263,755
	Low Type	32,729	24,415	12,996	9,030	465	79,635
	High Type	75,214	57,078	30,039	20,662	1,127	184,120
2014-15	Total	107,992	81,543	43,072	29,742	1,593	263,942
	Low Type	32,428	24,215	12,846	8,930	460	78,879
	High Type	75,564	57,328	30,226	20,812	1,133	185,063

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Estimated Length of Roads in Provinces (kms)							
Years	Category	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	GB & AJK	TOTAL
2015-16	Total	108,085	81,630	43,117	29,785	1,595	264,212
	Low Type	31,255	23,417	12,230	8,560	458	76,020
	High Type	76,830	58,213	30,787	21,225	1,137	188,192
(July-March)							
2015-16	Total	107,718	81,624	42,945	29,490	1,579	263,356
	Low Type	30,901	23,415	12,320	8,460	453	75,549
	High Type	76,817	58,209	30,625	21,030	1,126	187,807
2016-17	Total	108,155	81,681	43,151	29,817	1,597	264,401
	Low Type	31,270	23,425	12,336	8,580	459	76,070
	High Type	76,885	58,256	30,815	21,237	1,138	188,331

Source: National Transport Research Centre (NTRC)

National Highway Authority (NHA)

The National Highway Authority (NHA) is playing an important role in the development of economy and enhancing the national integration. Presently, NHA network comprises of 39 national highways, motorways, expressway, and strategic roads with total stretch of 12,131 kms. NHA existing portfolio consists of 50 on-going projects costing Rs 1,605.6 billion with Federal PSDP allocation for

2016-17 at Rs.178.5 billion, out of which Rs. 60.850 billion is as FEC and Rs.117.62 billion as local component. There are also 28 new schemes in PSDP 2016-17 with total estimated cost of Rs. 440.60 billion.

Rehabilitation

During last five years, NHA has rehabilitated/constructed the following length of roads over the country, province-wise break up of which is shown in the table given below:

Rehabilitated of roads					
Description	2012-13 Length (kms)	2013-14 Length (kms)	2014-15 Length (kms)	2015-16 Length (kms)	TOTAL Length (kms)
Punjab North	160.85	151.00	170.41	106.45	588.71
Punjab South	59.70	76.82	120.39	91.50	348.41
Sindh North	35.90	81.08	73.45	7e55	260.98
Sindh South	45.00	33.00	33.00	70.00	181.00
Khyber Pakhtunkhwa	82.47	157.69	94.00	94.00	428.16
Balochistan North	7790	148.50	109.00	125.10	460.50
Balochistan South	25.80	69.00	38.00	66.00	198.80
Northern Areas	31.80	6000	62.97	40.12	194.89
Gilgib-Baltistan	0.00		0.00	25.00	25.00
M-1	74.90	18.00	48.00	30.00	170.90
M-2	-	-	-	-	-
M-3	-	40.00	16.70	20.00	76.70
TOTAL	594.32	835.09	765.92	738.72	3,934.04

Source: National Highway Authority (NHA)

Motorways

NHA has already completed three segments of Pakistan Motorway network viz M-1

(Peshawar-Islamabad), M-2 (Islamabad-Lahore) and M-3 (Pindi Bhattian-Faisalabad) on a virgin corridor bringing remote areas on mainline and boosting economic activities.

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NHA is now constructing M-4 (Faisalabad-Khanewal-Multan) and Karachi-Hyderabad Motorway (M-9) on Build-Operate-Transfer

(BOT) basis.

Detail of NHA Motorway network is presented in table given below:-

Motorways / Expressways			
Sr.No.	Motorways/Expressways	Length	Status
1.	M-1 (Peshawar-Islamabad)	156 Km	Completed
2.	M-2 (Islamabad-Lahore)	357 Km	Completed
3.	Havelian-Thakot	120 km	Ongoing
4.	Hazara Motorway (E-35)	59 km	Ongoing
5.	Hakla-D.I.Khan	285 km	Ongoing
6.	Sialkot-Lahore	88 km	Ongoing
7.	Lahore-Multan (M-3)	230 km	Ongoing
8.	Faisalabad-Gojra (M-4)	58 km	Completed
9.	Gojra-Shorkot (M-4)	62 km	Ongoing
10.	Shorkot- Khanewal (M-4)	64 km	Ongoing
11.	Khanewal-Multan (M-4 Ext.)	56 km	Completed
12.	Sukkur-Multan (M-5)	392 km	Ongoing
13.	Hyderabad-Sukkur (M-6)	296 km	Procurement under process
14.	Karachi-Hyderabad (M-9)	136km	Ongoing
15.	Pindi-Bhattian-Faisalabad	53km	Completed
	Total	2412Km	

Source: National Highway Authority (NHA)

Public Private Partnerships (PPP) Projects

NHA through its dedicated efforts in the last one year took a lead in the road infrastructure development through the private sector participation. NHA successfully attracted private sector investment and has

awarded/supported five (05) projects worth over Rs. 144 billion, which is more than the average annual Foreign Direct Investment (FDI) in Pakistan. Besides other benefits, the expected revenue earnings from these 5 projects is over Rs. 391 billion. Details of these projects are given in Table given below:-

Private Sector Investment				
Sr. No	Project Name	Length (Km)	Cost (Rs billion)	Status
1.	Overlay and Modernization of Lahore-Islamabad Motorway (M-2)	357	46	Completed
2.	Habibabad Bridge (N-5)	2	0.8	Completed
3.	Karachi-Hyderabad Motorway (M-9)	136	44	Ongoing
4.	Sialkot - Lahore Motorway	91.3	44	Ongoing
5.	Multan - Muzaffargarh - D.G. Khan (N-70)	80	9.3	Planned
	Total	666.3	144.1	

Source: National Highway Authority (NHA)

The Public Private Partnership (PPP) or Build, Operate & Transfer (BOT) is a mechanism through which private sector is responsible to arrange financing for the project. The private

party also bears the responsibility of design, construction, operation and maintenance of the project and in return the party is authorized to receive toll/other revenue for a certain period.

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Details of on-going PPP projects are given in Table-given below:

List of on-going Public Private Partnership (PPP) Projects

S.No.	Project	Length (Km)	Project Cost (Rs.million)
1.	10 x Service Areas (M-2)	-	1,125
2.	Two Mini-Service Areas at River Haro (M-1)	-	260
3.	Overlay and Modernization of Lahore- Islamabad Motorway (M2)	357	46,007
4.	Habibabad Bridge (N-5)	2	831
5.	Karachi-Hyderabad Motorway (M-9)	136	44,251
6.	Sialkot - Lahore Motorway	88	43,847
	TOTAL	583	136,321

Source: National Highway Authority (NHA)

China Pakistan Economic Corridor

In order to ensure smooth and efficient movement of goods and services along with passengers in a healthy environment, NHA is authorized to plan and develop China-Pak Economic Corridor (CPEC) connecting Khunjrab to Gwadar. Currently CPEC projects

worth Rs.700 billion related to NHA are on-going. Details of CPEC routes are as under:

Western Alignment: Khunjrab - Burhan (Hakla) - DI Khan (Yank) - Zhob - Quetta - Surab - Hoshab - Gwadar. Total Distance 2,463 Km
Current Status is as under:-

Western Alignment

Sr. No.	From	To	Length	Status
1)	Khunjrab	Raikot	615	Completed
2)	Raikot	Thakot		Planned
3)	Thakot	Havelian	118	Ongoing
4)	Havelian	Burhan	60	Ongoing
5)	Burhan(Hakla)	Yank (D.I.IChan)	285	Ongoing
6)	Yank (D.I.Kharn)	Zhob	235	Under procurement / process
7)	Zhob	Quetta	331	Planned. Feasibility study & Design underway
8)	Quetta	Surab	211	Existing rehabilitated
9)	Surab	Hoshab	449	Completed
10)	Hoshab	Gwadar	193	Completed
Total Length			2497	

Source: National Highway Authority (NHA)

Central Alignment: Burhan (Hakla) - Pindigheb - Kot Addu - DG Khan - Rajanpur - Wangu Hills - Khuzdar Basima - Hoshab - Gwadar.

Total Distance 2,417 Km.

Central Alignment from Khunjrab- Burhan (793 km) is common as Western alignment.

Central Alignment:

Sr.No	From	To	Length(Km)	Status
1	Burhan (Hakla)	Pindigheb	61	Planned
2	PindiGheb	KotAddu	355	Planned
3	KotAddu	DG Khan	55	Planned
4	DO Khan	Rajanpur	49	Planned
5	Rajanpur	Wangu Hills	336	Planned
6	Wangu Hills	Khuzdar	113	Completion in September 2017
7	Khuzdar	Basima	110	PC-I Approved. (CPEC)

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Central Alignment:				
Sr.No	From	To	Length(Km)	Status
8	Basima	Hoshab	361	Completed
9	Hoshab	Gwadar	193	Completed
10	Total Length		1633	
Source: National Highway Authority (NHA)				

Eastern Alignment: Khunjrab - Thakot - Mansehra -Burhan - PindiBhattian - Faisalabad - Multan - Sukkur -Shikarpur – Rato Dero - Khuzdar - Basima - Hoshab-Gwadar.

Total Distance 2,686 Km.

Eastern Alignment from Khunjrab- Sultan (793 km) is common as Western alignment. Details of further section are as under:-

Eastern Alignment				
Sr. No	From	To	Length (Km)	Status
1.	Burhan	PindiBhattain	293	Planned
2.	PindiBhattain	Faisalabad	53	Planned
3.	Faisalabad	Multan	240	
	(i)Faislabad	Gojra	58	Completed
	(ii) Gojra	Khanewal	126	Ongoing
	(iii) Khanewal	Multan	56	Completed
4.	Multan	Sukkur	392	Ongoing
5.	Sukkur	Shikarpur	37	Completed (ADB)
6.	Shikarpur	RatoDero	49	Feasibility Study completed. Detail design in process
7.	RatoDero	Khuzdar	180	Completion by June 2017(M-8) Section
8.	Khuzdar	Basima	110	PC-I Approved. Detail design in process
9.	Basima	Hoshab	361	Completed
10.	Hoshab	Gwadar	193	Completed
	Total Length		1908	
Source: National Highway Authority (NHA)				

A. Pakistan Railways:

Pakistan Railways has a definite edge over road transport for long haul and mass scale traffic movement both for passenger and freight in addition to providing a safe, economical and environment friendly mode of transport. An effective railway system of the country facilitates commerce and trade, reduces transportation costs and promotes rural development and national integration. The network of Pakistan Railways comprises of 7,791 route kilometers, 451 Locomotives (DL 439 + Steam 12), 1,732 passengers coaches and 15,948 freight wagons.

Earning of Pakistan Railways		
Fiscal Year	Earning (Rs. million)	Percent Change
2011-12	15,444	-
2012-13	18,071	17.0
2013-14	22,800	26.2
2014-15	31,924	40.0
2015-16	36,581	14.6
(July-March)		
2015-16	26,436	
2016-17	26,268	-0.6
Source: Pakistan Railways		

Gross earning along with passenger traffic, freight carried and freight tonnes has improved by 14.6 percent, 4.5 percent, 38.9 percent and 44.6 percent respectively in FY 2016 over last

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year. During July-March 2016-17, the gross earning and freight tonnes remain lower by 0.6 percent and 3.2 percent respectively over the corresponding period of last year, while passenger traffic and freight carried improved by 7.0 percent and 4.7 percent respectively. The

details are given in the table. Government of Pakistan has allocated Rs. 41 billion in federal PSPD for the financial year 2016-17 for the development interventions in Pakistan Railways.

Passenger and Freight Traffic								
S.#	Subject	2011-12	2012-13	2013-14	2014-15	2015-16	July March	
							2015-16	2016-17
1	Number of Passenger Carried (Million)	41.100	41.957	47.690	52.951	52.192	39.55	38.950
2	Passenger Traffic Kms (Million)	16,093	17,388	19,778.560	20,288	21,201	16,333.18	17,470.35
3	Freight carried Tonnes (Million)	1.323	1.016	1.610	3.600	5.001	3.65	3.82
4	Freight Tonnes Kms (Million)	402	419	1,090.332	3,301.438	4,773.548	3,497.19	3,385.410
5	Gross Earning (Rs. Million)	15,444	18,070	22,800.217	31,924.757	36,581.865	26,436.00	26,268.070

Source: Pakistan Railway

New Initiatives

- Under the Public Private Partnership (PPP), Pakistan Railways has started several trains to cater to the needs of business community and general public.
- Pakistan Railway has also involved private sector in the management and operation of terminal facilities including dry ports. Prem Nagar dry port Lahore is the first successful model of joint venture between Pakistan Railways and two private parties.
- Up gradation of Mainline-1 (ML1) and construction of dry port and cargo handling facilities have been included as Early Harvest Projects (EHP) under China-Pakistan Economic Corridor (CPEC) and preparatory work on these projects has been initiated on fast track basis.
- Framework agreement between the National Railway Administration, Government of the Peoples Republic of China and the Ministry of Railways, Government of the Islamic Republic of Pakistan on implementation for up-gradation of ML-I and Establishment of Havelian Dry Port of Pakistan Railways being signed.
- E-Ticketing has been introduced to facilitate customers.

C. Pakistan International Air Lines

Pakistan International Airlines Corporation (PIAC) came into existence in 1955 as Public

Sector organization. However, in April 2016 it was converted from a Statutory Organization to a Company governed by Companies 1984, through Pakistan International Airlines Limited (PIAL conversion) Act 2016.

Present PIA is passing through dire financial state. However, the present government is very keen to make itself reliant. Efforts are underway to improve the financial health of the Corporation by reducing its losses through various means and modes. Stringent action is being taken against corruption and mismanagement.

It is worth mentioning that despite facing difficulties, PIAC has been able to improve upon its performance with reduction to losses. Federal government's decision to reduce fuel prices has helped PIA in saving on its fuel cost significantly. Furthermore, PIA's seat factor also improved in comparison to previous years.

Presently, PIA operates to 50 destinations including 28 international and 22 domestic. It has a market share of 27percent in international and 65percent in domestic air travel market during 2016 which was 24percent and 46percent respectively during 2015.

Fleet Expansion

The decision of induction of fuel efficient narrow body aircraft not only supported the airline to improve its operations but also enabled in bringing efficiency and better control on fuel cost. During last two years there

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has been an increase of 63 percent from 22 to 36 in fleet.

PIAC have recently signed agreements for acquisition of 20 percent aircraft on dry lease i.e. 13 x A-320 and 05 x ATRs-72 prop-turbo, out of which 11 x A-320 and 05 x ATR-72 and 2 Boeing 777 have already joined PIAC's fleet and remaining two A-320 will join PIAC fleet very soon.

The average age of fleet has also been reduced presently to 10 years which will further reduce to 8 years after grounding of above 20 years old A-310.

Focusing on future performance, PIA is perusing aggressive to induct fuel efficient

narrow body aircraft i.e. A320 in order to overcome fleet constraints. As a part of route rationalization process daily flights to Quetta, Peshawar, Multan, Faisalabad etc have been resumed along with additional frequencies to Rahim Yar Khan, Bahawalpur and especially to Northern areas and Balochistan. Upon acquisition of more aircraft PIA will certainly avail opportunities to expand its network. Minimize technical delays through quality maintenance and fleet availability to improve on-time departures of aircraft.

The overall performance of PIA is given in the following table.

PIA Performance				
Indicators	Units	Year 2014	Year 2015	Year 2016
PIA Fleet	No. of planes	34	38	38
Route	Kms	389,445	367,251	382,057
Available Seat	million Kms	16,536	16,666	19,196
Passenger Load Factor	in percent	72	70.3	71.6
Revenue Flown	000 Kms	61,389	67,630	79,842
Revenue Hours Flown	Hours	101,556	111,455	131,838
Revenue Passengers Carried	000nos.	4,202	4,393	5,487
Revenue Passengers	million Kms	11,903	11,711	13,751
Revenue Tonne	million Kms	1,241	1,191	1,375
Revenue Load Factor	in percent	52	48.9	49.2
Operating Revenue **	Rs. million	99,519	91,269	89,842
Operating Expenses **	Rs. million	11,048	121,222	125,961
Available Tonne	million Kms	2,396	2,435	2,798

Source: Civil Aviation Authority
 * PIA financial year is based on calendar year i.e. January to December.
 ** Revenue and cost is based on un-audited accounts.

D. Ports and shipping

Pakistan National Shipping Corporation (PNSC)

At present, PNSC fleet comprises of 09 vessels of various type / size (05 bulk Carriers and 04 Aframax tankers) with a total deadweight capacity of 681,806 metric tons being the highest ever carrying capacity since its inception.

PNSC during nine (09) month July-March 2016-17 contributed to the economy as under:

- Group after Tax Profit of Rs 1,381 million has been achieved during this period against Rs 1,364 million in the same period last year showing an increase of 1.25percent.
- Earnings per share for the group increased to Rs 10.46 from Rs 10.33 in the corresponding last period.
- Despite the pressure and major financial crunch faced by the global shipping industry with the fall in Average Freight Rate Assessment (AFRA), world scale and bulk freight rates internationally, PNSC

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achieved better results by focusing on more profitable ventures besides retaining its repute as one of the major contributors to sea borne trade in Pakistan.

- d. PNSC made substantial growth in revenue of 45percent and 24percent in the area of foreign tanker and slot charter business respectively, thereby offsetting losses incurred on dry bulk segment.
- e. Direct operating expenses decreased to Rs.6,607 million (including Rs 3,019 million from PNSC) from Rs.6,734 million (including Rs 3,183 million from PNSC).
- f. PNSC's Finance cost reduced to Rs 255 million from Rs 465 million in the same period last year as PNSC started reaping the benefit of swapping and negotiating the expensive loans acquired in 2010 & 2014 at three months KIBOR plus spread of 2.2 percent and 1.6 percent with significantly reduced level of spreads at 0.4 percent and

0.5 percent respectively. These reduced level of spreads also enhanced the loan repayment capacity of the Corporation that also positively supports our gearing structure.

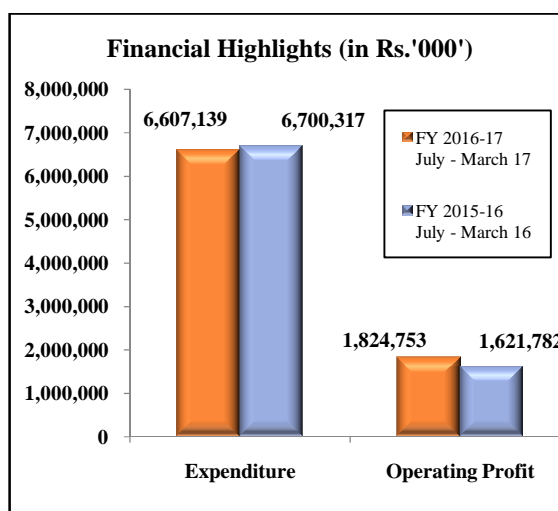
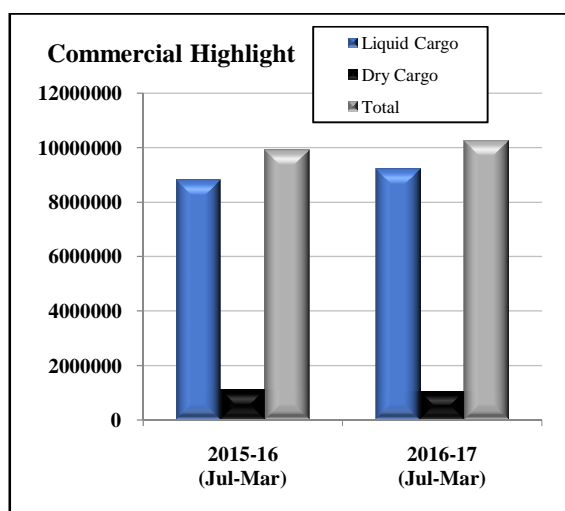
Owing to the effective and efficient management of risks, consistent historical performance and optimal capital structure, PNSC has upgraded long-term credit rating of PNSC (Group) from AA- to AA indicating very strong capacity for timely payment of financial commitments.

Commercial and Financial Performance of PNSC:

The Commercial and Financial performance (un-audited/provisional) of last four years and FY 2016-17 covering nine months activities from 1st July 2016 to 31st March 2017 along with compared with corresponding previous period of PNSC are given in the following tables:-

Commercial Performance of PNSC					(million tonnes)	
Cargo Lifted	2012-13	2013-14	2014-15	2015-16	July - March	
					2015-16	2016-17
Liquid Cargo	10.7	15.4	14.7	11.8	8.8	9.2
Dry Cargo	2.5	2.5	1.5	1.2	1.1	1.0
Total	13.3	17.9	16.2	13.0	9.9	10.2

Source: Pakistan National Shipping Corporation (PNRC)



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Financial Performance of PNSC						(Rs. in billion)
Financial Results	2012-13	2013-14	2014-15	2015-16	July - March	
					2015-16	2016-17
Revenues	12.3	15.7	15.5	12.5	9.6	9.1
Expenditures	8.9	12.3	12.5	9.00	6.7	6.6
Profit before Taxation	3.4	3.4	3.2	2.5	2.9	1.8

Source: Pakistan National Shipping Corporation (PNRC)

Future plans of PNSC:

In line with the domestic requirements of Pakistan, PNSC plans to add more oil tankers to its fleet. The dry bulk market is showing signs of recovery and PNSC strive to keep vessels deployed at best available rates.

As a step forward in ferry service venture, PNSC has been granted a license by Ministry of Ports and Shipping and will soon start its service on commercially viable terms and upon clearance from all concerned. PNSC is also exploring new opportunities like Oil Storage facilities to cater the growing domestic needs and for improving operational efficiencies.

PNSC plans to enter in new ventures with upcoming refineries. Furthermore, under CPEC, many coal fired power plants are expected to be operated in coming next two years. PNSC is aiming to venture for the transportation of the coal which is expected to be imported from foreign countries through PNSC's own bulk carriers.

Karachi Port Trust

Karachi Port vested in a Trust was established in 1887 with affairs and management to be run by trustees. The port presently handles 60percent of the country's trade through its operations within the port limits defined by the federal government. Karachi Port Trust (KPT) is committed to provide the country a modern, competitive, user friendly port and a transshipment hub of the region with hinterland connectivity. The cargo handled at KPT improved by 15.3 percent in FY 2016 over FY 2015. The trend continued in FY2017. During July – March FY 2017, the cargo handled

data suggested a growth of 6.7 percent over the same period last year showing improved economic activity. Exports through KPT has grown by 8.2 percent however imports declined by 2.2 percent during July- March 2016-17 as compared with previous year corresponding period. The cargo handled by KPT during previous years is given below;

Cargo Handled at Karachi Port Trust			
(in 000 tonnes)			
Period	Exports	Imports	Total
2011-12	11,674	26,201	37,875
2012-13	12,150	26,700	38,850
2013-14	11,007	30,343	41,350
2014-15	10,422	33,000	43,422
2015-16	9,786	40,259	50,045
(Jul-Mar)			
2015-16	7,299	29,217	36,516
2016-17	7,462	31,560	39,022

Source: Karachi Port Trust

KPT has following salient features.

1. Test Operations

Test operations of the country's biggest port, the Pakistan Deep Water Container Port, has commenced from dated 09-12-2016 when the first container ship was accommodated at its berth No. 4. The new port is located at the Keamari Groyne East of Karachi Port, and has the capacity to cater for mother ships. This new port is expected to play a major role in the CPEC. In the first phase of development, the terminal operator has constructed berths No.3 and 4 while berths No.1 and 2 are left for completion under second phase. The terminal operator has already brought in equipment, including five ships to shore gantry cranes and a power station with a generation capacity of 28 megawatts is also made available. The port has

the capacity to handle 3.1 million Twenty-Foot Equivalent Units (TEUs) a year and have a storage yard to accommodate 550,000 TEUs per year.

2. International Exercises 2017

KPT provided complete facilities to the international naval fleets participated in the Aman 2017 exercises taken place in the warm waters of Arabian Sea off the coast of Karachi from 10th – 14th February 2017. It was a naval exercise in which KPT provided safe berthing and un-berthing to all the fleets participating in the exercise along with pilotage. The participants underwent variety of drills including search and rescue operations, gunnery drills, anti-piracy demonstrations, replenishment at sea and maritime counter terrorism demonstrations. Pakistan has in the past held such exercises every alternate year since 2007 and these have only been meant to demonstrate the allied capabilities of nations on a platform to fight terrorism and other maritime threats. Marine Pollution Control Department (MPCD) of Karachi Port participated in oil spill drills organized by Pakistan Navy. Pakistan Navy organizes Barracudda exercise drills every year in which all the stakeholders of oil business participates with an aim to make themselves ready for spill disaster. The aim of the exercise is to mobilize oil combating resources.

KPT plays leading role in this exercise as its Marine Pollution Control Department (MPCD) has all the modern day equipment and trained workforce. KPT Tugs also participates in the event for roping of the inflated boom to combat spills carried out near Karachi Anchorage area.

3. Environmental Health and Safety (EHS) Policy

The Environmental Health and Safety Management System (EHSMS) is a project funded by World Bank for the implementation of EHSMS in KPT. The objective of Environmental Health and safety (EHS) study is to develop and implement EHSMS in KPT. This will support the design and implementation of an environmental management system to implement a structured

program of continual improvement in environmental performance that follows procedures drawn from established international business practices and principles of quality management systems.

Two sessions of EHSMS course are conducted regularly every month at KPT Staff College.

4. The Crisis Management Cell

KPT inaugurated on 04-05-2017 a Crises Management Cell (CMC) which has linked three main departments – Port Safety, Port Security Force and the Marine Pollution Control Department. The cell is to improve port performance through synergizing Efforts, Resources, Information and Coordination (ERIC) in a proactive manner to lessen the safety and security risks. It provides monitoring of safe and secure berthing of vessels taking place with monitoring of weather forecasts. The facility is backed up by system that enables it to perform marine pollution activities, to perform monitoring through CCTV cameras and to ensure availability of port security force for crisis management cell.

5. Preparation of ten years business & strategic development plan

A loan agreement for World Bank financing was signed. One of the components of this loan is preparation of ten years business plan and strategic development plan of the Port.

Future Plans

i. Re-Construction of Berths 15 To 17 A

KPT had started second phase of re-construction of old berths from 15 to 17A since 2012. Accordingly, M/s Ssangyoung & Dangyoung of Korea was awarded the work after bidding and Supervision Consultants are M/s Atkins of UK. 99.3percent work had been completed so far, and its overall completion is expected by June 2017.

ii. Construction of Elevated Port Expressway

To address the traffic forecasts and congestion at the port a 4 & 6 lane, elevated port expressway shall be constructed up to cater for

port traffic generated from Pakistan deep water container port. The elevated expressway would also facilitate the coal yard, east and west wharves.

iii. Karachi Harbour Crossing

The objective of KHC is to improve port traffic, and to enable further growth of port and hence national foreign trade businesses. The objective to be achieved by this project is integrated with the overall plan of the national transport sectors for providing necessary support in the process of economic development of Pakistan. Since the volume of maritime cargo is increasing rapidly, the KPT intends to reorganize certain facilities and extend cargo capacities in the port area. The development of the port of Karachi, especially major projects such as the deep water berth at Keamari Groyne or cargo village in the western backwater will change both the cargo flow and transport capacity between the different port terminals. The project will be implemented in three phases, as under:

1. In phase – 1: The KHC Bridge from DWCP/Clifton to connect Mauripur Road.
2. In phase –II: The Bridge will be connected to Haskwbay/LDA Scheme.
3. In phase –III: The Bridge will be connected to beaches/Manora.

The estimated cost of the project is USD 1000 million (approx.) which will be recovered from toll tax or PPP basis. Moreover, the completion period is 4 to 5 years.

iv. Cargo Village / Industrial Park

Karachi Port Trust envisions expanding its facilities for a wider global market. An ambitious plan is underway for expansion of the Karachi Port opening up new vistas of investment opportunities. These include a comprehensive plan for extension of infrastructure with particular emphasis on the present regime of cargo handling / storage / dispatch constraints. New areas are being opened up within the range of the Karachi port limits for further development.

The cargo village and industrial park will be located in the northern part of the western backwaters, west of Karachi fish harbour and

south of the Macchar and Mohammadi Colony. The cargo village and industrial park shall utilize 530 hectares which means that more than 20 percent of the total area of the Western Backwaters shall be reclaimed. The location of Cargo Village offers good approach to Lyari Expressway and ICI- Bridge, therefore, it is planned to connect Karachi Harbour Crossing with Karachi deep water port directly in near future.

v. Oil Pier-I

The recent Oil Pier 1 has to be demolished and new pier catering for the recent and future needs shall be constructed.

Salient Features for New OP-1 Facilities

The minimum requirement of new facility is to be designed to handle tankers between 16,500 dwt and 75,000 dwt having capacity of 8 million tons per annum (or as per future requirements), with a draft to cater to tanker ships of this dwt. The design of the new structure shall be based upon recognized international standards. The berthing facility shall have the minimum distance of 300 m (or as per future requirement). The allied accessories i.e dolphins, mooring hooks or any other structure must be compatible, durable, and capable to cater for future needs.

The common user pipelines shall be installed on the jetty to handle at least but not limited to the following liquid products.

- i. Crude oil
- ii. Furnace oil
- iii. POL (Diesel, Petrol, Jet fuel etc)
- iv. Naphtha
- v. Molasses
- vi. Edible oil/Non-edible oil and tallow.

The pipeline connections shall be provided in accordance with the recommendations of the Oil Companies International Marine Forum (OCIMF). Independent and self-sufficient fire-fighting facilities shall be installed. Fire monitors shall be remote controlled. A facility shall be provided to facilitate access to the moored vehicle.

vi. Environmental Friendly Multi-Purpose Bulk Handling Terminal

- To encourage the policy of Public Private Partnership an Environmental Friendly Multi-Purpose Bulk Handling Terminal at East Wharf is proposed.
- Facilities that may be provided by the concessionaire should include bulk handling cranes with bagging units, conveyors, silos and other auxiliary facilities
- Consultant for feasibility study hired (M/s NESPAK).
- Commercial operation to commence by 2019.

vii. Construction of Periphery Road Along China Creek

Karachi Port Trust intends to develop a protective bund (sea wall) and road along the periphery of China Creek.

Port Qasim Authority

Port Qasim handled 26.677 million tonnes of total cargo during the financial year 2016-17 (July-March) as against the corresponding period 2015-16, reflecting an increase of 12.2 percent. This increase of 12.2 percent, is

attributed to increased handling of Petroleum Oil Lubricants (POL) imports, Chemicals, Containerized cargo, LPG and LNG. Out of 26.677 million tons, the liquid cargo was 12.639 million tons (47.4percent), containerized cargo was 10.704 million tons (40.1percent) & remaining 3.334 million tons (12.5percent) was miscellaneous types of dry bulk/ break bulk cargo.

Port Qasim Authority handled 0.871 million TEUS (Twenty-Foot Equivalent Units) of container traffic July-March 2016-17, the growth in container traffic during the nine months of FY 2016-17 is 7percent over the July-March 2015-16

Imports:

The volume of import cargo during July-March 2016-17 stood at 21.604 million tons, showing 19.4 percent higher than 18.092 million tons handled during corresponding period.

Exports:

The exports handled 5.072 million tons during the current financial year 2016-17, as compared to 5.677 million tons handled during corresponding period 2015-16, registering a decline of 10.6 percent.

Commercial activities			(Million Tonnes)
Period	Import	Export	Total
2012-13	17.754	7.047	24.801
2013-14	18.076	7.699	25.775
2014-15	21.608	8.405	30.014
2015-16	25.857	7.464	33.321
(July- March)			
2015-16	18.092	5.693	23.785
2016-17	21.604	5.072	26.676

Gwadar Port

Gwadar is the first port on the south western Arabian Sea coastline in Baluchistan,- about 635 km from Karachi and 120 km from the Iranian border by road. Gwadar Port is located just outside the Strait of Hormuz, near the key shipping routes from Arabian Gulf to Far East and Europe. Gwadar Port is a strategic warm-

water, deep-sea port and phase-1 of the port has been developed jointly by Government of Pakistan and the Government of the Peoples Republic of China with a total cost of US\$ 288.0 million, the port was inaugurated in March, 2007.

The Port is fully functional with three multipurpose berths, each 200 meters in length

dredged to 14.5 meters in depth alongside the berth, handling a ship of 50,000 dwt capacity. By 2055, it is anticipated that Gwadar Port will be the largest site of its kind in Pakistan, with a 50 km sea front and 10,000 hectares of port backup area.

On 16th May, 2013, the port's Concessional Rights were transferred from Port of Singapore Authority (PSA) to the new operator viz, M/s China Overseas Ports Holding Company Ltd (COPHCL). The new operator has started "recovery" of existing available infrastructure and equipment at the port. COPHCL submitted operational plan of the port in consultation with Gwadar Port Authority (GPA), which suggests a framework for the Port Business Plans as per the Concessional Agreement.

In December, 2008 the Economic Coordination Committee (ECC) of the Cabinet decided all bulk cargo comprising urea, wheat and coal shall be imported through Gwadar Port.

Since 2008, Gwadar Port has handled around 6.329 million metric tons of dry bulk cargo comprising of wheat and urea by 201 ships. Till date the port operations are given below;

July-March 2017	Quantity (000 Tones)
Total Import	53,320
Total Export	1,925
Total:	55,245

The government-to-government CPEC agreements have created bright prospects for optimum utilization of Gwadar Port to harness the benefits of regional trade connectivity of Western China, Central Asian Republic (CARs) and Afghanistan.

To resolve the port connectivity with the highway network, "Gwadar Port Eastbay Expressway" project has now been agreed upon for funding under CPEC. The proposed expressway will connect the Gwadar Port with the Makran Coastal Highway, passing along the east bay of Gwadar City, with a total length of 18.98 Km, including 4.3 Km along-the-shore and 14.6 Km on-shore sections. A double track

rail link along the expressway is also part of the project.

Gwadar Port Free Zone

Federal government through PSDP has provided funds for acquisition of land to be handed over to the Concession Holder for establishment of Gwadar Port Free Zone (FZ). This would be the first Zone in Pakistan, spread over an area of 9.23 sq. km, adjacent and North West of the port. The land acquisition process has been completed and its execution has started since 2015. With the development of FZ the port throughout will enhance significantly and at the same time the Company is going to establish a large exhibition centre adjacent to the port for display of Chinese and Pakistani products.

Investment Opportunities

Gwadar port, offer opportunities to prospective investor for development of infrastructure such as storage, warehouses, hotels, marine workshops, container freight stations, seafood, dates processing and export and offices spaces for banks, clearing agents, ship agents.

Chinese investors have taken keen interest in establishing "Marine Silk Route" and establishment of heavy industries in the industrial zone as per the Gwadar Port Master Plan (2006).

Communication

Information and Communication Technology Sector

The dynamically evolving Information and Communication Technologies (ICTs) hold crucial importance globally as one of the key sectors in terms of powering economies, acting as a catalyst of change and enablement across all other sectors.

Ministry of Information Technology and Telecommunication (MoIT&T) is maximizing its efforts for expanding both IT & Telecom sectors in tandem. Consequently, the Information Technology sector is exhibiting accelerated progress with total IT turnover of USD 3.1 billion, including both exports and

domestics revenue (Source: PSEB; assessment by Bearing Point's Study). Through enabling policies and auction spectrum for next generation mobile services, the Broadband penetration has jumped from a mere 3.7 million to 40.7 million. The IT and Telecom sectors are expanding and generating new jobs as businesses utilize modern ICT technologies such as e-commerce, e-banking, e-health, e-education, and business related to IT applications.

Telecommunications Policy 2015

The present government introduced Telecommunications Policy 2015 for availability of universal, affordable and quality telecommunication services provided through open, competitive and well managed markets which can be used by people to the benefit of the economy and society. Policy received international acclaim and the Government of Pakistan (MoIT&T) won the "Government Leadership Award 2017" at GSMA's Mobile World Congress Event held in Barcelona, Spain during Feb-March 2017.

Policy Directive for the Auction of Unsold Next Generation Mobile Services (NGMS) Spectrum in Pakistan

A Policy Directive for auction of unsold 2x10 MHz of frequency spectrum in 1800 MHz band was issued on 27th March 2017, whereby Pakistan Telecommunication Authority (PTA) has been entrusted to undertake transparent auction process. The base price for the said spectrum has been set as USD 295 million and all existing cellular mobile operators (CMOs) as well as new players are eligible to participate in the auction.

Digital Pakistan Policy 2016-17

Taking into account the increasingly transformed role of Information Technology across all sectors of socio-economic development, accelerated digitization and a holistic knowledge based economy; Digital Pakistan Policy 2016-17 is being formulated to rapidly transform the IT and related sectors of economy.

This policy will serve as the foundation of a holistic Digital Ecosystem with advanced concepts and components for the rapid delivery of next generation digital services, applications and content. It will also provide opportunities for local entrepreneurs and firms to acquire core competencies, experience and credibility and better position them to compete at the international level. During June 2016- March 2017, extensive stakeholders' consultations including Inter-Division, as per rules of business, were undertaken in the form of meetings, workshops and seminars. Presently, MoIT&T is in the process of submission of said policy document to ECC for its approval.

Establishment of پاکستان- internet registry: The Internet Assigned Numbers Authority (IANA) has approved the Establishment of پاکستان- internet registry for Pakistan. MoIT&T in-consultation of relevant stakeholders, is in the process of planning to file a case for the re-delegation of national registry ".pk" as per the ICANN aforesaid standard procedures. In this regard, a strategy has been devised and work on the requisite steps is in progress whereby a multi-stakeholders Main Technical Committee on the National Internet Registries has been notified.

E-Commerce

E-Commerce is a major tool towards positive development of the Country and MoIT&T, being an enabler towards IT & Telecommunication Sector, has taken the initiative to formulate an Inter-Ministerial Committee (IMC) for a fast-track implementation of this critical policy matter. Accordingly, regulations regarding System Operators (PSO) and Payment System Providers (PSP) have been approved. Also, Pakistan's ranking on the Financial Action Task Force (FATF) list has improved from Grey to White, which will enable entry of credible international players like PayPal.

Presently, MoIT&T, in-consultation with relevant stakeholders, is in the process of formulation of e-commerce regulatory framework for the proliferation of e-commerce eco-system to safeguard the users and

merchants' trust and will resolve longstanding barrier to growth of Pakistani e-commerce. The initial draft is being finalized through stakeholders' consultation. Once finalized, the same shall be incorporated in National E-Commerce Policy.

Data Protection is the key to nurture innovation. Currently one of the biggest challenges to e-Commerce and IT Eco System in general is the lack of data protection Framework. With this in view, MoIT&T is working on the formulation of a legal framework for protection of personal data of individuals in Pakistan. The framework is expected to clearly lay out the privacy rights of individuals and responsibilities of data processes in order to ensure greater legal certainty in this area.

E-Governance

MoIT&T, through NITB, is in the process of rolling-out the e-Office suite in the federal government to ensure efficiency, accuracy, effectiveness, good governance, transparency and accountability in decision making and delivery of efficient and cost effective public services to the citizens of Pakistan. In this regard, the access of e-office suite software has been provided to more than 25 Ministries/Divisions and attached departments whereby more than 5000 staff has been trained on the said e-governance system and fiber optic ring has also been established.

In a recent development, the e-office suite has been shifted to NTC's National Data Center. Currently, the MoIT&T, in-consultation with relevant stakeholders, is in the process of rolling-out the e-office suite in the provinces through a Public Private Partnership model in collaboration with local IT industry.

Prevention of Electronic Crimes Act

To build confidence and trust while using ICTs, the MoIT&T had proposed "Prevention of Electronic Crimes Bill" which was enacted by the parliament as "Prevention of Electronic Crimes Act (PECA)". The said Act is holistic in nature and establishes criminal liability of on-line offenses. The Act aims to curb unauthorized access to critical infrastructure

information system and data, while ensuring the confidentiality and privacy of citizens' information/data.

An Inter-Ministerial Committee, headed by the Minister for Law, is working for putting in place the implementation mechanism under PECA.

Telecom Sector Snapshot

Through the enabling policies of the MoIT&T, the telecommunication sector in the country has not only witnessed steady growth, but has also contributed to the national exchequer.

Telecom Sector Analysis

Telecom sector has shown positive growth during the first two quarters of FY 2016-17. Total teledensity reached 72.36percent at the end of March, 2017 compared to 70.81percent at the end of last fiscal year. The prime driver of increase of teledensity is the growth in cellular mobile subscribers.

Telecom Revenues

Revenues from telecom sector reached an estimated Rs. 234.9 billion during the first two quarters of FY 2016-17. The commercial launch of 3G and 4G LTE services has opened new opportunities for revenue generation for the mobile operators. Availability of 3G and 4G services has enabled development of new applications and data base services, and people of Pakistan are quickly adapting to these new technologies and services.

Telecom Sector Contribution to the National Exchequer

Telecom sector is a significant source of revenue generation for the national exchequer. During the first two quarters of the FY2016-17, telecom sector contributed estimated Rs. 53.76 billion to the national exchequer in terms of taxes, regulatory fees, initial and annual license fees, activation tax, and other charges.

IT Exports & Remittances

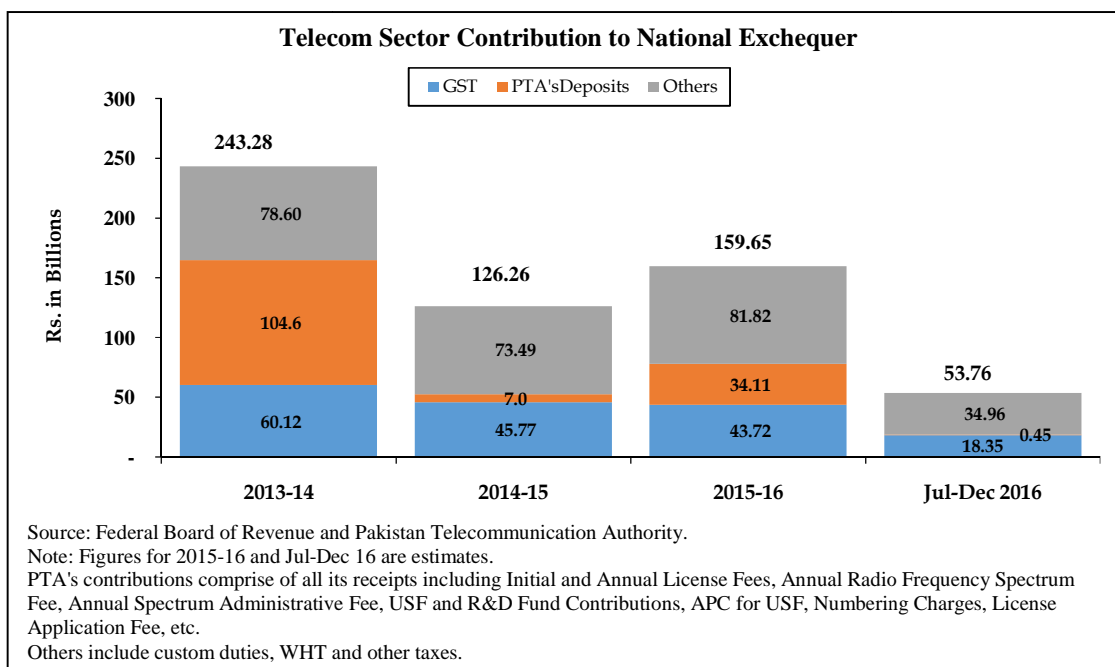
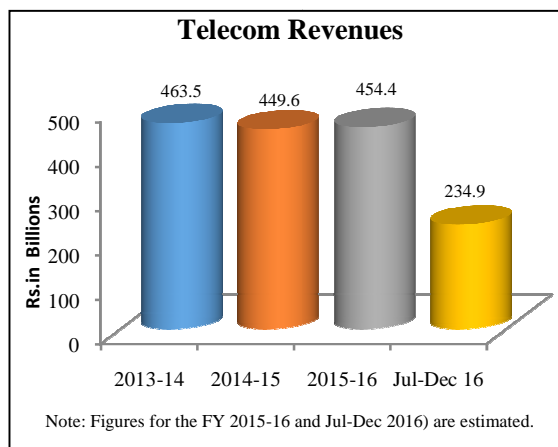
There has been a consistent growth in IT remittances over the last decade at a compound annual growth rate (CAGR) of around 23

Pakistan Economic Survey 2016-17

percent. There has been an impressive growth rate of approximately 97 percent in IT remittances over the last four years. Hence, Pakistan's IT exports are estimated to have crossed \$2.8 billion a year at present as per estimation standard of Bearing Point. Annual domestic revenue is around \$500 million. Hence, total revenue of IT industry is estimated to be around \$3.3 billion a year at present.

Foreign Direct Investment (FDI) inflow in the ICT Sector (IT & Telecom)

The reported FDI inflow in the ICT sector for the period July 2016-March 2017 is USD 55 million.



Telecom Investment					US\$ million
	2012-13	2013-14	2014-15	2015-016	Jul-Dec 2016
Cellular	570.4	1,789.7	977.6	659.4	262.0
LDI	1.9	1.8	12.2	6.3	2.3
LL	16.1	14.2	3.9	54.0	23.3
WLL	11.9	10.0	7.2	0.0	0.0
Total	600.3	1,815.6	1,001.0	719.7	287.6

Note: Jul-Dec 2016 figures are estimates.

Source: Ministry of Information Technology and Telecommunication

In terms of overall investment in the telecom sector, the momentum that was started in FY 2012-13 for the up-gradation of telecom networks for 3G and 4G LTE services has

continued. Telecom operators have invested a significant amount of US\$ 287.6 million during Jul to December, 2016. The main driver behind this investment is the cellular mobile sector

which has invested US \$262 million during the first two quarters of FY2016-17.

Cellular Subscribers

By the end of March 2017, the total number of mobile subscriptions in Pakistan reached 139.11 million with the net addition of 5.9 million subscribers during the July, 2016 to March, 2017 of FY 2016-17. Biometric re-verification of SIMs last year had an adverse impact on the cellular subscriber base. However, the industry has survived through the tough period and continues to regain subscribers at a fast pace.

3G and 4G LTE Subscribers

3G and 4G LTE subscribers have reached 39.88 million by March 2017, registering an increase of 10.3 million subscriptions to 3G&4G LTE networks in 09 months (July 2016-March 2017). More coverage and reduced tariffs will further increase the pace of 3G and 4G LTE subscriptions.

Broadband Subscribers

Broadband subscriber base showed strong growth during 2016-17. At the end of March 2017, broadband subscribers stood at 42.36 million as compared to 32.29 million at the end of last fiscal year depicting 31 percent growth over the last nine months. The number of net subscriber additions in the period stood at 10 million.

Local Loop Subscribers The subscriber base of local loop segment has reached 3.11 million at the end of December 2016 as compared to 3.26 million as of June, 2016. FLL subscriber base has been relatively steady as 2.72 million subscribers (Dec, 2016) are reported as compared to 2.79 million (June 2016). WLL subscriber base also dropped to 0.39 million during the first two quarters of the FY 2016-17 as compared to 0.47 million at the end of June 2016. The closure of PTCL's WLL connections and mobile substitution effect has resulted into gradual decline of the local loop subscriptions.

Telecommunication (Overall)			
Financial Year	Telephones (FLL & WLL)	Broadband Connections (3G, 4G & Fixed)	Mobile Phones
2013-14	5,217,046	3,795,923	139,974,754
2014-15	3,930,596	16,885,518	114,658,434
2015-16	3,264,883	32,295,286	133,241,465
2016-17(July-March)	3,067,911	42,369,872	139,108,964
Ministry of Information Technology and Telecommunication			

Information Technology Snapshot

The Ministry of IT & Telecom continues to support all credible private sector initiatives aimed at bolstering the local IT industry and attracting foreign investment. Government realizes that it has an important role in terms of providing a conducive environment to IT industry through infrastructure and HR development. Government's incentives for IT industry include:

- Zero income tax on IT exports till June 2019
- 100 percent equity ownership allowed to foreign investors
- 100 percent repatriation of capital and

dividends allowed

- 7 year tax holiday for venture capital funds.

Innovation and Entrepreneurship in ICTS

i. National Incubation Centers

The government has a vision of accelerated digitization and transformation of Pakistan into a knowledge based economy to spur economic growth through innovation and entrepreneurship. In order to provide opportunities to young entrepreneurs and talented youth of Pakistan and equip local Pakistani IT industry with infrastructure, mentorship and all allied facilities, National Incubation Centers (NICs) are being established.

Primary goal of the project is to transform innovative ideas of talented young teams into viable and self-sustainable start up companies by providing necessary training, mentorship and facilitation. The Center for Islamabad has been successfully launched after its establishment at NITB building in H-9 Islamabad. The project has been awarded to “M/s Pakistan Mobile Communication Limited (PMCL)” with an overall budget of Rs. 564.8 Million. Taking into account the wealth of talent in other cities of the country, it is imperative that similar centers be established in other parts of the country as well where the ICT human resource is skilled and has potential to develop new and innovative products with the aid of expert guidance and mentorship.

Currently, the process is in place to select partners for the establishment of National Incubation Centers in all provincial capitals of the country i.e. Karachi, Lahore, Peshawar and Quetta. With all these centers in place we can trust that momentum of nurturing innovation will gear up to capitalize the true potential of budding innovation.

ii. Establishment of Innovation Centres

The establishment of ICT Innovation Centres holds paramount importance for achieving socio-economic development in the country. In this regard, during July 2016- March 2017, necessary measures were undertaken to initiate the preparation of RFPs for the following innovation centres:

- **FinTech (Financial Technology)**– This innovation center will have the potential to disrupt financial sector with innovative solutions like smart payments/processing systems, security solutions, P2P lending solutions and tax solutions based on Blockchain technology, etc.
- **Internet of Things (IoT)** - IoT Innovation Centre (ITIC) will enable startups in the IoT domain. It will provide access to state of the art infrastructure, commercialization support and indigenization and international collaborations, etc.

- **Robotics** -Robotics Innovation Center (RIC) which will be a cross-disciplinary innovation institute dedicated to innovation in products, services and end-user experience that maximizes the benefits of robotics across different verticals including Agriculture, Security, Biomedical, Industrial automation, Automobiles etc. The main objective of this Robotics innovation center is to enable start-ups to transform their ideas into commercially viable products.

Peoples Development Programs

i. HR Skills Need Assessment

A comprehensive study for ICT HR Skill Need Assessment has been planned to profile the skills gaps between demand and supply, get an inventory of the capacity to deliver the required trainings (local and international) and prepare comprehensive training delivery plan. In this regard, the RFP has been prepared and is under final stages of approval

ii. Digital Skills Training Program for Freelancing

A national level digital skills training program for freelancing is being planned in which 1 million individuals will be trained in next five years. This will be done through collaboration with hundreds of educational institutes across the country. Preliminary working has been done and the program is expected to start in next few months.

iii. ICT for Girls

- The “ICTs for Girls” program is aimed at spurring the socio economic uplift of Girls through Digital Learning. As part of this program, 150 digital labs are being established throughout Pakistan at the women empowerment centers at a cost of Rs. 300 million. Through this program thousands of girls are being trained at state of the art computer labs under the coaching and training program of Microsoft that include computing skills, coding skills, and communication skills, coupled with coaching from industry experts.
- The Second wave of this program, at a cost of Rs 600 million, is being launched to train

over 110,000 girls per year at 245 girls schools of Islamabad. Through this mega project, the ultimate objective is to increase the employability potential of the women.

iv. National ICT Internship Program

- Unemployment of ICT educated graduates is a major challenge being faced by Pakistan. Further, the potential employers/companies are many times reluctant to hire these unemployed and fresh ICT graduates due to cost and related risks involved.
- In this regard, the National ICT Internship Program has been envisioned to provide opportunities to unemployed ICT youth to get professional experience as well as potential for future job placement. Further it shall also encourage ICT companies in utilizing ICT youth by mitigating risk these companies face in providing this opportunity to these graduates by paying for internees' stipends.
- The aim of this project is to impart training by placing 3,000 ICT graduate in ICT companies and IT departments of public and private sector organizations for a six months' paid internship. A stipend of Rs.15,000/- per month will be paid to an intern. A total of 30percent quota is being reserved for girls and 2 percent quota is being reserved for disabled candidates. Funds to the tune of Rs.284 million shall be provided over the 17 months duration of the program.

Infrastructure Development

i. Broadband for Sustainable Development

To connect the unconnected in the unserved and underserved areas of the country projects are being rolled out for the provision of 3Gtelephony and broadband services for unserved areas of Baluchistan and KPK. The total worth of these projects is Rs. 12.6billion approximately. These would serve a population of over 2 million in the areas including Khuzdar, Chagi, Awaran/ Lasbela, Kohistan, Washuk, Kharan and DeraBugti.

Khuzdar Lot

A subsidy of Rs. 2.4 billion has been allocated to serve 772 unserved mauzas of Khuzdar district having a total population of 300,000. In this regard, Rs. 438 million have been disbursed from July 2016 till March 2017.

Chaghai Lot

A subsidy of Rs. 1.3 billion has been allocated to serve 99 unserved mauzas of Chaghai and Maskhel districts having a total population of 140,000. In this regard, Rs. 243 million have been disbursed from July 2016 till March 2017.

waranLasbela Lot

A subsidy of Rs. 2.3 billion has been allocated to serve 269 unserved mauzas of Awaran and Lasbela districts having a total population of 200,000. In this regard, Rs. 466 million have been disbursed from July 2016 till March 2017.

Kohistan Lot:

A subsidy of Rs. 3.5 billion has been allocated to serve 1,283 unserved mauzas of Kohistan, Batagram, Mansehra, Torghar, Haripur and Abbotabad districts having a total population of 880,000. In this regard, Rs. 662 million have been disbursed from July 2016 till March 2017.

During current financial year, 759 mauzas have been provided with Telephony and mobile internet services. It is expected that approx. 350 more mauzas will be provided with the USF services by the end of this year. To cover the long standing demand for Telecom and Broadband coverage in FATA, Universal Service Fund(USF) projects will be launched in the coming fiscal year, thereby expanding connectivity and coverage to the whole of the country.

ii. Telecentres

- To minimize the information and communication gap (the digital divide) between the rural and urban communities, 500 Universal Telecentres are being established through the USF across the country.
- Each Telecenter will act as a resource center that will provide public access to

ICT services primarily for the people in unserved, under-served areas of Pakistan. In FY 2016-17, for 10 Telecenters, Rs. 230 million have been allocated.

Establishment of Information Technology Parks

- The Software Technology Parks (STPs) are a major factor in facilitating the IT companies and play a major role in the development of the IT industry. STPs house IT companies and professionals and act as software factories generating software and IT exports for the country every year
- A new state of the art IT Park in Islamabad is being established under financing from Korea Exim bank through the Economic Development Cooperation Fund (EDCF), spreading over an area of 47.7 acres of land. The construction of IT Park will be done in two phases on 14.9 acres of land. Cost estimate for first phase is USD 88.25 million for which loan agreement has been signed. It is expected that construction of IT Park will be completed by 2020.

F. Electronic Media

Pakistan Electronic Media Regulatory Authority

Pakistan Electronic Media Regulatory Authority (PEMRA) is a regulatory body established in March 2002 through an Ordinance to facilitate and regulate growth of Electronic Media in the private sector. The law was subsequently revamped as PEMRA Amendment Act-2007. The initiatives of the authority have contributed towards development of electronic media and generation of employment opportunities in the country.

Economic Contribution

Due to the government's investment friendly policies the country has witnessed a remarkable growth particularly over the last four years. This overall national growth has contributed significantly in the development of the electronic media industry in the private sector. According to estimates there has been a cumulative investment of approximately U.S \$4.0 billion in the electronic media industry in

Pakistan. Electronic media sector has generated direct employment for more-than 250,000 people of diversified skills and qualifications. With the current growth rate of more than seven percent per annum, it is estimated that the cumulative investment in the electronic media industry will surpass U.S \$5.0 billion by the end of the current financial year. This expansion in investment would have multiplier effect on increasing job opportunities for skilled media personnel and journalists, expanding work of media production houses, advertising agencies and proliferation of the performing arts.

A Milestone in Distribution Service Licensing

A land mark towards technological advancement in the history of Pakistan was achieved by the Authority in year 2016-17 in order to bring Pakistan at par with the other countries of the region in the field of electronic media. Bidding of DTH licenses is a feather in the cap of the present government which was only possible due to trust of the investors on the investment friendly policies of the government resulting in investment of US \$ 200 million. Besides creation of thousands of job opportunities, due to award of DTH licenses and to make it a success, it is inevitable to grant hundreds of new satellite TV channels and landing rights permissions, at least to an initial total of ranging from 150 to 250 channels which again would be a source of investment and job opportunities in the media sector.

Bidding for Award of FM Radio Licenses

The Authority also conducted bidding during the current 2016-17 for award of 52 FM Radio licenses in 50 cities across Pakistan which concluded at Rs. 253.690 million. Award of FM Radio licenses would also result in investment and job creation in the country besides ensuring free flow of information and encouragement of local talent.

Licensing Status

The Authority has so far issued the following number of licenses:

Licensing during 2016-17

Number of Licenses issued during 2016-17		
Sr. No.	Category	Number of licenses
1.	FM Radio Licenses	07
2.	Cable TV Licenses:	144
3.	Landing Rights Permission to TV channels	05

Source: Pakistan Electronic Media Regulatory Authority

Financial Contributions

PEMRA has deposited the following year wise amounts in the Federal Consolidated fund:

Financial contribution in national exchequer			(in Rupees)
Financial Year	Fines & Penalties	Surplus	Total
2012-2013	2,986,800	8,337,636	11,324,436
2013-2014	1,894,750	205,537	2,100,287
2014-2015	22,746,500	20,077,535	42,824,035
2015-2016	6,588,000	481,304	7,069,304
2016-2017	16,764,500	-	16,764,500
Total	46,150,550	29,102,012	80,082,562

Source: Pakistan Electronic Media Regulatory Authority

Pakistan Television Corporation Limited

Pakistan Television Corporation Limited (PTV) is the only public sector broadcasting channel which telecast national & international programs in big cities and also remote and economically backward areas of the country in order to keep the people of remote areas to aware about the current affairs of the country as well as the whole world. It also provides different entertainment, education and sports programs to the people enabling them to uplift their socio-economic conditions, to eliminate the existing disparity.

At present 7 multiple channels are broadcasting its different programs through PTV Home, PTV News, PTV Sports, PTV Global, PTV National, PTV Bolan and PTV World. The only PTV English News channel in Pakistan telecasting the information about Pakistan domestically as well as internationally.

AJK Television

PTV has established a TV channel in AJK with one TV center at Muzaffarabad and four Rebroadcast Centers at Kotli, Rawalakot, Bagh

Number of Licenses issued		
Sr.No	Category	Number of licenses
1.	Satellite TV Channels	91
2.	Landing Rights Permission to TV Channels.	24
3.	FM Radio Licenses	215
4.	Cable TV Licenses	4,110
5.	Internet Protocol Television (IPTV)	01
6.	Mobile TV (Content Provision) Service Licensing	05

Source: Pakistan Electronic Media Regulatory Authority

and Bhimber. AJK Television is also transmitting regional Kashmiri programs.

Rebroadcast Stations

PTV has planned to complete 7 Rebroadcast Stations (RBS) in following areas during 2016-17.

Punjab

Rebroadcast Stations at Kotli Sattian & Mian Channu.

Sindh

Rebroadcast Station at Badin and National News Bureau Larkana.

Khyber Pakhtunkah

RBS Buneer, RBS Pooran and RBS Astore.

Digitalization of PTV signals with collaboration of Govt. of China

During the visit of Chinese president to Pakistan an MOU has been signed between NDRC on behalf of Government of China and Ministry of Information, Broad costing and National Heritage on behalf of Government of

Pakistan to harvest benefit of the project of digital terrestrial multimedia Broadcasting (DTMB) technology. In the first phase a Digital terrestrial multimedia Broadcasting (DTMB) technology pilot project for transition / migration to Digital transmission system for PTV's terrestrial network has been established at RBS Murree by M/S ZTE corporation for demonstration of PTV Terrestrial network. If this DTMB pilot project validated qualitatively and quantitatively Govt. Of Pakistan will adopt the project of DTMB under Grant-in-aid from Government of China.

Number of registered TV sets holders as on December 31, 2016 are 16,544,603.

Pakistan Broadcasting Corporation

Pakistan Broadcasting Corporation (PBC) is one of the most important and effective electronic media, for the projection of government policies and aspirations of the people of Pakistan at home and abroad. PBC is not a commercial undertaking. It was not established to earn profit from its broadcasts. It aims to provide information, education and entertainment to the masses through radio news and programmes of high standard. It also counters adverse foreign propaganda and negative perceptions. Radio is playing significant role in promoting Islamic Ideology and national unity with the principles of democracy, freedom, equality, tolerance and social justice. It promotes national and local languages, culture and value. It also helps in discouraging sectarianism, provincialism and terrorism.

Performance/Achievements During the current financial Year 2016 - 17

- PBC Stations/Channels extended wide range publicity and coverage to the National Action Plan. Achievements and sacrifices of Pakistan Army and other Law Enforcement Agencies in fight against militants, extremists and anti-state elements were highlighted with full spirit as a

national cause.

- PBC continued the comprehensive campaign to extend full support of the entire nation to the Pak Army in anti-terrorism Operation against Terrorism. This campaign is still going on-air in the following formats, from all Stations/Channels (MW/SW/FM) National Networks of PBC:
 - i. Slogans
 - ii. Talking Points in Compering
 - iii. Pep Talks
 - iv. Interviews
 - v. Impressions/Comments
 - vi. Discussions
 - vii. Features
 - viii. Debates
 - ix. Patriotic Songs
 - x. Promotional thematic Songs

Women Programme "Sukhi Char"

This special National Hook Up programme of 50 minutes duration is dedicated to women and family welfare. Awareness about women & children health, education, security, social & legal rights and women empowerment is disseminated on national network.

Introducing New Radio Formats

New Radio formats like radio shows, youth shows, morning/ evening/ night chitchat shows with phone-in, SMS/ phone request show, popular music & light musical programmes have been launched from FM-93, FM-94 and FM-101.

14th August 2016 – Azadi Show:

14th PBC broadcast special programmes in Urdu and all regional languages, special programmes in connection with Independence Day — 2016 from V^t to 14th August, 2016 from all Stations and channels. These programmes included talks, features, documentaries, national songs, interviews of workers of Pakistan Movement, extracts from speeches of Quaid-e-Azam Muhammad Ali Jinnah, dramas, special azadi

shows and Mushaira.

Increase in Transmission Hours of Saut-ul-Quran Channel

The transmission hours of Saut-ul-Quran Channel have been enhanced from 5 hours to 19 hours in 2015-16. 15 new channels of Saut-ul-Quran have been established in 2016-17 this number will be increased up to 40 by 2019-20.

Enlarging FM-101 Network

This year, 10 FM-93 Stations have been converted into FM-I 01 to enlarge the network of 9 FM-101 stations to 19 in order to produce more opportunities for procurement of commercial business for PBC. As a result, listening of PBC has also been increased.

New Programmes/Songs Launched		
1.	Total number of New Programmes launched in Urdu and 23 Regional languages	78
2.	Total number of New Talent/Voices introduced	202
3.	Total Number of Major Programme Activities	845
4.	New Songs Recorded in Central Productions Units of PBC	64
Source: Pakistan Broadcasting Corporation		

Pakistan Post Office

Counter Automation System

Over One hundred GPOs including renovated post offices / sub offices throughout Pakistan have already been provided with counter computerization facility for the better service quality to the customers through a LAN based system.

Centralized Software Solution for Financial Services²

An Industry standard off-the-shelf solution "Riposte Essentials" from M/s Escher Group has been implemented. Currently Electronic Money Order Service (EMOs), Online Computerized collection of all utility bills through Centralized Software Solution & BISP Services has been implemented at the 83 automated GPOs. While rollout of Military Pension Payment System at 82 GPOs and 03 HPOs have been implemented too. However, Savings Bank, PT Records and Child Support Programme are in customization stage which will soon be implemented in 83 GPOs.

- In order to facilitate the poor patients across the country and provide them high quality facilities for medical treatment, the Prime Minister of Pakistan launched "Prime Minister Sehat Card Scheme" last year. The afore-cited Sehat Scheme has been in

progress in Punjab, AJK, Gilgit-Baltistan & Balochistan and will soon be extended to the remaining parts of the country. All Stations of PBC comprehensively highlighted the significance of this scheme. Publicity of Prime Minister Health Card Scheme is still underway.

Computerized Pension Payment System

Pakistan post is disbursing pension to more than 1.55 million pensioners of defence forces. During the year 2014-15, it paid an amount of Rs.102 billion to pensioners through its wide network of Post offices, while during the year 2015-16 the amount paid to pensioners stood at Rs. 113 billion.

During the past two years Pakistan Post took a number of steps to improve the efficiency in this field. The operations of Military payment were shifted to computers from 2003 on LAN basis but during the last two years the data of all defence forces pensioners has been shifted on Centralized Software System which has added value to our services. Its major benefits are as under:-

- Payment of Pension is computerized in all the General Post Offices through Centralized Software Solution (CSS).

- Data of all General Post Offices (GPOs) migrated to centralized server, based on centralized server and database architecture.
- Payments are updated on real time basis.
- Software is capable of handling any number of transactions.
- Availability of room for further extension to more locations.
- Sharing of information with all stake holders on MIS.
- Ensures real-time monitoring.
- Facilities instant electronic reconciliation.
- Enables enhancement of the services in future through.
 - ☞ ATMS
 - ☞ Readable Cards
 - ☞ Bio-metric integration
- Enables pensioner to draw pension from any (GPO) and eliminated chances of double payment.
- Reduction in number of complaints.

Benazir Income Support Programme (BISP)

A complete web-enabled tracking and monitoring system for disbursement of funds for Benazir Income Support Programme (BISP) has been evolved that include continuous processing, monitoring and reconciliation of the specialized money orders scheme. The same is implemented at all 83 automated GPOs throughout Pakistan. Over, 48.4 million money orders have been issued up to 31st March, 2017 and an amount of around Rs. 133.817 billion has been disbursed.

During the first nine months (July-2016 to March-2017) of the current financial year 2016-2017 total 511.060 BISP Money Orders along with required funds for Rs. 2.337 billion were received from BISP authorities, out of which 96 percent Money Orders amounting to Rs.2.275 billion have been paid within prescribed period of time.

Achievements of Saving Bank

Pakistan Post is doing savings Bank work as an agent of Ministry of Finance on commission under Savings Bank Act 1873. Finance Division is paying commission on Savings Bank work @ 0.5percent. Savings Certificates are issued under Post office National Savings Certificates Act 1917 and National Savings Certificate Ordinance 1944. Seven thousand five hundred post offices are providing the following Savings Bank services to the people of Pakistan:-

- Savings Bank Ordinary Accounts.
 - Special Savings Accounts.
 - Defence Savings Certificates.
 - Special Savings Certificates.
 - Regular Income Certificates.
- a) The progress of Saving Bank during the period 2015-16 is shown as under:-
- i. Total number of Accounts..... Rs.930,338.
 - ii. Total closing balance on
30-06-2016..... Rs.167,745.545 (M)
 - iii. Total commission on
30-06-2016..... Rs. 1,016.153(M)
- b) 7500 Field Offices of Pakistan Post play a vital role in mobilization of financial resources through Savings Bank Schemes. Saving Bank is also being shifted from manual work to CSS which will add the value of the business.

Western union money remittance business:

During the first nine months (July-2016 to March-2017) of the current financial year 2016-2017, Pakistan Post has received the foreign remittances amounting to US \$ 50.062 million equivalent to Rs. 5,240.880 million.

International Postal Services.

- Pakistan post has mail links with all countries of the world except Israel. Exchange of mail is carried out under rules and regulations of the Universal Postal Union. Direct mail links exist with 107 countries and rest of the mail is exchanged

Transport and Communications

by utilizing the transit facilities of intermediary countries.

Dues for imbalance of international mail received from and dispatched to other countries.

(a) Achievements in International Postal

Services

- Pakistan post dispatches more volume of mail than it receives for delivery. Thus it always remains net-creditor. Pakistan Post received an amount of Rs.30.783 million during the period from July 2016 to February 2017 on account of Terminal

(b) First Micro Finance Banking (FMFB)

Pakistan Post has earned Rs. 8.1 million during the period July, 2016 to March-2017 through commission on disbursement / recovery of First Micro Finance Bank (FMFB) Loans and services / space provided to the Bank operators. Details break up is as under:-

Sl. No	Description	Rs. (in million)
01	First Micro Finance Bank (FMFB) Loan Disbursed	718.496
02	First Micro Finance Bank (FMFB) Loan Recovered	622.715
03	PPO Commission on Disbursement, Recoveries and rent Charges	7.762
04	Total Revenue Earned	8.106

Postal Life Insurance (PLI)

The updates on Postal Life Insurance for the period from July, 2016 to February, 2017 is given below:-

Fresh Policies

No of Fresh Policies Issued..... 10,875
 Fresh Premium Income.....266.833Million
 Sum Assured4,487.673Million

Policies in force

No of Policies..... 438,616
 Premium Income3,322.259Million
 Sum Assured.....73,909.410Million

(c) PHILATELY:-

The following Commemorative Postage Stamps have been issued during 2016-17

1.	Issuance of Commemorative Postage Stamp on Abdul Sattar Edhi (Philanthropist)	14-8-2016	Rs. 20/-
2.	Issuance of Commemorative postage stamp on centenary of the D.G.T.R. House (old custom house) Karachi	6-9-2016	Rs. 8/- each design
3.	Issuance of Commemorative Postage Stamp on Platinum Jubilee Habib Bank Limited	23-9-2016	Rs. 8/-
4.	Issuance of Commemorative Postage Stamp on Pakistan and Belarus Joint Issue	5-10-2016	Rs. 20/- each design
5.	Issuance of Commemorative Postage Stamp on 50 Years of Establishment Diplomatic Relations Between Pakistan and Singapore Joint Issue	18-10-2016	Rs. 8/- each design
6.	Issuance of Commemorative Postage Stamp on 100 Years Celebrations of The Rotary Foundation	20-11-2016	Rs. 8/-
7.	Issuance of Commemorative Postage Stamp on Sesquicentennial Celebrations Lahore High Court	26-11-2016	Rs. 8/-
8.	Issuance of Commemorative Postage Stamp on Celebration of National Voters Day Election Commission of Pakistan	7-12-2016	Rs. 8/-
9.	Issuance of Commemorative Postage Stamp on Dinshaw Byramji Avari (Philanthropist)	18-12-2016	Rs. 8/-

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10.	Issuance of Commemorative Postage Stamp on National Stamps Exhibitions 'Pakistan 2016, Karachi.	30-1-2016	Rs. 8/- each design
11.	Issuance of Commemorative Postage Stamp on International Year of Sustainable Tourism for Development-2017	1-1-2017	Rs. 10/- each design
12.	Issuance of Commemorative Postage Stamp on 13 th ECO Summit at Islamabad.	1-3-2017	Rs. 8/- each design

No. of Post Office as on 2016-17

The requisite summary of Rural & Urban Post Offices is Pakistan Post FY 2016-17 is as under:-

Urban	Rural	Total
2, 046	9, 450	11, 496

Conclusion

Recognizing the importance of transport system for the economic development, the government has emphasized on the construction of new

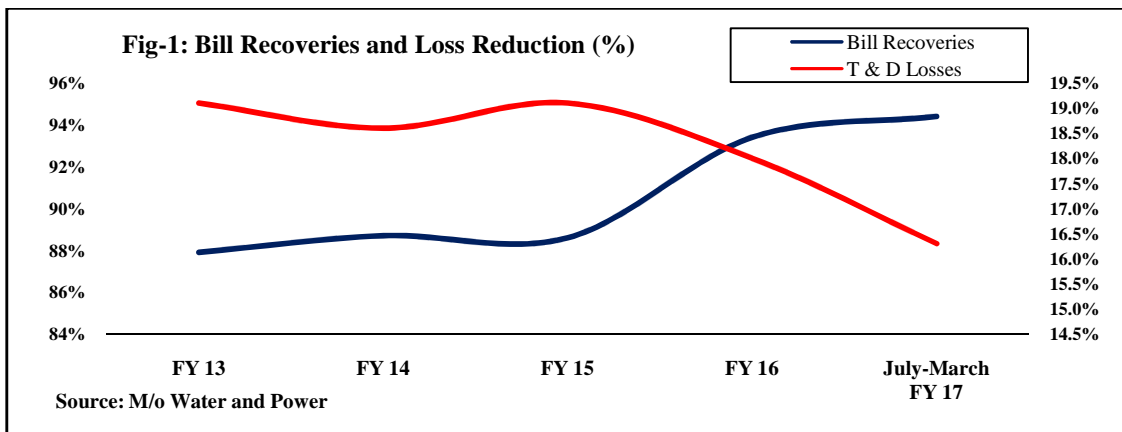
roads, rehabilitation of the existing system and attracted private sector for investment through public private partnership. CPEC is one of the mega project of the present government for creating links with the rest of the global economies which will not only provide regional connectivity but will promote peace, harmony and prosperity among all the neighbouring states. Provision of most modern communication system to the people of Pakistan and transfer of technology will also go a long way for the economic well being of the country.

Energy

The energy sector saw major developments in its history since development of the first major power plant development. The energy crisis brewed in 2007 and was at peak during 2011-2012. Prior to the present government, circular debt, weak financial position of energy companies, liquidity crunch, falling gas production, low exploitation of indigenous coal and hydel resources, high dependence on oil/gas as power generation source and unutilized power generation capacity were some of the significant constraints which caused severe energy shortages. The present government from the very beginning, had given high priority to energy sector, thus making significant efforts on all fields ranging from immediate step to long-term plan. As immediate step, the government retired the circular debt in start of its administration. The government has also substantially brought down power subsidies and has significantly contained the accumulation of new payable arrears in the power sector by (i) improving Discos' performance, (ii) rationalizing tariffs, and (iii) reducing delays in tariff determination. The subsidy for power sector which were Rs. 464

billion (2.3 percent of GDP) in FY 2012 has been consistently reduced to Rs. 217 billion (0.7 percent of GDP) in FY 2016. All this was done while protecting the vulnerable consumer segments of the country. Further, Circular Debt Capping Plan is effectively managing the power sector financial flows, stocks and subsidy budget.

The “**National Power Policy 2013**” was approved by the CCI to address the key challenges of the power sector and to achieve the long-term vision of the power sector. The policy focused on short term, midterm and long term objectives to make the power sector sustainable. In short run, two critical issues were addressed on fast track. One issue was inefficient recovery system while the other was effective control of transmission and distribution losses. It is worth mentioning that Ministry of Water and Power has shown significant improvement in both issues. Recoveries from end consumers reached 94.40 percent during July-March FY-2017, being highest in past ten years while transmission and distribution losses declined to 16.3 percent during the period under discussion(Fig-1).



One other salient feature of the policy was creation of an energy market by moving from the single buyer model towards buyer plus and ultimately an energy exchange market. As first step of the transition an agent for the power sector entries and a clearing house was established by operationalization of Central Power Purchase Agency (CPPA-G). Thus under the executive direction from the ECC (April 30, 2015), NEPRA mandated the CPPA-G to propose the characteristics of a competitive trading bilateral contracts market (the CTBCM). As part of this assignment, the CPPA-G has reviewed several market models established in other countries, trying to extract from them the most important lessons and using this information to develop a customized model for the energy sector in the country. CPPA-G is working on development of self-sustainable power market with least intervention and subsidy support from the government of Pakistan. To increase transparency in the system, more dissemination of information is being done through public disclosure of major daily financial transactions in the power sector

In medium term, National Power Policy 2013 had also focused on reducing the basket price by introducing generation on cheaper fuels. Altering the fuel mix towards less expensive fuels will lead to low cost energy. Investments required for the low cost fuel mix will necessitate rationalization of the electricity tariff. In this regard, both Private Power and Infrastructure Board (PPIB) and Alternative Energy Development Board (AEDB) are playing vital role on behalf of the Government of Pakistan in materializing government commitment of adding sustainable and affordable power generation to the national grid. Thus energy imports of liquefied natural gas (LNG) and coal along with utilization of domestic resources like construction of Thar coal mines, hydro power stations, nuclear power plants, as well as several solar and wind farms will significantly reduce the country's reliance on oil in the medium term and improve the energy mix. The list of Power Plants which started operation along with their respective fuel type is given below in Table-1:

Table-1: List of Power Plants Started Operation since 2015

2015			2016			2017		
Plant Names	Fuel Type	Installed Capacity (MW)	Plant Names	Fuel Type	Installed Capacity (MW)	Plant Names	Fuel Type	Installed Capacity (MW)
RYKML	Bagasse	30	APOLO SOLAR	Solar	100	Fatima	Coal/Bagasse	120
FWEL-I	Wind	50	Best Green Solar	Solar	100	Hamza	Bagasse	15
QUAID AZAM	Solar	100	Crest Energy Solar	Solar	100	Bhiki	Gas	760
NANDIPUR	Furnance Oil	425	Younus	Wind	50	Dawood Wind	Wind	50
SAPPHIRE	Wind	50	Metro	Wind	50	Sachal Wind	Wind	50
CHINIOT	Bagasse	62	Tapal	Wind	30	TOTAL		995
TOTAL		717	Master	Wind	50			
			Tenaga	Wind	50			
			Gul Ahmed	Wind	50			
			Chashnupp-III	Nuclear	340			
			TOTAL		919			

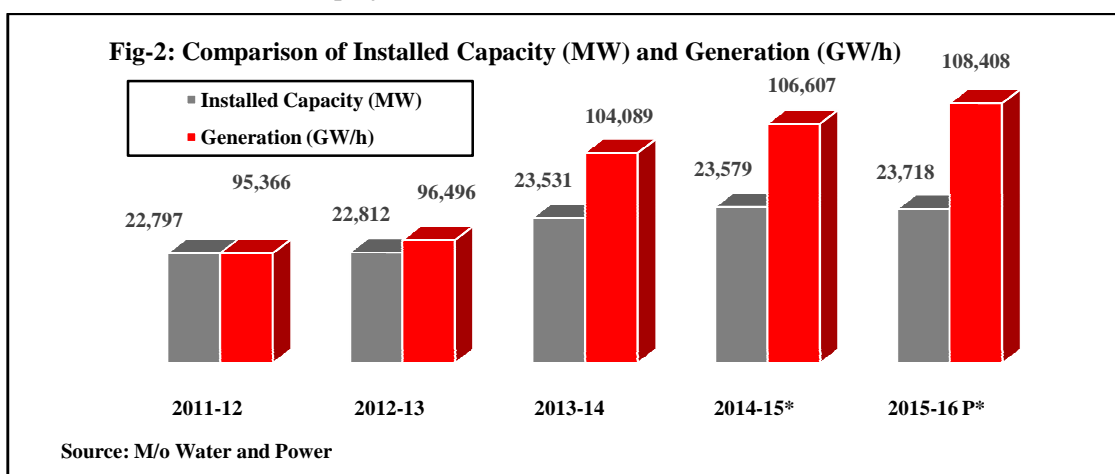
Source: Ministry of Water and Power

Various initiatives have also been started to ensure the sustainability of the reforms envisaged under the Power Policy of 2013

ranging from regulatory reforms to market development have been introduced. Another important and critical initiative is projects under

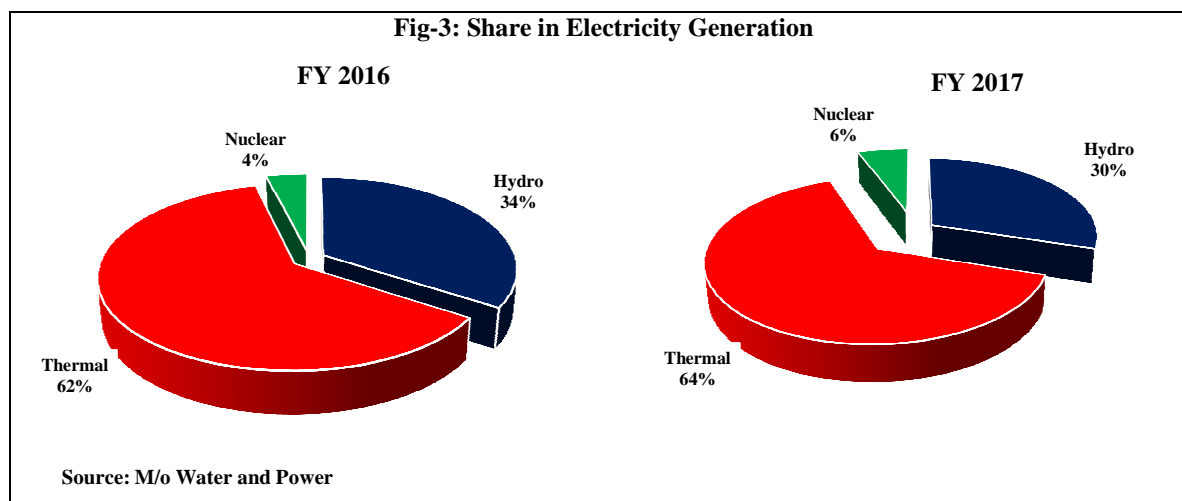
China-Pakistan Economic Corridor (CPEC). The CPEC envisages projects in energy and infrastructure, with a total financial outlay of around US\$ 46 billion. Financial outlay of Energy sector projects are estimated to be US \$ 34.74 billion while Infrastructure projects are estimated to be US \$ 13.217 billion. Energy sector projects includes power generation and transmission projects to be implemented in IPP mode while Infrastructure projects includes

projects for construction of roads, highways, railways, ports and telecommunications infrastructure, to be implemented as government to government loans/ grants. Till March 2017, twelve (12) projects have been signed in Energy Sectors with eight (8) projects in PPIB and four (4) projects in AEDB. The following figure (Fig-2) give the comparison of installed capacity (MW) and generation (GW/h):



During July-March FY 2017, although installed capacity increased to 25.1 million MW from 22.9 million MW during corresponding period last year, however there was decline in generation as it remained 85,206 GW/h during July-March

FY 2017 compared to 101,970 GW/h during July-March FY 2016. The decline in the share of hydro in electricity generation mainly occurred due to weather condition and less flow of water in rivers (Fig-3).



Regarding consumption pattern, there is no significant change in the consumption pattern

of electricity. However, during July-March FY 17, the share of household in electricity

consumption has been increased which is indicating that economy growth has switched general public to use advance technological products. The government has given priority to industrial sector thus there was uninterrupted power supply to industrial sector. However a little decline in share of industry in electricity consumption is due to the use of own captive power plants on LNG by large industrial units. The increase in share of agriculture in electricity consumption is positive sign that farmer are getting electricity for farm mechanization which will in turn have spill over effect on the economy as whole. The comparison between consumption patterns of electricity during July-March FY 2017 with corresponding period last year is shown below in Fig-4:

14.1: Performance of Pakistan Power Sector Players

14.1.1: Pakistan Atomic Energy Commission (PAEC)

Pakistan Atomic Energy Commission (PAEC) has been actively engaged in harnessing nuclear power technology. At present, four nuclear plant

i.e. Karachi Nuclear Power Plant (KANUPP) at Karachi, Chashma Nuclear Power Plant Unit-1, Unit-2 and Unit-3 (C-1, C-2 and C-3) at Chashma (Mianwali) are operating with gross capacity of 1,090 MW.

KANUPP has now completed forty five years of safe and successful operation. C-1 and C-2 are amongst the best performing power stations in the country. C-3 was formally inaugurated by the Prime Minister on December 28, 2016. Some performance parameters of these operating plants is given in the following Table-2:

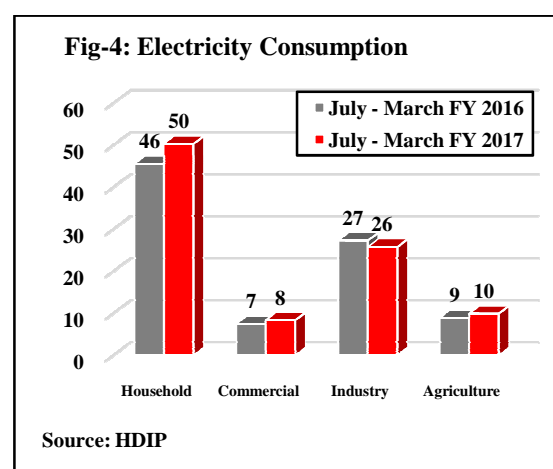


Table 2: Performance of the Operating Nuclear Power Plants in Pakistan

Plants	Capacity (MW)		Grid Connection Data	Electricity sent to Grid (million KWh)	
	Gross	Net		July 1, 2016 to March 31, 2017	Lifetime upto March 31, 2017
KANUPP	100	90	18-Oct-71	293	14,026
C-1	325	300	13-Jun-00	1,808	32,885
C-2	325	300	14-Mar-11	1,654	13,000
C-3	340	315	15-Oct-15	966	966

Source: Pakistan Atomic Energy Commission

The construction of fifth nuclear plants, Chashma Nuclear Power Plant unit-4 (C-4) at Chashma site is underway. It is expected that C-4 will be connected to the national grid in May 2017. Sixth and Seventh Nuclear Power Plants Unit-2 and Unit-2 (K-2 and K-3) are under construction near Karachi. The first concrete pours of K-2 and K-3 were performed on Aug 20, 2015 and May 31, 2016 respectively.

Pakistan Atomic Energy Commission (PAEC) is planning to intensify its activities to amplify its role towards meeting the electricity

requirements of the country. Construction of K-2/K-3 is the first major step to achieve the target of 8,800 MW nuclear capacity by 2030. PAEC is actively planning to develop additional sites to install future nuclear power plants. Sites have been identified throughout the country that are being investigated and acquired for development.

14.1.2: National Electric Power Regulatory Authority (NEPRA)

The National Electric Power Regulatory Authority (NEPRA) is responsible for

regulating electric power services and safeguarding the interests of investor and consumers. The main functions of NEPRA are:

- It grants licenses for generation, transmission and distribution of electric power
- It determines tariff rates, charges and other terms and condition for supply of electric power
- Prescribes and enforces performances standard
- Addresses complaints of electricity consumers
- Give advice/recommendations to the concerned entities including the government on various power sector issues

License

During July-March FY 2017 one Distribution License and twenty three Generation Licenses with installed capacity of 6,269 MW were issued. Also six generation licenses were cancelled and two licenses were revoked during the period under consideration.

Tariff

During July-March FY 2017, NEPRA granted licenses for generation, transmission and distribution of electric power for coal, solar, LNG, small Hydropower and Bagasse based power projects. Three companies namely Dating Pakistan Karachi Power Generation (Private) Limited (imported coal), Thal Nova Power Thar (Private) Limited (local coal) and Thar Energy Limited (local coal) unconditionally accepted the Upfront Coal Tariff and the decisions in the matter were issued on Aug 11, 2016, Oct 18, 2016 and Oct 18, 2016 respectively. Two companies namely Lucky Electric Power Company and Siddiqsons Energy have shifted from imported coal to local coal. Decisions in the matter were issued on Oct 20, 2016 and Dec 1, 2016 respectively. Tariff were also issued on Aug 9, 2016 to National Power Parks Management Company for its two LNG projects located at Balloki and Haveli Bahadur Shah of 1,223 MW and 1,230 MW respectively.

Standard

The Key Performance Indicators for previous years as per the requirements of Performance Standard Generation Rules (PSGR) 2009, Performance Standard Transmission Rules (PSTR) 2005 and Performance Standard Distribution Rules (PSDR) 2005 were evaluated and comprehensive Performance Evaluation Reports of the Public Sector GENCOs, TRANSCO, DISCOs and K-Electric were uploaded on the website of NEPRA.

Efforts are being made to make amendments NEPRA Act. These amendments will

- Enhance powers of NEPRA
- Provide competitive Market Transactions,
- Provide Efficiency, Transparency and Accountability
- Clarify Policy and Regulation

141.3: Private Power and Infrastructure Board (PPIB)

The Private Power and Infrastructure Board (PPIB) is a 'One Window' facilitator to the private investors in the field of power generation on behalf of the Government of Pakistan (GOP). The main achievements are:

- Successfully managed to induct 31 independent private power projects totaling about 9071 MW.
- Attracted an investment of around US\$ 9.4 billion.
- IPPs are around 50% of the country's present installed generation capacity.
- Attracted leading international / local investors and lenders to the Pakistan Power Sector.
- Contributed in development of domestic capital markets.
- Supported economic growth and enhanced power supply.
- 84 MW New Bong Hydropower Project, the first hydro IPP in Pakistan/AJK Commissioned.

- 870 MW Suki Kinari, Financing Agreements with the Lenders Signed.
- 1320 MW PQEPCL started construction activities.
- 1320 MW Sahiwal Power Project started construction activities at site from its equity.
- 102 MW Gulpur Hydropower Project, Ground Breaking Ceremony held on 15-October-2015.
- 660 MW Engro Powergen Thar Limited started construction activities.

141.4: Alternative Energy Development Board (AEDB)

To diversify energy mix and ensure energy security, the Government of Pakistan has mandated Alternative Energy Development Board (AEDB) to act as a central agency for development and promotion of Alternative & Renewable Energy (ARE) technologies in the country and to facilitate the private sector investment in this sector. The current and expected status of Renewable Energy power generation projects are as under:

Wind Power Projects

Twenty Four (28) wind power projects having a cumulative capacity of 1397.6 MW are at different stages of development / operation. In 2016, five wind power projects by Yunus Energy Ltd (50 MW), Metro Power Company Ltd (50 MW), Tapal Wind Energy Private Ltd (30 MW), Master Wind Energy Private Ltd (528 MW) and Gul Wind Energy Ltd (50 MW) are situated at Jhampir while Tenaga Generasi Ltd (49.5 MW) is situated at Gharo. Till now, twelve wind power projects of 590.5 MW cumulative capacity have achieved commercial operation and are supplying electricity to National Grid. Eight (08) projects with a cumulative capacity of 445 MW have achieved financial close and are under construction and expected to be completed within 2018. These are Hydro China Dawood Power Private Ltd (49.5 MW), Sachal Energy Development Private Ltd (49.5 MW), United Energy Pakistan Private Ltd (99 MW), Jhampir Wind Power

Limited (49.6 MW), Hawa Energy Pvt. Limited (50 MW), Hartford Alternative Energy Private Limited (49.3 MW), Three Gorges Second Wind Farm Private Ltd (49.5 MW), Three Gorges Third Wind Farm Private Ltd (49.5 MW). Further, four (04) wind power projects with a cumulative capacity of **197.1 MW** have been issued LOS and are expected to achieve Financial Closing during 2017.

Solar Power Projects

Four solar projects (100 MW each) named Quaid-e-Azam Solar Park, Bahawalpur with different IPPs with cumulative capacity of 400 MW are operational. Out of four, three were completed in Aug 2016. Seven IPPs with a cumulative capacity of 72.52 MW have obtained Letter of Support (LOS) from AEDB and are in the process of achieving Financial Closing of their projects while seventeen solar power projects of 484 MW cumulative capacity have obtained Letter of Intent (LOI) from AEDB and are at different stages of project development and will be completed during 2018-19.

Biomass / Waste-To-Energy

In order to tap the potential of electricity generation from the sugar mills in Pakistan, the Government of Pakistan on recommendation of AEDB announced the Framework for Power Co-Generation 2013 (Baggase/Biomass) in 2013. Twenty Four (24) companies / sugar mills of 817.5 MW cumulative capacity have been issued Letter of Intent (LOI) from AEDB and are at different stages of project development and will be completed during 2018-19.

14.2: Oil (Petroleum Product)

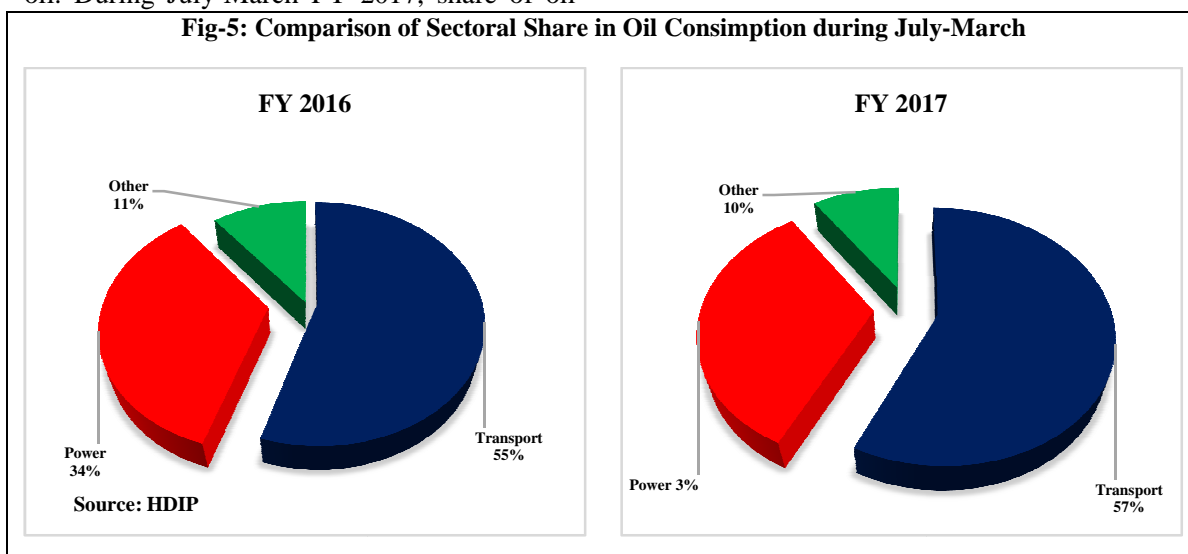
Pakistan mainly depends upon oil and gas resources to fulfil energy requirements. The domestic production of crude oil remained 24.2 million barrels during July-March FY 2017 compared to 24.0 million barrels during the corresponding period last year. Indigenous resources of oil are not enough to quench energy thirst of a growing economy. As a result Pakistan has to import large quantity of oil and

oil based products from Middle East countries especially from Saudi Arabia. The quantity of crude oil imported remained 5.9 million tones with value of US \$ 1.84 billion during July-March FY 2017 compared to the quantity 4.2 million tones with value US \$ 183 billion during the same period last year. Thus the low international prices of oil helped in saving foreign exchange due to lower import bill.

Transport and power are the two major users of oil. During July-March FY 2017, share of oil

consumption in transport increased to 57 from 55 percent during the same period last year while share of oil consumption in power remained 33 percent during July-March FY 2017 which was 34 percent during the same period last year mainly because some of inefficient thermal plants remained closed due to overhauling during the period under discussion. Also gas being the cheaper source, there is continuous shift of power sector from oil to gas as shown in Fig-5.

Fig-5: Comparison of Sectoral Share in Oil Consumption during July-March



To enhance oil and gas reserves, the government is trying to attract companies to undertake new exploration and production activities. Thus, it is expected the domestic production of oil will improve by new wells and also with exploration of unconventional oil and gas resource.

14.3: Natural Gas

Natural Gas is a clean, safe, efficient and environment friendly fuel. It contributes about 46% of the total primary energy supply mix in the country. Pakistan has an extensive gas network of over 12,202 Km Transmission 119,736 KM Distribution and 32,823 Services gas pipelines to cater the requirement of more than 8.4 Million consumers across the country by providing about 4 Billion Cubic Feet per day natural gas. Government of Pakistan is pursuing its policies for enhancing indigenous gas production as well as imported gas to meet the

increasing demand of energy in the country. During July – March FY 2017 the LNG imported remained 129,092,714 mmbtu compared to 62,373,272 mmbtu during same period last year. The average natural gas consumption was about 3,654 Million Cubic Feet per day (MMCFD) including 410 MMCFD volume of RLNG during July 2016 to February. During July 2016 to February 2017, the two Gas utility companies (SNGPL & SSGCL) have laid 814 Km Gas Transmission network, 4,153 Km Distribution and 1,162 Km Services lines and connected 104 villages/towns to gas network. During this period, the gas utility companies have invested Rs. 17,925 Million on Transmission Projects, Rs. 11,183 Million on Distribution Projects and Rs. 14,925 Million on other projects bringing total investment to about Rs. 44,033 Million. During this period, 360,824 additional gas connections including 360,465 Domestic, 339 Commercial

and 20 Industrial were provided across the country. It is expected that Gas will be supplied to approximately 414,723 new consumers during the fiscal year 2017-18. Gas utility companies have planned to invest Rs. 12,702 Million on Transmission Projects, Rs 43,045 Million on Distribution Projects and Rs. 8,462 Million on other projects bringing the total investment of Rs. 64,209 Million during the fiscal year 2017-18.

14.3.1: Compressed Natural Gas (CNG)

Government of Pakistan initially encouraged use of Compressed Natural Gas (CNG) as an alternate fuel for auto-motives in order to control environmental degradation, reduce foreign exchange expenditure on import of liquid fuel and generate employment. Pursuant to government's investor friendly initiatives, Pakistan has become the world leading CNG user country with more than 3 Million NGVs (Natural Gas Vehicles) plying on the roads. Currently more than 3,416 CNG stations have the CNG marketing licenses in the country. However, keeping in view the mushroom growth of CNG stations in the country vis-à-vis depletion of natural gas reserves, Government has imposed a ban on establishment of new CNG stations in the country w.e.f. 07.02.2008. For sustainable growth of this sector,

Government has approved provision of RLNG to this sector with fiscal incentives of GIDC at the rate of zero and Sales Tax at the rate of five percent.

14.3.2: Liquefied Natural Gas

The first LNG re-gasification Terminal was commissioned on 27th March 2015 in a record time of less than 11 months. Since March 2015, 83 LNG Cargoes have been handled at the LNG Terminal. The Terminal has re-gasification capacity of 600 MMCFD. Moreover, 2nd LNG Terminal has also been awarded to Pakistan Gas Port Company Limited (PGPCL) by the Government Company i.e. Pakistan LNG Terminal Limited (PLTL). The Terminal is expected to be completed by 3rd quarter, 2017. For this purpose Pakistan LNG Limited (PLL) is in a process to arrange 4.5 MTPA for said terminal.

At present one LNG Terminal is in operation and is handling 4.5 MTPA of LNG which equals 600 MMCFD of RLNG. With the establishment of 2nd LNG Terminal LNG import volumes may reach 9 MTPA i.e. 1200 MMCFD of RLNG. The Average Sector-wise Natural Gas Consumption in Million Cubic Feet per Day (MMCFD) is given in Table-3

Table-3: The Average Sector-wise Natural Gas Consumption in Million Cubic Feet per Day (MMCFD)

Sector	For the Period July 1, 2015 To Feb 29, 2016			For the Period July 1, 2016 To Feb 28, 2017		
	Gas Consumption in MMCFD	RLNG	Total	Gas Consumption in MMCFD	RLNG	Total
Power	961	143	1,104	980	116	1,096
Domestic	777	0	777	801	-	801
Commercial	92	0	92	89	-	89
Transport (CNG)	155	17	172	150	43	193
Fertilizer	633	0	633	611	64	675
General Industry	594	15	609	613	187	800
Total	3,212	175	3,387	3,244	410	3,654

Source: Ministry of Petroleum and Natural Resources

14.4: Coal

Constitutionally, minerals other than mineral oil, natural gas & nuclear minerals are Provincial subject. Executive authority for coal exploration and development and regulation of coal sector rests with the Provinces. Federal Government is mandated with geological surveys (that help

identification of potential mineral bearing areas), national policies/plans formulation and coordination at national and international levels. Federal Government has been playing facilitation role for development of coal sector as per its mandate. Since its inception, Geological Survey of Pakistan (GSP) [attached department of Ministry of Petroleum & Natural Resources] has

been working for exploration of mineral resources including coal as a routine job on regular basis. So far, nineteen coalfields have been discovered in the country with total coal resource potential estimated to exceed 186 billion tons; of which more than 185 billion tons are located in Sindh Province and over 175 billion tons in Thar Coal-field alone.

Provincial Governments have granted more than 1,100 coal mining concessions to public and private sector companies, who carry out exploration and mining operations in the licensed/leased area. Two federally controlled organizations; Pakistan Mineral Development Corporation (PMDC) and Lakhra Coal Development Company [joint venture of PMDC, WAPDA & Government of Sindh] are engaged in extraction of coal in Sindh and Balochistan Provinces, producing about 558,000 tons and 235,000 tons of coal per annum (for 2015-16), respectively. These two companies also supply coal to Lakhra Power Plant of WAPDA.

Annual domestic coal production is around 3.5 million tons. About 4-5 million tons of coal is imported per annum to meet the supply and demand gap of coal. Coal is imported mainly from Afghanistan, Australia, Canada, Indonesia, South Africa & U.S.A. and consumed in steel and cement manufacturing and power generation units.

Thar Coal development is accorded strategic importance by the Federal & Provincial Governments, which are working together to provide enabling environment and robust infrastructure required for Thar Coal development; roads, water supply, waste water drainage channel, airport and transmission line etc. Government of Sindh has established a one-stop organization/dedicated decision making body

namely “Thar Coal & Energy Board (TCEB)” under the Chief Executive of the Province with representation from Federal & Provincial Governments to facilitate fast track development of Thar coal. Government of Sindh encourages projects of open-pit mining, coal based power generation, underground coal gasification, surface gasification, coal-to-liquid, briquetting etc. Many blocks of Thar Coal-field have already been allotted/offered to foreign/local investors for integrated mining & power generation projects. Some of Thar Coal Mining and Power Projects are enlisted for China-Pakistan Economic Corridor. The commissioning of Thar projects will usher into a new era of energy security for the country and prosperity for the people of Pakistan.

All power generation projects including those based on coal (indigenous or imported) are dealt by the Ministry of Water & Power and Private Power & Infrastructure Board (PPIB). As per PPIB six power generation projects based on indigenous coal with cumulative capacity of 4,290 MW and seven power projects based on imported coal with cumulative capacity of 5,201 MW are presently under process at various stages to be completed between 2017 - 2021.

Conclusion

The government is making all efforts to increase and diversify its energy supply with long-term vision of the power sector to meet Pakistan's energy needs in a sustainable manner. Pakistan has embarked on a wide-ranging initiatives. Till now government remained successful in attracting foreign companies to undertake new exploration and production activities. The China-Pakistan Economic Corridor (CPEC) will also become a source of coordination for developing energy related projects through indigenous energy resources such as coal, hydro and renewable sources.

Social Safety Nets

Poverty has become one of the emerging issue across the globe. In this context, state sponsored Social Safety Nets (SSNs) work as a cushion to mitigate the devastating effects of poverty. Social Safety Nets include non-contributory transfers (unconditional and conditional cash-transfers, food and other in-kind transfers, school feeding programs), non-contributory social pensions, measures to provide access to essential services as education, health and housing through fee-waivers, public works and social care services. However, challenges are in the implementation of SSN programs that include setting the eligibility criteria, introduction of poverty score card, scarcity of resources and demand-supply gap.

Government is committed to eliminate poverty by 2030. Ministry of Planning, Development and Reforms in collaboration with the Provincial Planning and Development Departments and UNDP carried out an extensive series of divisional level workshops to sensitize about the SDGs at the grass root level and also disseminated the findings of Multidimensional Poverty Index (MPI) report. Emphasis has been placed on the orientation at grass root level, localization of SDGs, prioritization of SDGs and data gap analysis for proper monitoring and reporting.

Planning Commission in collaboration with UNDP and Pakistan Bureau of Statistics (PBS) has conducted an extensive exercise to review the availability of data on SDGs from various sources and timelines. A Technical Committee

is formulated to review the availability of data to monitor the progress on 241 indicators and its alignment with the SDGs framework. This Committee is assisted by four sub-committees by clubbing 17 goals in four broad categories.

Box-15.1

Goal 1 (Sustainable Development Goals) “No Poverty” in all its manifestations everywhere by 2030. Although, this is in complete consonance with Vision 2025 “No one left behind” but at the same time it poses the challenges of eradicating poverty in all its dimensions and from all parts of Pakistan. The report on Multidimensional Poverty 2016 and PSLM data provides a deep insight on the state of poverty and dynamics in Pakistan. This poverty profile revealed that, in Pakistan poor are predominantly rural, young, poorly educated, mostly deprived of health facilities, and are living in larger households with more children. These characteristics of poor and poverty help policy makers in formulating purposeful and targeted poverty alleviation programs.

The United Nations Development Programme (UNDP)’s Human Development Report, 2016 ranks Pakistan at 147th out of 188 countries under the Human Development Index (HDI) based on Health (life expectancy at birth), Education (Expected years of schooling) and Gross National Income (GNI) per capita. Pakistan’s HDI value is 0.550 out of 1 as against South Asia’s average HDI value of 0.621 and World’s average HDI value of 0.717. The present government has initiated social sectors programmes and policies to

improve the country's HDI.

Tracking the Pro-Poor Expenditures

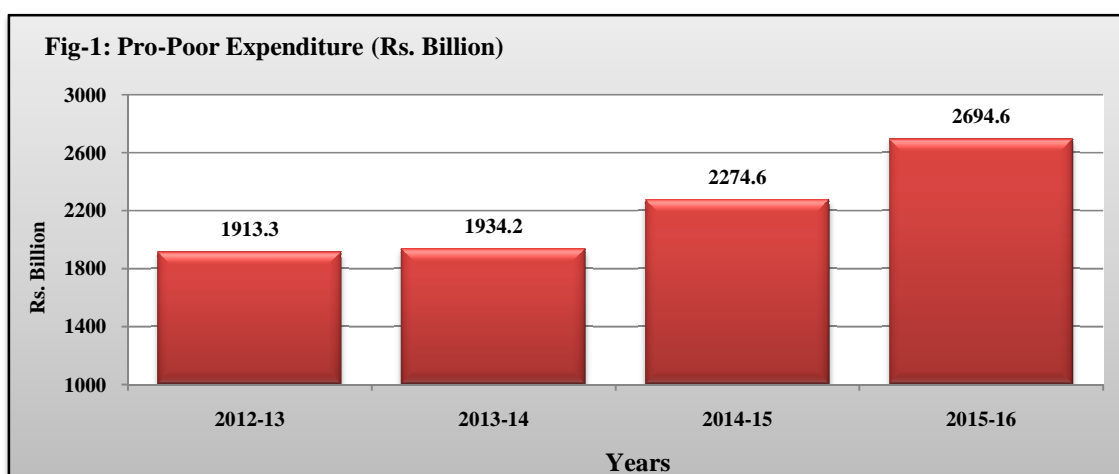
The government has prioritized 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) in the PRSP-II, which provided a link between the policy priorities and the related budget allocations. Expenditure on pro-poor sectors in 2012-13 stood at 8.5

percent of GDP. In 2013-14, these were 7.7 percent of GDP and in 2014-15, 8.3 percent of GDP. During 2015-16, total expenditures of these sectors were increased and reached to Rs 2,694.6 billion, which was 9.3 percent of GDP. During July-December of the current fiscal year 2016-17, Rs. 1,017.5 billion expenditures have been made as shown in Table 15.1 below:

Table 15.1: PRSP Budgetary Expenditures by Sectors					(Rs. Million)
Sectors	2012-13	2013-14	2014-15	2015-16	2016-17*
Roads, Highways & Bridges	94,750	96,504	190,984	397,506	149,765
Environment / Water Supply and Sanitation	34,055	32,000	54,093	63,554	22,913
Education	479,853	537,598	599,047	663,356	310,155
Health	161,202	201,986	231,172	267,953	111,867
Population Planning	7,142	12,609	13,943	10,894	3,038
Social Security & Welfare**	72,898	93,481	155,725	173,532	76,466
Natural Calamities & Other Disasters	32,699	18,404	40,525	59,204	6,998
Agriculture	148,554	157,894	199,903	239,019	88,481
Land Reclamation	4,805	4,796	5,184	4,601	877
Rural Development	31,926	14,727	29,122	37,419	6,545
Subsidies	556,113	502,098	459,325	437,087	76,897
People's Works Programme-I	3,346	-	-	-	-
People's Works Programme-II	42,486	-	-	-	-
Low Cost Housing	603	676	581	460	165
Justice Administration	22,512	24,378	26,041	33,255	18,449
Law and Order	220,343	237,027	268,983	306,738	144,863
Total	1,913,287	1,934,178	2,274,628	2,694,578	1,017,479
Total as % age of GDP (2005-06 base)	8.5	7.7	8.3	9.3	-

Source: Ministry of Finance, External Finance Policy Wing

*: July-December **: Social Security & Welfare also includes the expenditure of BISP, MDGs and PBM.



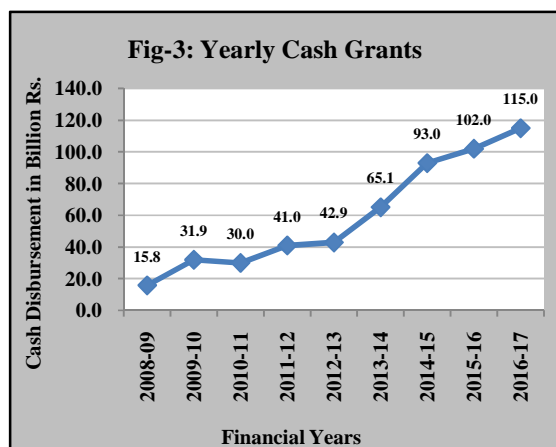
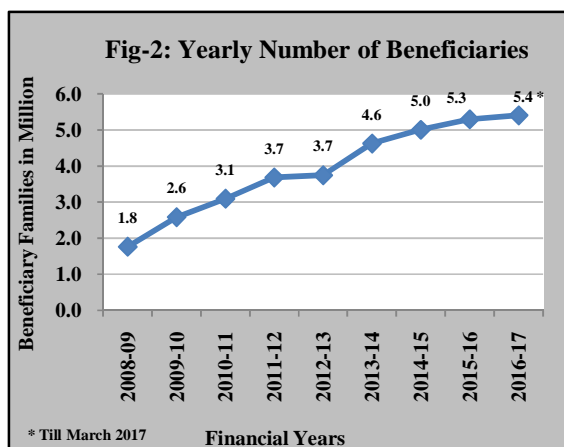
Social Safety Programmes

Recognizing the need to protect the poor and the vulnerable, the government has launched several social safety net programs. The following are the main social safety net programs;

I. Benazir Income Support Programme (BISP): BISP is dedicated to fight poverty by employing multiple social protection instruments designed to bring a sustainable positive change in the lives of persistently excluded and deprived families. The programme has been established through an Act of Parliament, BISP works under the executive patronage of the Prime Minister while the President of Pakistan is its Chief Patron. Its long term objectives included meeting the targets set by Sustainable Development Goals (SDGs) to eradicate extreme and chronic

poverty and empowerment of women. The quarterly cash grant has been gradually enhanced by present government from Rs.3000/- per family to Rs. 3600/- in FY 2013-14, Rs. 4500/- in FY 2014-15, Rs.4700/- in FY 2015-16 and Rs.4834/- in FY 2016-17.

Since its inception in 2008, BISP has grown rapidly. It is now the largest single cash transfer program in Pakistan's history. The number of beneficiaries has increased from 1.7 million in FY 2009 to approximately 5.42 million at the end of March 2017. BISP's annual disbursement increased from 16.0 billion in FY2009 to Rs.115 billion in FY2017. Since inception, BISP has transferred Rs.486 billion (21st April, 2017) as cash transfers. BISP is following the path of automation and 97 percent of beneficiaries are being paid through technology based payment mechanisms.



Transparent Payment Mechanism

BISP in its initial phase started delivering cash transfers using Pakistan Post due to its outreach across Pakistan. But later, in order to improve the efficiency and transparency of payments to its beneficiaries, BISP started using innovative payment mechanism in the form of Benazir Smart Card and Mobile Phone Banking on test basis in nine districts across the country. After testing the pilots, BISP has rolled out Benazir Debit Card across Pakistan, Now, around 97 percent beneficiaries are receiving payments through technology innovative payment

mechanisms (rest are still getting stipend through post office).

To bring more transparency, BISP has implemented biometric verification system (BVS) in 9 districts. Till December 2016, 662,077 beneficiaries received cash through biometric verification.

BISP role in Poverty Reduction

An Impact Evaluation Study conducted by the Oxford Policy Management in 2016 assessed the outcomes of the beneficiaries against key objectives including poverty reduction,

women's empowerment, improved household and child nutrition.¹ According to the report

- BISP cash transfers have contributed poverty reduction among beneficiaries by 7 percentage points, relative to non-beneficiaries having similar characteristics.
- BISP continued to have an impact in increasing consumption expenditure of Rs. 187.
- BISP is leading to increase in per adult equivalent monthly food consumption (Rs. 69) driven by high quality protein.
- BISP has led to a decline in deprivations particularly in terms of quality of flooring in households and the quality of cooking fuel used.
- BISP has continued to influence a change on the way women are viewed in the household.

Updation of the National Socio-Economic Registry (NSER)

BISP's targeting mechanism has been significantly strengthened over time and relies on scientific approach based on proxy means testing.

Keeping in view the transient nature of population around the poverty line and the internationally accepted phenomenon of change in households demographic profile over time; the NSER update will be carried out in two phases, i.e. pilot phase and National Rollout. BISP is conducting the survey in 16 districts including 4 districts in which Desk Approach has been tested with an objective of making NSER a dynamic registry.

Desk Approach has successfully been completed in 4 districts with 89% coverage

¹ A third round impact evaluation analysis was conducted in 2016 to assess the impact of BISP on beneficiaries against key objectives of the program: poverty reduction, women's empowerment, improved household and child nutrition, and increased asset retention. A quasi-experimental method was used, based on a comparison between a treatment group of beneficiaries of BISP against a control group of households' non-beneficiaries of BISP but just above the BISP threshold scorecard (Oxford Policy Management, 2016). This followed the second round evaluation impact analysis conducted in 2015.

through registration centers. After Desk Approach completion in these districts, a door-to-door campaign will also be undertaken and a Targeting Performance Survey will also be conducted to establish Value-for-Money for these approaches for National Rollout. Door-to-Door approach is currently being implemented in 13 districts, i.e. Charsadda, Lakki Marwat, Mohmand Agency, Gilgit, Chakwal, Faisalabad, Layyah, Mirpur, Thatta, Sujawal, Jacobabad, Killa Saifullah and Kech.

Complementary Initiatives

There is an increasing role of complementary interventions in determining sustainable impact of cash transfer on uptake of education and health services, nutrition outcomes, and improving livelihoods to increase the chance of graduation from poverty. There are four closely associated and complementary components, including Waseela-e-Rozgar and Waseela-e-Haq (Micro-finance), Waseela-e-Sehat (Life & Health Insurance) and Waseel-e-Taleem (Primary Education).

Waseela-e-Taleem (WeT) This Program is designed to encourage BISP beneficiary families having children in the age group of 5 to 12 years, to send their out of school children to schools for Primary Education (and in school children to continue their education), in return for cash transfers with the long-term prospects of human capital formation to graduate out of abject poverty. The initiative was to enroll approximately 2.0 million children in primary schools by December 2018. This involves a cash transfer of Rs. 250 per month paid quarterly (Rs. 750 per child) for all children of each beneficiary family in the age bracket of 5-12 years in return for their compliance with the co-responsibilities of school admission and a minimum of 70 percent quarterly attendance. The field operation of the program was started in October, 2012. So far, over 1.3 million children have been enrolled and Rs. 2.9 billion has been disbursed as stipend under WeT.

Collaboration with Development Partners

World Bank financed \$150 million for 'Pakistan Social Safety Net Project' to launch

Unconditional Cash Transfer (UCT) and Co-responsibility Cash Transfer/CCT (Waseela-e-Taleem) for primary education of children of BISP beneficiaries. The funding was disbursed through set of Disbursement Link Indicators (DLIs) totaling 19. BISP has successfully achieved and completed all DLIs amounting to \$150 million. BISP's rating has been upgraded as 'Highly Satisfactory' while rating of the project management has been upgraded to 'Satisfactory'. BISP has been internationally acclaimed as number 5 in the world in targeting performance of SSNs (State of Social Safety Net, World Bank, 2015). BISP and World Bank have successfully signed the new program on 30th March, 2017 amounting to \$ 100 million. Under the program key areas like updation of NSER, expansion of Waseela-e-Taleem and integration of BISP beneficiaries with other complimentary initiatives have been identified as priority areas.

The Department for International Development (DFID) have also extended support to BISP through a grant allocation of GBP £300 million and the disbursements stand around GBP £180. DFID allocated grant for the co-responsibility cash transfer (CCT) program for primary education of children of BISP beneficiaries. DFID grant was made through a total of 18 DLIs all of which have been achieved. The timely achievement of DLIs reflects the synergy between BISP and its development partners. DFID support will continue till 2020 through grant financing amount of £ 98 million. Overall performance rating of program is "A" (DFID Annual Review Report 2016).

Asian Development Bank under Social Protection Development Project committed US\$ 430 million. The project has supported the Government of Pakistan's national social safety net program, the Benazir Income Support Program (BISP). The project will enable the expansion of the cash transfer program (paid to the female head of targeted poor families). An amount of US \$ 296.72 million have been disbursed. The project is on track and will be closed by December 2018.

BISP's Achievements in FY 2016-17

- The present government increased BISP budgetary allocations from Rs. 70 billion in FY 2012-13 to Rs. 75 billion in FY 2013-14, which was subsequently enhanced to Rs. 97 billion in FY 2014-15 and Rs. 102 in FY 2015-16 and for the current fiscal year 2016-17, the allocation was further enhanced to Rs. 115 billion.
- The quarterly cash grant has been gradually enhanced from Rs. 3000/- per family to Rs. 3600/- in FY 2013-14, Rs. 4500/- in FY 2014-15, Rs. 4700/- in FY 2015-16, and Rs. 4834/- in FY 2016-17.
- The number of BISP beneficiaries has also increased from 3.73 million in 2012-13 to 5.0 million in FY 2014-15. At present the number of beneficiaries is around 5.42 million.
- BISP is following the path of automation and 97 percent of beneficiaries are being paid through the mode of technology.
- Successful launch of pilot phase of NSER and completion of Desk Approach with 89 percent overage.
- Successful start of biometric verification system (BVS) in 43 districts. BVS system will be expanded on gradual basis.
- Launching of third Impact Evaluation Report 2016 by the Oxford Policy Management (OPM). The report finds that per adult equivalent consumption expenditure has, as a result of BISP interventions, increased by Rs. 187 and poverty has fallen by 7.0 percentage point amongst beneficiaries. Using the cost of basic needs (CBN) poverty line as a reference, it is reported that BISP is associated with a reduction in poverty gap by 3.0 percentage points. BISP has inducted an increase in per adult equivalent monthly food consumption by Rs. 69.
- Successful completion of World Bank funded 'Pakistan Social Safety Net Project' and the new programmes have also been

signed on 30th March, 2017 amounting to US \$ 100 million.

- BISP's rating has been upgraded as 'Highly Satisfactory' by the World Bank.
- DFID conducted the annual review-2016 of BISP with an overall score of A.
- For the graduation of BISP beneficiaries, Akhuwat through Chief Minister's Self Employment Schemes of Punjab & Gilgit-Baltistan and through Prime Minister's Interest Free Loan (PMFIL) Scheme has provided interest free loans to 76,196 BISP beneficiaries.

Outlook for FY 2017-18 and Beyond

In line with government's resolve to run BISP on transparent and efficient lines, the future focus is attuned to following:

- Improve grass root social mobilization capacity through partnerships with provincial governments and NGOs.
- Regular revalidation/recertification of beneficiaries to capture the transitional poverty.
- Successful completion of Pilot Phase of NSER and going for national roll out.
- Shifting of all beneficiaries from traditional to scientific payment mechanism in the future.
- Target to send 2 million children to school by 2018.
- Consolidate its partnership with the provinces to integrate the federal social protection schemes with provincial programs to achieve equity for the poor and vulnerable.
- Facilitate government in using BISP Registry for targeted subsidy provision under other sectors and elimination of non-targeted subsidies.
- BISP is committed to achieve Sustainable Development Goals and to be the major contributor in Eradication of extreme poverty (SDG 1), Ensure inclusive and Equitable Quality Education and Promote Lifelong learning opportunity (SDG 4) and Achieve Gender Equality and Empower all

women and girls (SDG 5).

Target for 2017-18 & 2018-19

- Successful completion of NSER and implementation of new data.
- Implementation of biometric verification system (BVS) all over the country.
- Expansion of Waseela-e-Taleem in 50 districts and achieving the enrolment target of 1.6 million by June 2017.
- Integration of BISP beneficiaries in other complementary initiatives of federal and provincial governments.
- Successful implementation of World Bank funded \$100 million National Social Protection Project (NSPP) during 2017-2020.

II. Pakistan Poverty Alleviation Fund

(PPAF) Pakistan Poverty Alleviation Fund (PPAF) acts as an Apex Organization carrying out programmes through 134 Partner Organizations (POs) that are non-governmental in nature with an underlying focus on a community-led, demand-driven approach emphasizing on community ownership right from identification, preparation, implementation and management of these interventions in a sustained manner. The themes of social inclusion, gender and environment are the common threads running through all projects and programmes of infrastructure, health and education, livelihood and microfinance.

PPAF supports the government's social protection programme by providing a poverty graduation approach for the poorest household in over 1,600 Union councils in the country. It assists ultra or very poor household (as per poverty scorecard score O-23) to lift them out of poverty (attain a score of 35 or above) on a sustainable basis non-poor condition for over three years).

Since its inception in April 2000 to March 2017, PPAF has disbursed an amount of approximately Rs. 184.94 billion to its 134 Partner Organizations in 130 districts across the

country. During the same period, 8.4 million individuals availed the PPAF microcredit financing; 36,300 water and infrastructure projects completed; 2,000 health and education facilities supported; 440,000 credit groups and 132,500 community organizations formed, 111,000 individuals trained through managerial and skills/entrepreneurial training events, 108,000 ultra and vulnerable poor households received productive assets, 282,000 interest free loans disbursed through Prime Minister Interest Free Loan (PMIFL) scheme, 26,000 individuals including women and youth trained on enterprise development under Waseela-e-Haq National & Waseela-e-Haq Sindh programme

of BISP and facilitated in establishing their successful venture, and 30,800 persons with disabilities rehabilitated. Pakistan Microfinance Investment Company (PMIC) incorporated in September 2016 and started its operation as a separate legal entity in December 2016 by taking over PPAF's portfolio in the microfinance sector.

During July 2016 to March 2017, Pakistan Poverty Alleviation Fund (PPAF) has disbursed an amount of approximately Rs. 9.207 billion to its Partner Organizations (POs) under PPAF core interventions administered through various operational units as shown in the Table-15.2 below:

Table 15.2: Disbursement by Operating Units/Special Initiatives		
S.No	Components	(Rs.million)
1	Institutional Development and Social Mobilization	522
2	Microfinance Portfolio Management	5,415
3	Livelihood, Employment and Enterprise Development	213
4	Water and Infrastructure	413
5	Education, Health and Nutrition	375
6	Prime Minister's Interest Free Loan	2,269
Total		9,207

Source: Pakistan Poverty Alleviation Fund, Islamabad.

During the same period, a total of 646 Community Organizations (COs) were formed and 5,488 community and PO staff members were trained (32% women) under Institutional Development and Social Mobilization component. Similarly, under Livelihood, Employment and Enterprise Development (LEED) component, 6951 individuals received skills / entrepreneurial training (43% women) and 3,212 productive assets were transferred ultra and vulnerable poor (39% women). 246,142 new microcredit loans were extended to the borrowers including 60% women borrowers. 485 Water and Infrastructure sub-projects were initiated benefitting 352,853 persons (54% women). Under health and

education component, 754 educational and 97 health facilities were supported during the reporting period. 75,655 students (43% girls) were supported and 148,276 patients (52% women and girls) were treated under various ailments. 93,427 interest free loans (62% women) were disbursed through Prime Minister Interest Free Loans (PMIFL) scheme. 79 Persons with Disabilities (PWDs) were also rehabilitated.

Overall, these projects and interventions benefitted around 0.9 million poor and marginalized population including 54% women beneficiaries during the reporting period. A major highlight of physical progress is shown in Table-15.3 below:

Table 15.3: Major Achievements by Operating Units of PPAF		
S.No	Outreach	Numbers
1	Institutional Development and Social Mobilization <ul style="list-style-type: none"> Community organizations formed Community and PO staff trainees (32% women) 	646 5,488
2	Livelihood, Employment and Enterprise Development <ul style="list-style-type: none"> Individuals received skill / entrepreneurial training (43% women) Productive assets transferred to ultra and vulnerable poor (39% women) 	6,951 3,212
3	Microfinance Portfolio Management – Micro-loans (60% women)	246,142
4	Water and Infrastructure Sub-projects <ul style="list-style-type: none"> Sub-projects completed Sub-projects beneficiaries (53% women) 	485 352,853
5	Education <ul style="list-style-type: none"> Educational facilities supported Students supported through schools (43% girls) 	754 76,665
6	Health <ul style="list-style-type: none"> Health facilities supported Patients treated under program health facilities (52% women and girls) 	97 148,276
7	Disability Programme- Person with Disabilities (PWDs) rehabilitated	79
8	Prime Minister Interest Free Loans Scheme - Number of loans (62% women)	93,427
Overall program beneficiaries during the reporting period (54% women)		933,083
Source: Pakistan Poverty Alleviation Fund, Islamabad.		

III. Microfinance Initiatives Microfinance sector is considered an important player in promoting the financial inclusion agenda envisioned by the government. Microfinance industry is primarily engaged in empowering marginalized section of society through provision of credit and making them self-sufficient. The sector has been serving people near the poverty line by not only providing credit products but also through savings, insurance, and remittance services. As shown in Table 15.4, the sector continued to exhibit upward trend. The micro-credit outreach

witnessed 22 percent growth during 2016, while Gross Loan Portfolio registered a 47 percent growth during the same year. Micro-savings, on the other hand, posted considerable growth under active savers by 65 percent and value of savings by 88 percent, which is attributable to increase in m-wallet accounts and taping higher ticket size. Moreover, micro-insurance also remained positive wherein policy holders increased by 28 percent, whereas sum insured posted a hefty growth of 85 percent. This segment is primarily dominated by credit life and health insurance.

Table 15.4: Active Borrowers, Active Savers and Active Policy holders						
Details	Micro-Credit		Micro-Savings		Micro-Insurance	
	Active Borrowers	Value (Rs.million)	Active Savers	Value (Rs.million)	Policy Holders	Sum Insured (Rs.million)
2016*	4,572,245	136,943	23,091,250	121,383	5,855,668	150,544
2015*	3,757,003	92,991	13,956,969	64,679	4,585,070	81,358
Increase/decrease (Net)	815,242	43,952	9,134,281	56,704	1,270,598	69,186
Increase/Decrease (%)	22%	47%	65%	88%	28%	85%
*: Calendar Year						
Source: Pakistan Microfinance Network (PMN)						

The continued growth in the sector is primarily attributed to enabling environment, supportive policy and regulatory environment, healthy industry infrastructure that includes Microfinance Credit Information Bureau (MF-CIB), government backed credit schemes, client protection initiatives, and innovations in products and delivery channels brought in by the players.

The objective of the microfinance initiative is to

provide liquidity to the microfinance providers in response to tighter liquidity conditions. It is provided as a package through microfinance banks (MFBs), microfinance institutions (MFIs), Rural Support Programmes (RSPs), and others including Commercial Financial Institutions (CFIs) and Non-Government Organizations (NGOs). Table-15.5 presents the number of Micro-Credit beneficiaries with outstanding loan portfolio and disbursements by loan providers during July-December 2016-17.

Table 15.5: Micro credit beneficiaries, outstanding loans portfolio and loan disbursement				
MFP	Active Borrowers	Outstanding Loans Portfolio (Rs)	Number of Loans Disbursed	Disbursements (Rs) [July-Dec]
Total for Pakistan MF sector (July- December, 2016)	4,572,245	136,943,174,214	2,415,446	97,989,577,918
MFBs				
Apna Microfinance Bank	50,096	6,397,188,408	8,755	974,880,404
FINCA Microfinance Bank	133,601	10,209,127,902	79,465	7,605,238,685
First Microfinance Bank Limited	259,272	8,931,877,102	129,210	5,642,617,208
Khushhali Bank	556,787	23,133,098,945	320,638	15,278,155,642
Mobilink Microfinance Bank	90,929	5,934,159,126	55,384	3,715,120,929
NRSP Bank	325,520	13,271,039,904	246,046	10,970,673,787
Pak Oman Microfinance Bank	19,727	471,813,758	8,148	338,405,000
Sindh Microfinance Bank	3,837	69,353,348	2,728	56,167,000
Tameer Bank	385,417	15,945,318,811	227,267	11,365,410,955
U Microfinance Bank	118,160	5,576,802,091	72,488	3,989,422,618
Total for MFBS	3,231,022	114,913,868,072	1,150,129	59,936,092,228
MFIs				
AKHUWAT	664,563	9,530,502,033	268,374	6,415,133,000
ASA – Pakistan	322,016	5,654,839,210	180,072	5,314,544,000
Community Support Concern	21,610	464,914,102	9,887	401,315,000
DAMEN	48,367	1,362,196,107	22,294	1,115,300,000
Farmer Friend Organization	20,916	411,060,581	10,864	370,155,000
Kashf Foundation	237,573	5,934,549,093	140,881	5,678,509,000
MOJAZ Foundation	16,810	367,682,821	5,712	342,366,000
Micro Options	4,476	80,870,002	1,958	50,523,000
Naymet Trust	2,877	16,050,278	177	2,685,000
Orangi Charitable Trust	45,709	599,544,520	14,287	338,815,500
SAFCO Support Fund	62,095	855,761,504	28,820	699,425,000
Soon Valley Development Program	7,228	164,577,731	4,079	129,450,000
Total for MFIs	1,454,240	25,442,547,982	687,405	20,858,220,500
RSPs				
National Rural Support Programme	664,932	12,341,175,553	335,812	10,204,687,636
Punjab Rural Support Programme	65,020	1,171,114,213	34,943	850,540,000
Sindh Rural Support Organization	67,566	1,223,461,428	26,721	662,477,000
Thardeep Rural Support Programme	124,040	1,784,199,477	70,356	1,420,286,000
Total for RSPs	921,558	16,519,950,671	467,832	13,137,990,636
Others				
Al-Mehran Rural Development Organization	11,188	124,515,078	2,414	66,907,000

Table 15.5: Micro credit beneficiaries, outstanding loans portfolio and loan disbursement

MFP	Active Borrowers	Outstanding Loans Portfolio (Rs)	Number of Loans Disbursed	Disbursements (Rs) [July-Dec]
AGAHE	14,269	201,154,353	7,786	186,825,000
Baadban Enterprises Development	1,868	26,143,781	801	21,660,000
BRAC	56,327	1,505,789,066	29,643	1,339,134,000
Islamic Relief Pakistan	4,501	87,793,253	2,252	67,477,480
Jinnah Welfare Society	45,852	821,912,801	19,317	741,355,000
Orix Leasing	21,966	396,609,037	4,391	157,083,000
Organization for Participatory Development	5,492	81,138,896	2,334	63,902,000
Rural Community Development Program	76,855	1,578,198,645	36,906	1,318,160,000
Shadab Rural Development Organization	3,029	87,332,878	320	9,970,000
Shah Sachal Sami Foundation	7,800	102,206,759	3,702	71,464,074
Support With Working Solutions	2,082	8,690,608	99	4,180,000
Villagers Development Organization	1,872	19,411,011	115	9,157,000
Total for Others	253,101	5,040,896,166	110,080	4,057,274,554

Source: Pakistan Microfinance Network (PMN)

III. Zakat Zakat plays an important role in poverty alleviation. Zakat funds are utilized for assistance to the needy, indigent, poor, orphans, widows, handicapped and disabled. These poor segments of society are provided Zakat funds either directly through respective local Zakat Committee or indirectly through institutions i.e. educational, vocational, social institutions and hospitals, etc.

Under the 18th Constitutional Amendment, the subject of Zakat has been devolved to the provinces/federal Areas. However, in view of Council of Common Interest (CCI) decision 8th November, 2012 and subsequent change in Rules of Business, the federal government (Ministry of Religious Affairs and Inter-Faith Harmony) has been assigned the job of collection and disbursement of Zakat at federal level till next NFC under the CCI approved formula. A total amount of Rs. 7570.910 million is distributed in bulk amongst the provinces and other administrative areas for FY2017. The Zakat funds disbursed to the provinces and federal areas during FY2017 is given in Table 15.6.

Table : 15.6 Disbursement of Zakat

S.No	Provinces /Other Areas	(Rs. Million)
1	Punjab	4038.687
2	Sindh	1669.408
3	Khyber Pakhtunkhwa	973.059
4	Balochistan	359.792
5	ICT	186.230
6	Gilgit-Baltistan	98.414
7	FATA	245.320
Total		7570.910

Source: Ministry of Religious Affairs and Inter-Faith Harmony

IV. Pakistan Bait-ul-Mal (PBM) Pakistan Bait-ul-Mal (PBM) is making a significant contribution towards poverty reduction through its various poorest of the poor focused services such as providing assistance to destitute, widows, orphans, invalid, infirm and other needy persons, as per eligibility criteria approved by Bait-ul-Mal Board. During July 2016 to March 2017, Pakistan Bait-ul-Mal (PBM) has disbursed an amount of Rs. 2183 million through its core projects/schemes. The following are the ongoing core projects/schemes:

Major Projects/Achievements of PBM

Individual Financial Assistance (IFA) Through Individual Financial Assistance (IFA), the poor, widows, destitute women and orphans were supported for medical treatment, education, rehabilitation and general assistance. An amount of Rs. 1,264 million has been disbursed during the period July to March, 2017.

Special Friends of PBM PBM is providing wheel chairs to every disabled in the country. A family who has two or more special children is called as Special Family and have the right to benefited through this new scheme. Rs.25,000/- is being given to each family annually having two or more disable members and Rs.10,000/- annually for one disable member of a family. An amount of Rs.69 million has been disbursed during July to March, 2017 under PBM special friends programme.

- a) **Child Support Programme** PBM has distributes as conditional cash subsidy to eligible beneficiaries who send their children to school for primary education aged between 5-16 years. Additional cash incentive is also paid to the eligible beneficiaries @ Rs.3600/- per annum to the families with one child and Rs.7200/- per annum to the families with two or more than two children. Presently, the program is fully active in 13 districts. A new intervention of disbursing (CSP payment subsidy through biometric verification has also been introduced). During July-March, 2017 an amount of Rs.29 million has been disbursed.
- b) **Institutional Rehabilitation for NGOs** Pakistan Bait-ul-Mal provides grant-in-aid to registered Non-Government Organization (NGOs) having excellent track record aimed at institutional rehabilitation of the poor and deserving persons of the society especially for persons required cataract surgeries. During July to March, 2017 an amount of Rs.30 million has been disbursed.
- c) **National Centre(s) for Rehabilitation of Child Labour (NCsRCL)** PBM has established National Centres for Rehabilitation of Child Labour (countrywide) since 1995 for primary education. Children (Male & Female) between the ages 5-6 years are weaned away from hazardous labour and enrolled in these centers. The current strength of NCsRCL is 159. Under this project an amount of Rs.318 million has been spent during July to March, 2017.
- d) **Vocational Training Centres (VTCs):** Vocational Training Centres have been established throughout the country since 1995. These centres are providing free training to widows, orphans & poor girls in different skills. The current strength of the centers are 157, such as Computer Skills, Office Equipment i.e. Fax, Photocopies, Printers, Interior Decoration, Fishing Tie & Dye ad Glass Painting etc, local skills have also been included so that trainees could get more skills. Under this project, an amount of Rs.182 million has been spent during July to March, 2017.
- e) **Pakistan Sweet Homes (Orphanage)** 35 Pakistan Sweet Homes (Orphanage) are established for the orphan children where they are being provided free food, nutrition, medical treatment, lodging & boarding, as well as free education through well reputed educational institutions. During July-March, 2017 an amount of Rs. 272 million has been utilized.
- f) **PBM Great Homes (Old Homes)** To provide care, love, hopes, family like atmosphere and security to un-secured senior citizens, PBM has established 02 Great Homes one in Lahore and one in Karachi for old age citizens. After successful implementation of the pilot phase, this scheme will be replicated for females as well. Great Homes provide basic necessities of life in a dignified manner and in a family like environment i.e. boarding, lodging, food, clothing, medical, recreation etc. During July-March, 2017 an amount of Rs.19 million has been disbursed.

NEW INITIATIVES

- i. **PBM Thalassemia Center** Thalassemia is a blood disorder passed down through families (inherited) in which the body makes an abnormal form of hemoglobin. During last three years, PBM has provided financial assistance of 1500 Thalassemia patients. Keeping in view the importance of Thalassemia centre and to cater the Thalassemia patients in Pakistan especially AJK, Northern Areas and Gilgit-Baltistan, PBM has established State of the Art Thalassemia Centres in Islamabad and Chakwal where PBM is providing free of cost blood transfusion services and medicines to the needy and deserving patients.
- ii. **Prime Minister's National Health Insurance Programme** Prime Minister's National Health Insurance Program will provide inpatient hospitalization insurance coverage to 3.10 million enrolled beneficiaries. The coverage limits are Rs. 50,000 for secondary care services and Rs. 250,000 for tertiary care for specified diseases as per the program parameters. PBM will provide the coverage to patients

who will completely utilize its basic coverage limit.

V. Employees Old Age Benefits Institution (EOBI) Employees Old Age Benefits Institution (EOBI) provides monetary benefits to old age workers through various programmes such as Old Age Pension, Invalidity Pension, Survivors pension and Old Age Grants.

Pensions are paid on monthly basis. The minimum pension is Rs. 5,250/- per month which may raise upto Rs. 10,920/- depending upon the period of insurance and wages of the insured person@ Rs. 13,000/-. Old-age grant is paid in lump sum equal to one month's average wages of the insured person for every completed year of insurable employment. During 1st July, 2016 to 31st March, 2017, an amount of Rs. 17,921.7 million has been disbursed to 405,460 beneficiaries. Furthermore, it is planned that 24,050 more beneficiaries will take benefits from the EOBI up to June 2017; an additional amount of Rs. 6,728.3 million is allocated for Old-Age Pension, Survivors Pension, Invalidity Pension and Old-Age Grants. The details of disbursed benefits during FY 2017 is shown in Table-15.7 below.

Table-15.7: Benefits disbursed during the period from July 2016–March 2017

Benefits	July-March, 2016-17	
	Number of beneficiaries	(Rs. millions)
Old-age pension	248,740	11,278.511
Survivors' pension	148,829	6,326.908
Invalidity pension	5,660	245.444
Old-Age grant	2,231	70.836
Total	405,460	17,921.699

Source: Employees' Old Age Benefits Institution (EOBI), Karachi

VI. Workers Welfare Fund (WWF) Workers Welfare Fund has been established under Workers Welfare Fund Ordinance, 1971 for providing low cost housing and other welfare facilities to the workers of industrial labour.

Functions performed by Workers Welfare Fund

- To finance the projects connected with the establishment of housing estates for workers which include the following;

- Construction of houses, flats and development of residential colonies for workers
 - Provision of health facilities to workers and their families
 - Establishment of schools for the workers children
- Establishment of new high secondary schools in all major industrial cities where either such facilities do not exist or these

facilities are not sufficient to meet the rising demand of local workers

- To provide Death Grant @ Rs.500,000/- to the widow/legal heir of the deceased workers as a compensation.
- To provide Marriage Grant @ Rs.100,000/- for the marriage of daughters of workers.

During July-March, FY2017 expenditures amounting to Rs.338.801 million have been incurred on scholarships. Another Rs. 9.470 million has been disbursed as Marriage Grant (@100,000/- which benefitted 95 workers' families. WWF has also disbursed Rs.12.80 million as Death Grant (@500,000/-) to 26 cases of mishaps of workers all over the country.

Conclusion

Social safety net programmes including Benazir Income Support Program (BISP), Pakistan Bait-

ul-Mal (PBM), Zakat, Employees Old Age Benefit Institution (EOBI), Workers Welfare Fund (WWF) and Pakistan Micro finance network are contributing considerably to protect poor and vulnerable segment of the society.

The government is committed to effectively implement social protection and poverty alleviation programmes by allocating substantial amount under different schemes and ensuring transferring of all the available resources to the marginalized segment of the society. Furthermore, provincial social protection programmes and pro-poor spending are also making significant contribution in poverty reduction and in uplifting the socio-economic condition of common man in the country. Investing in people, updating their living standards, alleviating poverty and protecting vulnerable, the poor, the elderly and the weak remain key priority areas.

China-Pak Economic Corridor (CPEC)

Pakistan and China enjoy friendly relations which continue to strengthen with time. China – Pakistan’s ties are reaching new heights as the two sides work together to implement the China Pakistan Economic Corridor (CPEC).

Regional Connectivity

CPEC is part of China’s One Belt One Road (OBOR) initiative which aims to bring the region together through enhanced connectivity. With initiation in 2013, CPEC has expanded to encompass cooperation in a large number of sectors under its short to long term plans.

Pakistan’s geostrategic location would pay real dividends allowing regional countries access to warm waters through shortest land routes. The benefits, therefore, would not just be limited to the two partnering countries but to the region as a whole. The Project would serve to bring the peoples together, promote new economic relationships and usher in an era of peace and prosperity to this part of the world.

Projects under CPEC

Projects under the CPEC portfolio are broadly categorized into ‘Early Harvest’ projects with completion by 2018, Short and Medium Term projects, which are aimed for completion by 2020 and 2025 respectively. The two sides also aim to take the initiative forward under the CPEC Long Term Plan. The sectors of cooperation include but are not limited to the energy sector, infrastructure development in the area of rail and road network, development of Gwadar as a modern port city, establishment of

industrial parks and improving IT connectivity through optical fiber.

A brief description of the cooperation under CPEC is given below:

Cooperation in the Energy Sector

Pakistan expects to overcome its energy shortage by 2018. The Government, fully conscious of its responsibility, has its prime focus on alleviating these shortages. As a policy decision, the Government has been providing uninterrupted energy supply to the industrial sector in order to maintain economic momentum of the country.

Under CPEC, the two sides have agreed to a financial outlay of US\$ 34.74 billion for the energy sector projects. A total of 17,045 MW will be added to the system with 10,000 MW expected in 2018. This will give great impetus to the economic and business activity in the country with resultant gains in exports, improved competitiveness and job creation. With the shift of energy mix from oil to coal, significant relief is also expected to be passed on to domestic as well as commercial consumers.

The following 12 projects with a total cost of US\$ 15,377 million are under implementation through IPP mode:

- 2×660 MW Port Qasim Coal Power Project
- 2×330 MW Engro Powergen Thar Project
- 1,124 MW Kohala Hydropower Plant Project

- 720 MW Karot Hydropower Project
- 870 MW Suki Kinari Hydropower Project
- 1,320 MW Sahiwal Coal Power Project
- 1,320 MW HUBCO Coal Power Project
- 1,320 MW Thar Coal Block-I (Shinghai) Project
- 300 MW Quaid-i-Azam Solar Project
- 50 MW Sachal Wind Power Project
- 50 MW Hydro-China Dawood Wind Power Project
- 99 MW UEP Wind Power Jhimpir Project

Cooperation in Infrastructure Development

Infrastructure plays a key role in connecting regions, supporting industrialization, easier and faster access to markets and improved competitiveness. CPEC gives due importance to the development of a vast network of rail and roads in Pakistan besides other areas as briefly mentioned below.

Road Infrastructure

The existing road infrastructure of the country is being enhanced under CPEC through upgradation of existing roads and construction of new ones. There is fast track implementation on all sections of the eastern as well as western routes, with major work ongoing on the following:

- Khuzdar-Basima Road N-30, 110 km
- DI Khan-Zhob Road N-50 Phase-I, 210 km
- KKH Phase-II Thakot-Raikot Section, 136 km
- Havelian-Thakot Section of KKH, 120 km
- Section of KKH Phase-II, 118 km
- Sukkur Multan Section, 392 km

Upgradation of Railway and Mass Transit Projects

Complementing the fast paced improvements in the road network, Pakistan and China have agreed to upgrade the Main Line-1. The

estimated cost is around US\$8,200 million and includes development of a dry port at Havelian to harbor cargo in an efficient and timely manner. In order to provide state of the art transport facilities, the two sides have also agreed to work together on mass transit projects in the four provincial capitals namely Karachi, Lahore, Peshawar and Quetta.

Provincial Infrastructure Projects under CPEC

The fruits of CPEC are spread equitably across Pakistan. All provinces have identified their priority projects and the two sides have initiated collaboration on a number of projects, to name a few, development of Ketu Bunder Sea Port, Naukundi-Mashkel-Panjgur Road, Quetta Water Supply Scheme, Chitral CPEC Link Road, Mirpur-Mansehra Road and iron ore mining project in Chiniot. These Projects are being managed by respective authorities/agencies and are at different stages of planning and implementation.

Gwadar Development

An important component of CPEC is the development of Gwadar as a modern port city. Located at the south western coast of Balochistan, Gwadar is ideally located to give access to sea routes of the Arabian Sea. Pakistan and China have agreed to develop the city on a fast track basis to complement the progress being made on rail and road infrastructure.

The city is being upgraded with development of Gwadar Sea Port, East Bay Expressway, New Gwadar International Airport, technical institutes and universities, water supply schemes, hospitals, free zones and industrial parks, world class product display center as well as a coal fired power plant. In times to come, Gwadar will serve as an important port city for the entire region.

Industrial Cooperation

In addition to improved connectivity and energy surplus, the development of Special Economic Zones (SEZs) across Pakistan is envisaged under CPEC. In the 6th Joint

Cooperation Committee (JCC) meeting held in December 2016, the two sides agreed to set up the following nine SEZs which will serve as centers of industrial activity:

- Rashakai Economic Zone, Khyber Pakhtunkhwa
- Dhabeji Economic Zone, Sindh
- Bostan Industrial Zone, Balochistan
- Punjab-China Economic Zone, Sheikhupura, Punjab
- ICT Model Industrial Zone, Islamabad
- Industrial Park at Pakistan Steel Mills, Sindh
- Bhimber Industrial Zone, AJ&K
- Mohmand Marble City, FATA
- Moqpondas Special Economic Zone, Gilgit Baltistan

CPEC Long Term Plan

To sustain the partnership for progress and take it to the next level, the two sides have drawn out a Long Term Plan to cooperate in the areas of agriculture, industry, trade, communication, water resource management, coastal tourism and development of financial linkages. Closer cooperation between Pakistan and China in the long run would ensure that benefits accrued under CPEC are carried forward to the coming generations.

Fiber Optic Connectivity

The two sides are aware that a parallel improvement in IT connectivity is essential to

the success of CPEC. Under CPEC, 820 km long line is planned to be developed. The cross border optical fiber cable project was established in October 2015 to connect it from Khunjerab onwards to Rawalpindi. The project, currently under implementation with work on 220 km completed, is expected to finish by 2017. The estimated cost of the project is US\$ 44 million. Other IT projects are also underway to achieve a higher standard of connectivity.

Impact of CPEC on Pakistan's Economy

CPEC is a long term partnership vision of the leadership of the two sides envisaging comprehensive socioeconomic development, peace and prosperity for the region. Research studies suggest that the initiative will substantively boost growth and job creation. It is also expected that CPEC will accelerate urbanization and attract local as well as foreign direct investment in the country through increased competitiveness. The relocation of Chinese industries will bring possible knowledge spillover and technological progress. It is expected to address the issue of poverty and bring hope and better living standards to people across the region.

In the short term, the trade deficit is expected to rise as a result of import of machinery and equipment. In the long run, however, it is expected that the current account balance would improve through import substitution and export expansion. The balance of payments position would also improve in the long run as projects under CPEC reach completion.

Climate Change

According to Global Climate Risk Index (2017) Pakistan ranks at 7th position among the most adversely affected countries by Climate Change. Despite having high vulnerability of future climatic changes, Pakistan is still among very low GHG emission emitter countries. However, being a responsible state and part of international community Pakistan is planning to take serious steps for playing an effective role in lowering global GHG emissions.

Realizing the high vulnerability to Climate Change, the government has developed national policy to combat Climate Change and an action plan is being developed to effectively implement Climate Change concerns through sustainable planning. To materialize the efforts regarding protection of Climate Change the government has recently passed “Pakistan Climate Change Act 2017”. The legislation has in turn created Climate Change Fund, Climate Change Council and Climate Change Authority to implement the Climate Change Act.

Projects/Programmes Undertaken During 2016-17

Keeping in view the challenges and distortions caused by global climate change, the worldwide efforts are underway to mitigate the devastating effects. Pakistan, like many other countries, is fully cognizant of this issue and has already undertaken various programs and projects.

Sustainable Land Management Program with UNDP assistance is being implemented at a cost of Rs.105.400 million. For integrated management of land and water resources; measures to rehabilitate degraded rangeland;

measures to improve dry and forest and control shifting sand dunes over an area of 80,000 hectares in 200 villages and creating climate resilience. These interventions are aimed at restoring ecosystem services including carbon sequestration, and will help to support improved and new livelihood opportunities. In this context local community participation in the planning, implementation and monitoring of all such activities would play a crucial role.

Development of reverse linkages between Pakistan Metrological Department (PMD) and Marmara Research Center Turkey is under way which will provide the PMD with enhanced support and capacity building in seismic research and development.

The Prime Minister of Pakistan has approved launching of Green Pakistan Programme – Revival of Forestry Resources aimed to increase the forest cover of the country. Total cost of the programme is Rs.3652.100 million and an amount of Rs.554.000 million has been released during 2016-17.

Future projects and programs for 2017-18

Some of the programmes which will be implemented in future are as follows:

1. Development of reverse linkages with MARMARA Research Center Turkey.
2. Strengthening Capacity for Effective implementation of the Pakistan Trade Control Wild Fauna and Flora Act.
3. Establishment of Climate Change Reporting Unit

4. National Disaster Spatial Data Infrastructure
5. Implementation of Human Resource Development Plan (under consideration)
6. Prime Minister has approved the launching of Green Pakistan Programme aimed to increase the forest cover of the country.
7. Green Pakistan Programme – Revival of Wildlife Resources in Pakistan (Principally approved by CDWP).
8. Strengthening “Zoological Survey of Pakistan” for undertaking immediate inventory of endangered wildlife species and habitats across Pakistan for producing regular status reports on periodic basis
9. Climate Resilient Urban Human Settlements Units.
10. Establishment of Climate Change Reporting Unit
11. Establishment of Pakistan WASH Strategic Planning and Coordination Cell.

Environmental Quality Control Measures

1. Level of suspended particulate matter PM 1.0 and PM 2.5 shall be brought within limits of Ambient Air Quality Standards. Provincial Governments will develop and implement Clean Air Program for their major cities.
2. All industrial facilities shall be well-designed, well installed, efficiently operated and maintained air cleaning devices.
3. Haze and smog formation will be curtailed by tapping sources of ammonia, nitrogen oxides and sulphur oxides emission.
4. Air quality of all major cities shall continuously be monitored and disseminated to general public.
5. The fresh water sources will be categorized and protected against pollution.
6. All major cities will install sewage treatment plants. The treated water will be used for agriculture and horticulture purposes.
7. Cleaner Production techniques will be adopted by industry to minimize pollution generation. Federal and Provincial

Governments will ensure that at least 70 percent industrial wastewater be treated by 2025 before discharge into water bodies.

8. Wastewater Discharge limits shall be imposed on industry to conserve water and reduce pollution load.
9. Provincial Cleaner Production Centers will be established to promote water minimization, recycling and waste exchange.
10. Investment windows and incentive schemes shall be announced to encourage installation of treatment plants.

Impact of environmental degradation

Pakistan’s vulnerability from climate change is due to geographic, demographic and diverse climatic conditions. Particularly the environment changes threats to water, energy and food security due to the inherent arid climate coupled with the high degree of reliance on water from glacier snowmelt. Its impacts are being felt through increasing intensity and frequency of extreme climatic disastrous events, as well as small, but incremental changes insidiously affecting many sectors of government activity. Pakistan’s response to the challenges of global warming and climate change has been closely aligned with its strategies for environmental protection, sustainable development goals (SDGs) and objectives of the Convention on Climate Change.

Adoption of the National Climate Change Policy 2012 provided a comprehensive framework for policy goals and actions towards mainstreaming climate change, especially in economically and socially vulnerable sectors of the country. A follow-up to these policies was the launch of framework for Implementation of the Climate Change Policy (2014-2030), which outlines the vulnerabilities of various sectors to climate change and identifies appropriate adaptation and mitigation measures. The Framework document was developed to serve as a catalyst for mainstreaming climate change concerns into decision making at national and sub-national levels and to create an enabling environment or an integrated climate compatible development process. The

document promotes preparation of the National Adaptation Plan (NAP), Nationally Appropriate Mitigation Actions (NAMAs) to the United Nations Framework Convention on Climate Change (UNFCCC) as well as detailed sub-national adaptation action plans. In order to achieve the objectives of these policy initiatives, the country has considerably improved and strengthened its climate governance structure over time. Climate change and environmental protection have been extensively recognized at national level and specific budgetary allocations have been made at national and sub-national levels for execution of the Framework for Implementation of the Climate Change Policy.

Pakistan's adaption to climate change

Pakistan being highly vulnerable to extreme climate events is into a state of forced adaption. There is a huge potential for adaption in Pakistan, particularly in strengthening and fortifying the flood infrastructure including water reservoirs and water channels. This would involve enhancing reliance of local communities to the adverse impacts of climate change. According to Pakistan's Intended Nationally Determined Contribution report, the adaption need is between US \$ 7 to US \$ 14 billion/ annum.

Climate Public Expenditure and Institutional Review (CPEIR)

CPEIR is a systematic qualitative and quantitative analysis of a country's public expenditures on climate change. It is an innovative tool which reviews the country's climate change plans and policies, institutional framework and public finance architecture to make recommendations to strengthen them. The UNDP has conducted CPEIR in partnership with the government. It is the first effort of its kind in Pakistan to determine the levels of expenditure being made by the government on climate change. The results reveal that the investments made by the government are quite significant, though not sufficient to meet the expanding challenges of climate change. The federal climate-related expenditure is estimated to be 8.5 percent of total national expenditures.

Box-1: Climate Change Act 2017

The parliament passed climate change bills that will take fast-track measures needed to implement actions on the ground in a country that has so far lagged on climate action. Pakistan is among the few countries in the world to adopt legislation on climate change. The new law establishes a policy-making Climate Change Council, along with a Climate Change Authority to prepare and supervise the implementation of projects to help Pakistan adapt to climate impacts. The new bill will help the provinces with adaptation and mitigation strategies and projects.

Adaptation and Mitigation Measures.

Globally environmental related issues are going to play a major role in the social and economic development of countries, especially the underdeveloped ones. Ministry of Climate Change has taken many initiatives in the area of climate change adaption and mitigating in accordance with National policy which are as under:

United Nations Conference of Parties on Climate Change (COP-21)

The 21st Session of the Conference of the Parties (COP-21) to the UN Framework Convention on Climate Change (UNFCCC) was held on 30th November 2015 in Paris where world leaders including Pakistan signed an agreement aimed at stabilizing the climate and avoiding the worst impacts of climate change. The agreement consists of four main areas:

- i. Adoption & Mitigation
- ii. Intended Nationally Determined Contributions (INDCs)
- iii. Technology Development and Transfer
- iv. Capacity Building

The focus was to monitor progress on mitigation pledges in terms of global annual emissions of green house gases by 2020. In continuation to this event, COP-22 was held with the objective to move forward on the implementation of the Paris Agreement.

United Nations Conference of Parties on Climate Change (COP-22)

Conference of Parties (COP22) was a United Nation's (UN) Conference on Climate Change in Marrakech, Morocco held in November, 2016 to put environmental changes into perspective and find solutions. Pakistan delegation for Climate Change also attended the 22nd Session of Conference of Parties (COP-22). The recent actions taken by the government, including the National Climate Change Policy, along with a framework for its implementation, and a National Disaster Risk Reduction Policy has been highlighted. Pakistan has also developed a National Sustainable Development Strategy, and National Assembly has passed a resolution adopting the SDGs agenda as its own national development agenda.

Intended Nationally Determined Contributions (INDCs)

Ministry of Climate Change has developed Pakistan's Intended Nationally Determined Contributions (INDCs) with mitigation and adaption challenges that it faces and proposes actions that can assist in addressing these challenges through both domestic and international support.

HABITAT-III Conference.

Ministry of Climate Change has developed national report for HABITAT-III Conference. The report reviews the implementation of Habitat-II agenda and other relevant internationally agreed goals and targets as well as new challenges, emerging trends and a prospective vision for sustainable human settlements and urban development.

Climate Change Vulnerability Assessment of Islamabad

UN Habitat, Capital Development Authority and ICT Administration jointly working with Ministry of Climate Change have undertaken a study "Climate Change Vulnerability Assessment of Islamabad" which was launched in 2015. The main findings of the assessment reveal startling facts regarding erratic behavior and marked changes in the intensity, frequency

and variability of temperature, precipitation, floods, draughts, cyclones etc. The study proposes a well thought out planning interventions to make Islamabad a climate resilient city. The study also makes recommendations of utilizing the present institutional arrangements for a well-coordinated effective implementation of suggested plans in Islamabad.

Technology Needs Assessment (TNA)

Ministry of Climate Change is carrying out Technology Needs Assessment (TNA) with the help of Climate Technology Centre and Network (CTCN). The objective of the activity is to enable Pakistan to conduct TNA process and produce implementable Technology Action Plans (TAP) in line with current best practices.

Sustainable Consumption and Production (SCP)

Ministry of Climate Change in collaboration with United Nations Environment Program (UNEP) has initiated a program in Pakistan on Sustainable Consumption and Production (SCP) titled "Strengthening Pakistan's National Policy Frameworks to Facilitate Resource Efficiency and Sustainable Consumption and Production." The aim of the program is to provide support in creating and strengthening enabling environments for resource efficiency and SCP National Action Plan covering the Sustainable Development Goals (SDGs) and its linkages with Climate Change.

The government has started work on the Preparation of Second National Communication (SNC) report on Green House Gases (GHG) emissions. This will be a three year study leading to stocktaking of all GHG emissions in country with options of mitigation and adaptation actions.

State of Pakistan Cities

UN-Habitat with the help of Ministry of Climate Change is preparing a State of Pakistan Cities Report. The report will present a well informed and action oriented analysis on the state of urbanization in Pakistan. It will include quantitative and qualitative city-based data and conduct specific analyses of key national,

provincial and municipal urban development challenges on cities and towns in all provinces of Pakistan. The report would be important tool in formulating an urban agenda and policies and for shaping the national development agenda for the coming years.

Activities of Pakistan Environmental Protection Agency (PAK-EPA)

Pakistan Environmental Protection Agency (Pak-EPA) is mandated to enforce the Pakistan Environmental Protection Act 1997 in the Islamabad Capital Territory. The following major activities are being undertaken by Pak-EPA:

Geomatic Center for Climate Change and Sustainable Development Project

Environmentally sustainable development is the foremost concern identified at global level. The government has undertaken several projects and programs to support the environmental goals. Many projects have been completed which includes capacity building, provision of clean drinking water, environmental management, biodiversity, air pollution control and waste management etc. Furthermore, to full fill the growing needs of advance technologies in research and sustainable development in the field of environment, Ministry of Climate Change has launched a project of Establishment of Geomatic Center for Climate Change and Sustainable Development.

Modern technologies, such as Geographic Information System (GIS) and Remote Sensing (RS) allows for rapid documentation of the state of environment in all its manifestations, and is easily available for determining trends on spatial and temporal scales and for taking proper policy measures at all levels. Specific objectives of the centre are as under:

1. Promotion of application of Global Information System (GIS), Spatial Reference System (SRS) and Global Positioning System (GPA) technologies for assessment of existing situation of forest, desertification, soil, climate, environmental pollution, marine life, coastal areas, snow and glacier, - disasters, hazards,

biodiversity, water resources, ecological zones.

2. Better facilitation for environmental planning in the country, particularly for rational and scientific decision-making through assessment of environmental impact of different human activities, making them compatible with the objectives of sustainable development.
3. Provision of a platform equipped with latest information/data, digital and spatial library to national, provincial and local government institutions for framing disaster management frameworks and early warning mechanisms.

NATIONAL BIOSAFETY CENTRE (CARTAGENA PROTOCOL)

Pakistan ratified Cartagena Protocol on March 02, 2009 under which it is obligatory to devise implementation mechanism for regulating Genetically Modified Organisms (GMOs) and their products. The protocol has been implemented by preparing and notifying Bio safety Rules by PEPA. These rules provide legal cover for regulating GMOs. National Bio safety Guidelines were notified in October 2005 for the facilitation of applicants to follow procedures for the implementation of the Bio safety Rules in the country.

The two committees i.e. Technical Advisory Committee (TAC) and National Bio safety Committee (NBC) function for granting licenses under compliance of Cartagena Protocol on bio safety.

Sustainable Land Management (SLM) Program to Combat Desertification

This project will be implemented in 14 dry land districts in four provinces to restore degraded ecosystems, reduce poverty and increase resilience to climate change. The main objectives of the program are to up-scale climate resilient SLM activities across a larger landscape to combat land degradation and desertification and to produce enabling environment at national provincial and local levels to support up scaling of SLM practice

Box-2: Green Pakistan Program

Pakistan is one of the low forest cover countries with only 5 percent of land area under forest and tree cover whereas international requirement is 25 percent. To increase the forest coverage the government has launched, the Green Pakistan Program with the main objective to facilitate transition towards environmentally resilient Pakistan by main streaming notions of adaptation and enabling policy environment. The objectives of the program will be achieved by implementing different initiatives and projects. It has two major projects.

Green Pakistan Program-Revival of Forestry Resources in Pakistan

The estimated cost of this project is Rs. 3.652 billion and will be implemented over a period of five years (2017-2021) to achieve the following objectives

- a. One hundred million new indigenous plants including 20 percent fruits plants will make the country green and serene as under:
 - One thousand avenue miles of canal/road side plantation in Punjab, Khyber Pakhtunkhwa and Sindh
 - Olive and Kikar Phulai forests in Kala Chitta, Pabbi Rasul and Fort Monroe scrub forest of Punjab
 - Dry temperature forest in FATA
 - Guzara forest in Murree/Kotli Sattian and Hazara and protected forests of Malakand region in KPK.
 - Mangrove forests in Karachi and Badin along with scrub hill forests of Khirthar range in Sindh
 - Juniper forests of Ziarat and Chilghoza forest in Suleiman range of Balochistan
 - Watershed and soil conservation plantation and operations in Gilgit-Baltistan and AJK moist tropical forest areas.
 - Historic Irrigated Plantation of Changa Manga, Daphar, Bahawalpur and Chichawatni.

- b. Strengthening policy measures for conservation of biodiversity

- Approval and implementation of National Biodiversity Strategy and Action Plan
- Establish strategic support units at national and provincial level to ensure smooth implementation of ongoing green initiatives and plan future activities on sustainable basis

- c. Supporting communication measures and demand mobilization for an environmentally resilient Pakistan

- Projection of best practices of Green Pakistan Program through media and international forums.
- Capacity building of provincial forestry and wildlife departments to support afforestation, awareness campaigns and human resource development for sound natural management and biodiversity promotion.

Green Pakistan Program - Revival of Wildlife Resources in Pakistan

The estimated cost of this project is Rs.1.065 billion and will be implemented in five years (2017-2021). The main objective of this program is to revive and functionally recognize wildlife departments at provincial/AJK and GB level through development of time bound plans including capacity building and incentive driven performance regime.

Conclusion

Climate Change is a serious global threat and continued mitigating efforts are underway both at national and international level. Pakistan is one of the affectees of climate change problem and has been ranked 7th position among the most adversely affected countries. Climate Change has posed three big challenges relating to the water, food and energy security of the country. Other adverse effects of Climate Change include extreme temperatures, seasonal droughts, heavy rains, monsoonal storms/cyclones, devastating floods, unusual fogs, melting of glaciers, landslides and avalanches

in the mountain areas and threatening inflows into Indus River System (IRS).

The government is cognizant of these issue and taking strategic adaptation measures at policy and operational levels to minimize the global warming effects and to ensure food, energy and water security. Further efforts to overcome the

challenges of Climate Change are made through enacting legislation, setting standards, developing and implementing policies for a secure and lively environment. The existing and proposed measures being taken by the government would help the country to address the Climate Change issues effectively.

National Financial Inclusion Strategy (NFIS)

Background

Financial Inclusion plays a pivotal role in promoting inclusive economic growth through enhancing livelihoods and enterprise activities. SBP being the apex policy & regulatory body has been striving to promote access to formal financial services for achieving inclusiveness which is a prerequisite for wider distribution 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 covers agile & innovative regulations, development of market information & infrastructure and capacity building of providers & clients.

Current State of Financial Inclusion in Pakistan

Table-1: Access Strand in Pakistan

Percentage of Adult population	A2FS 2015	A2FS 2008
A. Bank Accounts	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 recent Access to Finance Survey (A2FS) 2015 conducted by M/s Morus Development Finance International Consulting Company together with local partner Gallup Pakistan which indicates that access to formal financial services has increased from 12% in 2008 to 23% in 2015 and adult population with a bank

account has increased from 11% in 2008 to 16% in 2015. Particularly, women's access to financial services has expanded considerably, as 11% now have access to a bank account, compared with merely 4% in 2008.

Adoption of NFIS 2020

In order to address the challenges behind the low level of financial inclusion, Pakistan has developed a broader National Financial Inclusion Strategy (NFIS) in collaboration with the World Bank which was adopted by GoP and launched in May 2015.

The objective of the Strategy is to set national vision for achieving universal financial inclusion in Pakistan. The NFIS lays out the vision, framework, action plan, and target outcomes for financial inclusion.

The implementation of NFIS is focusing on the following actions:

- Facilitate account opening such as Mobile (M)-wallets and easy accounts to expand access and drive scale.
- Increase access points like bank branches, banking agents, ATMs, Point of Sale Machines etc.
- Build capacity of banks to provide easy and need based loan products to small and micro businesses.
- Raising financial awareness of poor people and women.

NFIS implementation progress since its adoption:

The NFIS main achievement is that it has

mainstreamed financial inclusion as a national priority. This has been achieved through NFIS governance mechanism. The NFIS governance bodies have enabled advocacy, ownership and support needed for NFIS implementation from various stakeholders.

- **NFIS Council**, chaired by the Federal Finance Minister, is the apex platform for advocating and securing ownership at the highest level for achieving Pakistan's financial inclusion objectives and vision. The NFIS Council has held 5 meetings and the last meeting was held recently on April 07, 2017 which was also attended by UN Secretary General's Special Advocate (UNSGSA) on Inclusive Finance for Development, Queen Maxima of Netherlands.
- **NFIS Steering Committee**, chaired by SBP Governor, has the overall responsibility of approving the action plans and monitoring the implementation of the Strategy. The Steering Committee has held 4 meetings and the last meeting took place on March 28, 2017 wherein the recommendations particularly on pension and insurance were reviewed.
- **Seven Technical Committees (TCs)** have been working in focus areas for preparing implementation plans and reviewing progress for achieving the NFIS objectives. Around **160 plus members** have been taken onboard including ministries, govt. departments, regulators, associations & networks. The Technical Committees have so far held 26 meetings and conducted focused and concrete deliberations to firm up action plans.
- **Key strategic actions approved by NFIS Council:** NFIS Council approved a number of strategic actions such as:
 - Development of a National Payment Gateway (NPG)
 - Automation of the government collections and disbursements
 - Introduction of a Warehouse Receipt Financing (WHRF) system

- Integration of National Savings Scheme (NSS) with national payments system
- Initiation of new schemes of Prize Bonds

Asaan (Easy) Mobile Account (AMA) Scheme

Recently, the NFIS Council has approved an **Asaan (Easy) Mobile Account (AMA)** scheme under which the digital finance service providers will join an integrated platform, allowing any person with a basic mobile phone to open a digital transaction account swiftly through a Unified Unstructured Supplementary Service Data (USSD) code or String from anywhere, at any time.

The objective of the scheme is to improve accessibility of new customers for account opening, drive usage of digital financial services through increased number of account-to-account transactions across various networks and provide digital access to a range of quality financial services. This will facilitate the poor and marginalized sections of the society towards adopting digital payments and also transform banks to shift their focus from 'Over-the-Counter' (OTC) services to branchless banking (BB) accounts.

Rationalization of NADRA's verification Cost

After substantial concerted efforts by all the stakeholders, NADRA has agreed to provide additional data fields required for necessary KYC requirements irrespective of their volume to all BB providers for opening of BB accounts, under the agreed discounted price structure of Rs. 10/- (as per MOU signed by SBP and NADRA). In this respect, NADRA has updated the services as per the above agreement and advised the banks to test the updated services.

Activities/ actions prioritized by NFIS Steering Committee

NFIS Steering Committee had prioritized a ten point action agenda along with timelines & responsibilities. These were prioritized for implementation in the first phase and shortlisted

from more than hundred actions which were proposed by various NFIS Technical Committees and Working Groups on the basis of their impact, viability and significance towards achieving NFIS objectives and goals. These include:

- i) Promotion of Digital Transactional Accounts (DTAs)
- ii) Lowering of NADRA's verification and validation cost
- iii) Fostering innovations to develop client centric products and services
- iv) Expansion of ATM Network and connecting Pakistan Post to the National

payment System

- v) Adaption of automated Land Record and E-Pass Book
- vi) Digitizing microfinance by linking the MF industry with digital platforms
- vii) Developing Credit Scoring Model for Micro & Small Enterprises (MSEs)
- viii) Creation of Electronic Collateral Registry
- ix) Development of Shariah Framework for banking & non-banking microfinance institutions
- x) Developing program for Women Entrepreneurship

Economic Cooperation Organization Summit (Connectivity for Regional Prosperity)

Economic Cooperation Organization (ECO) was established in 1985 by Iran, Turkey and Pakistan. It succeeded Regional Cooperation for Development (RCD), which was founded in 1964 to promote cooperation among the three Member States. In 1992, the Organization welcomed in its fold seven new Members, including Azerbaijan, Turkmenistan, Uzbekistan, Tajikistan, Kyrgyzstan, Kazakhstan and Afghanistan. The Headquarter of ECO is located in Tehran and its incumbent Secretary General is H.E. Ambassador Halil Ibrahim Akca (Turkish National).

Pakistan hosted 13th ECO Summit on 1st March 2017 in Islamabad. The Prime Minister of Pakistan assumed Chairmanship of ECO until the next Summit. Theme of the Summit was “Connectivity for Regional Prosperity” which is in line with the government’s priorities of enhancing internal / external connectivity.

Presidents of 5 countries, 2 Prime Ministers, 1 Deputy Prime Minister attended the Summit were: H.E. Mr. Ilham Aliyev, President of the Republic of Azerbaijan, H.E. Mr. Hassan Rouhani, President of the Islamic Republic of Iran, H.E. Mr. Emomali Rahmon, President of the Republic of Tajikistan, H.E. Mr. Recep Tayyip Erdogan, President of the Republic of Turkey, H.E. Mr. Gurbanguly Berdimuhamedov, President of Turkmenistan, H.E. Mr. Sooronbay Zheenbekov, Prime Minister of Kyrgyz Republic, H.E. Mr. Askar Myrzakhmetov, Deputy Prime Minister of the Republic of Kazakhstan, and H.E. Mr. Ulugbek Rozukulov, Deputy Prime Minister of the Republic of Uzbekistan. President of Turkish

Cypriot State, Turkic Council and International Energy Charter attended as ECO Observers.

The Prime Minister of Pakistan, being Chair of the Summit made inaugural and concluding remarks during the Summit. The highlights of the Prime Minister’s opening remarks were:

- ECO subscribes to a people-centric agenda.
- Summit focus would be on greater connectivity and trade linkages within ECO, in particulars and beyond, in generous.
- ECO region represents 16 percent of world’s population but share in global trade is only 2 percent.
- Emphasized that the member states reclaim their historic role in consonance with historic “Silk Road” spirit.
- This was the most propitious time to realize the dream of “Connectivity for Regional Prosperity.”
- Stressed development of ECO connectivity in transport, energy, trade and economics, which conforms to his government policy of “peaceful neighborhood.”
- Peaceful settlement of longstanding disputes, like Jammu and Kashmir, and alleviating the sufferings of the Kashmiri people would greatly help in advancing the goals of stability and development of the entire region.

Council of Ministers & Senior Officials Meetings

The Summit was preceded by Council of Ministers Meeting on 28th February 2017 which was chaired by the Adviser to Prime Minister, Mr. Sartaj Aziz. The Council reviewed progress made since its last meeting. The Meeting also discussed the developments of ECO since its inception and exchanged views on the possible reforms needed for keeping pace with the evolving requirements of regional cooperation. The Council of Ministers (COM) finalized Islamabad Declaration and adopted the ECO Vision 2025 along with its implementation framework. The participants of Council of Ministers Meeting renewed their commitment to promote regional economic integration among the ECO Member States and resolved to play an active role for the realization of the Organization's aims and objectives.

The Summit, Council of Ministers Meeting and Senior Officials Meeting, deliberated and decided on ways and means to augment cooperation in the areas of connectivity, trade, energy, tourism, investment, industry, economic growth and productivity, social welfare and environment. Enhancing Cooperation for furtherance of education and scientific linkages, cultural and people to people contacts within the ECO region also remained amongst the priorities.

Islamabad Declaration

The "Islamabad Declaration" which was adopted unanimously during the Summit focused on the Summit theme of Connectivity as a dynamic concept that encompasses multiple dimensions including transit transport such as rail, road, ports and shipping and cyber linkages. It set the target to double the trade between ECO Member countries within the next 2-3 years. The Declaration acknowledged and welcomed, China Pakistan Economic Corridor (CPEC) as a far-reaching initiative that would act as catalyst for the development of the entire region.

CPEC is in consonance with the Summit's theme of Connectivity. It will augment the existing and planned transit and energy corridors in ECO region for greater progress and prosperity for our peoples. The Summit would act as a catalyst to integrate the ECO initiatives into a comprehensive connectivity apparatus of the ECO.

The Declaration underscored the three core principles of ECO Vision 2025 of sustainability, integration and conducive environment; and emphasizes the need to augment cooperation in the areas of trade, transport and connectivity, energy, tourism, economic growth and productivity and social-welfare and environment as identified in Vision 2025.

- The Islamabad Declaration reiterated political will and strong commitment for realizing the aims and objectives of the Organization for economic development, common prosperity, regional integration and peace and stability in the ECO Region.
- It reaffirmed commitment to the principles and objectives enshrined in the Treaty of Izmir, and attaching great importance to the cooperation frameworks development under the different agreements concluded between the Member States and the momentum created in different fields of cooperation which can underpin and complement each other for meeting the objectives of the Economic Cooperation Organization.
- The Islamabad Declaration recalled commitment to the purposes and principles of the UN Charter including in particular the respect for political independence, sovereignty and territorial integrity of states, development of friendly relations among nations, and pacific settlement of disputes.
- The Declaration resolved to work together, including by positioning the ECO to effectively address these challenges and to seize the opportunities for the collective benefit of the region and its people.

- The Declaration approached connectivity as a dynamic concept that encompasses multiple dimensions including cyber, energy, rail, road, and ports and shipping.
 - The Declaration encouraged further development of educational and scientific linkages, and cultural and people to people contacts.
 - The Declaration appreciated the value and importance of a steady and flexible approach to regional connectivity and integration that enables member states to contribute to, be part of and benefit from the various connectivity and integration programs in a gradual and progressive manner according to their respective state of preparedness.
 - The Declaration reiterated commitment to promote Intra-ECO trade as an instrument of enhanced economic cooperation and revitalization in the region.
 - Underlined the importance of the Post 2015 Development Agenda and the role that can be played by the ECO member States for achieving the goals and targets set out therein and in this context recalled that promotion of conditions for sustainable development through mobilization of economic and social potential of the ECO Region requires further strengthened cooperation and collaboration especially through enhanced trade and connectivity among the Member States in order to further strengthen the deep-rooted historical and cultural ties among the peoples of the region.
 - Recognized the importance of moderation as an approach to counter all forms of extremism and promote dialog, mutual respect, understanding and social harmony, thereby contributing towards the achievement of sustainable and inclusive development, equitable growth, stability and prosperity in the Eco Region.
 - The Declaration acknowledged the importance of Afghanistan for ECO Region and reiterated continued support to the national, regional and global efforts for reconstruction and sustainable development as well as peace and security in Afghanistan.
 - The Declaration welcomed the recently adopted United Nations General Assembly Resolution on proclaiming International Decade for Action “Water for Sustainable Development” (2018-2028).
 - The Declaration welcomed the adoption of the ECO Vision 2025 as a comprehensive document outlining the core principles and areas of cooperation within ECO, and resolving that Member States as well as ECO Secretariat, ECO Specialized Agencies and Regional Institutions will take necessary steps for implementation of ECO Vision 2025 in a timely and effective manner.
- The Summit deliberated and decided on ways and means to augment cooperation in the areas of connectivity, trade, energy, tourism, investment, industry, economic growth and productivity, social welfare and environment. It is also planned to bring improvement in education and scientific linkages, cultural and people to people contacts within the ECO. The Summit provided the Members an opportunity to reaffirm their collective commitment to progress and prosperity for the ECO region. It also allowed identifying new areas of cooperation while cementing the progress on matters currently under process.
-

China-Pak Economic Corridor (CPEC)

Pakistan and China enjoy friendly relations which continue to strengthen with time. China – Pakistan’s ties are reaching new heights as the two sides work together to implement the China Pakistan Economic Corridor (CPEC).

Regional Connectivity

CPEC is part of China’s One Belt One Road (OBOR) initiative which aims to bring the region together through enhanced connectivity. With initiation in 2013, CPEC has expanded to encompass cooperation in a large number of sectors under its short to long term plans.

Pakistan’s geostrategic location would pay real dividends allowing regional countries access to warm waters through shortest land routes. The benefits, therefore, would not just be limited to the two partnering countries but to the region as a whole. The Project would serve to bring the peoples together, promote new economic relationships and usher in an era of peace and prosperity to this part of the world.

Projects under CPEC

Projects under the CPEC portfolio are broadly categorized into ‘Early Harvest’ projects with completion by 2018, Short and Medium Term projects, which are aimed for completion by 2020 and 2025 respectively. The two sides also aim to take the initiative forward under the CPEC Long Term Plan. The sectors of cooperation include but are not limited to the energy sector, infrastructure development in the area of rail and road network, development of Gwadar as a modern port city, establishment of

industrial parks and improving IT connectivity through optical fiber.

A brief description of the cooperation under CPEC is given below:

Cooperation in the Energy Sector

Pakistan expects to overcome its energy shortage by 2018. The Government, fully conscious of its responsibility, has its prime focus on alleviating these shortages. As a policy decision, the Government has been providing uninterrupted energy supply to the industrial sector in order to maintain economic momentum of the country.

Under CPEC, the two sides have agreed to a financial outlay of US\$ 34.74 billion for the energy sector projects. A total of 17,045 MW will be added to the system with 10,000 MW expected in 2018. This will give great impetus to the economic and business activity in the country with resultant gains in exports, improved competitiveness and job creation. With the shift of energy mix from oil to coal, significant relief is also expected to be passed on to domestic as well as commercial consumers.

The following 12 projects with a total cost of US\$ 15,377 million are under implementation through IPP mode:

- 2×660 MW Port Qasim Coal Power Project
- 2×330 MW Engro Powergen Thar Project
- 1,124 MW Kohala Hydropower Plant Project

- 720 MW Karot Hydropower Project
- 870 MW Suki Kinari Hydropower Project
- 1,320 MW Sahiwal Coal Power Project
- 1,320 MW HUBCO Coal Power Project
- 1,320 MW Thar Coal Block-I (Shinghai) Project
- 300 MW Quaid-i-Azam Solar Project
- 50 MW Sachal Wind Power Project
- 50 MW Hydro-China Dawood Wind Power Project
- 99 MW UEP Wind Power Jhimpir Project

Cooperation in Infrastructure Development

Infrastructure plays a key role in connecting regions, supporting industrialization, easier and faster access to markets and improved competitiveness. CPEC gives due importance to the development of a vast network of rail and roads in Pakistan besides other areas as briefly mentioned below.

Road Infrastructure

The existing road infrastructure of the country is being enhanced under CPEC through upgradation of existing roads and construction of new ones. There is fast track implementation on all sections of the eastern as well as western routes, with major work ongoing on the following:

- Khuzdar-Basima Road N-30, 110 km
- DI Khan-Zhob Road N-50 Phase-I, 210 km
- KKH Phase-II Thakot-Raikot Section, 136 km
- Havelian-Thakot Section of KKH, 120 km
- Section of KKH Phase-II, 118 km
- Sukkur Multan Section, 392 km

Upgradation of Railway and Mass Transit Projects

Complementing the fast paced improvements in the road network, Pakistan and China have agreed to upgrade the Main Line-1. The

estimated cost is around US\$8,200 million and includes development of a dry port at Havelian to harbor cargo in an efficient and timely manner. In order to provide state of the art transport facilities, the two sides have also agreed to work together on mass transit projects in the four provincial capitals namely Karachi, Lahore, Peshawar and Quetta.

Provincial Infrastructure Projects under CPEC

The fruits of CPEC are spread equitably across Pakistan. All provinces have identified their priority projects and the two sides have initiated collaboration on a number of projects, to name a few, development of Ketu Bunder Sea Port, Naukundi-Mashkel-Panjgur Road, Quetta Water Supply Scheme, Chitral CPEC Link Road, Mirpur-Mansehra Road and iron ore mining project in Chiniot. These Projects are being managed by respective authorities/agencies and are at different stages of planning and implementation.

Gwadar Development

An important component of CPEC is the development of Gwadar as a modern port city. Located at the south western coast of Balochistan, Gwadar is ideally located to give access to sea routes of the Arabian Sea. Pakistan and China have agreed to develop the city on a fast track basis to complement the progress being made on rail and road infrastructure.

The city is being upgraded with development of Gwadar Sea Port, East Bay Expressway, New Gwadar International Airport, technical institutes and universities, water supply schemes, hospitals, free zones and industrial parks, world class product display center as well as a coal fired power plant. In times to come, Gwadar will serve as an important port city for the entire region.

Industrial Cooperation

In addition to improved connectivity and energy surplus, the development of Special Economic Zones (SEZs) across Pakistan is envisaged under CPEC. In the 6th Joint

Cooperation Committee (JCC) meeting held in December 2016, the two sides agreed to set up the following nine SEZs which will serve as centers of industrial activity:

- Rashakai Economic Zone, Khyber Pakhtunkhwa
- Dhabaji Economic Zone, Sindh
- Bostan Industrial Zone, Balochistan
- Punjab-China Economic Zone, Sheikhupura, Punjab
- ICT Model Industrial Zone, Islamabad
- Industrial Park at Pakistan Steel Mills, Sindh
- Bhimber Industrial Zone, AJ&K
- Mohmand Marble City, FATA
- Moqpondas Special Economic Zone, Gilgit Baltistan

CPEC Long Term Plan

To sustain the partnership for progress and take it to the next level, the two sides have drawn out a Long Term Plan to cooperate in the areas of agriculture, industry, trade, communication, water resource management, coastal tourism and development of financial linkages. Closer cooperation between Pakistan and China in the long run would ensure that benefits accrued under CPEC are carried forward to the coming generations.

Fiber Optic Connectivity

The two sides are aware that a parallel improvement in IT connectivity is essential to

the success of CPEC. Under CPEC, 820 km long line is planned to be developed. The cross border optical fiber cable project was established in October 2015 to connect it from Khunjerab onwards to Rawalpindi. The project, currently under implementation with work on 220 km completed, is expected to finish by 2017. The estimated cost of the project is US\$ 44 million. Other IT projects are also underway to achieve a higher standard of connectivity.

Impact of CPEC on Pakistan's Economy

CPEC is a long term partnership vision of the leadership of the two sides envisaging comprehensive socioeconomic development, peace and prosperity for the region. Research studies suggest that the initiative will substantively boost growth and job creation. It is also expected that CPEC will accelerate urbanization and attract local as well as foreign direct investment in the country through increased competitiveness. The relocation of Chinese industries will bring possible knowledge spillover and technological progress. It is expected to address the issue of poverty and bring hope and better living standards to people across the region.

In the short term, the trade deficit is expected to rise as a result of import of machinery and equipment. In the long run, however, it is expected that the current account balance would improve through import substitution and export expansion. The balance of payments position would also improve in the long run as projects under CPEC reach completion.

Impact of War in Afghanistan and Ensuing Terrorism on Pakistan's Economy

Despite the conflict and continuing instability in Afghanistan that has been an impediment to regional peace and development, Pakistan has achieved progressive and significant improvement in the country's overall security landscape in recent years. This has been accomplished largely due to successful counter-terrorism efforts of the Government under the framework of the comprehensive National Action Plan, backed by an extensive and highly effective counterterrorism operation Zarb-e-Azb by the armed forces, and actions by other security and law enforcement agencies and intelligence-based operations across the country. After successful completion of Zarb-e-Azb, a country-wide operation Radd-ul-Fassad has been launched for eliminating any residual or latent threats.

Due to the war in Afghanistan, Pakistan has faced the most serious consequences - from political to security, socio-economic and environmental - over the decades. From hosting millions of refugees to being a major victim of terrorism, the cumulative impact has been enormous, with adverse overall growth rate in all major sectors of the economy. Normal economic and trading activities were disrupted, resulting in higher costs of doing business including cost of insurance and significant delays in meeting the export orders around the globe. As a result, Pakistani products gradually lost their market share to their competitors. Economic growth could not pick up as planned during the last decade.

Pakistan continues to be a target of terrorism, including foreign-sponsored terrorism from its immediate neighbourhood. A substantial portion of precious national resources, both men and material, had to be diverted to address the security challenges and to repair the damaged infrastructure during the last many years. In addition to economic losses, cross-border terrorism in Pakistan has inflicted untold human suffering resulting from indiscriminate and brutal terrorist attacks against the civilian population.

In this backdrop, success in counter-terrorism has played a critical role in creating a conducive economic environment whose results have now started appearing in terms of growth across different segments of the economy. As a result of these efforts, the total losses incurred due to incidents of terrorism are declining. The direct and indirect cost incurred has been gradually declining. During 2015-16, it declined by 29.8 percent while during July-March 2016-17, it declined by 40.2 percent which clearly reflects the effectiveness of the Government's efforts to eliminate terrorism and extremism from the country.

In order to assess the impact of the incidents of terrorism on the economy of Pakistan during the past several years, the estimates for FY2016 have been updated and FY2017 have been prepared in consultation with all relevant Ministries / Departments / Provincial Governments / Autonomous bodies etc. Summary of year wise losses is presented in Table-1.

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Table-1: Summary of Losses Due to Terrorist Attacks				(US\$ million)
S.No	Organization	Years		Total
		2015-16	2016-17*	
1.	Exports	0.503	-	0.503
2.	Compensation to Affectees	13.82	8.06	21.88
3.	Physical Infrastructure	777.83	150.92	928.75
4.	Foreign Investment	1437.20	559.10	1996.30
5.	Privatization	24.15	238.58	262.73
6.	Industrial Output	17.49	11.89	29.38
7.	Tax Collection	3440.00	2480.00	5920.00
8.	Cost of Uncertainty	7.78	7.04	14.82
9.	Expenditure Over run	768.58	428.53	1197.11
10.	Others	1.15	0.75	1.90
Total Losses		6,488.50	3,884.86	10,373.36

*: Estimated on the basis of 9 months data (July-March)

Source: M/o Finance, M/o Interior, M/o Commerce, M/o Foreign Affairs, Joint Ministerial Group

During the last 16 years, the direct and indirect cost incurred by Pakistan due to incidents of terrorism amounted to US\$ 123.13 billion

equivalent to Rs. 10,373.93 billion. Detail is given in Table-2.

Table-2: Estimated Losses (2001-2017)			
Years	Billion \$	Billion Rs.	% Change
2001-02	2.67	163.90	-
2002-03	2.75	160.80	3.0
2003-04	2.93	168.80	6.7
2004-05	3.41	202.40	16.3
2005-06	3.99	238.60	16.9
2006-07	4.67	283.20	17.2
2007-08	6.94	434.10	48.6
2008-09	9.18	720.60	32.3
2009-10	13.56	1136.40	47.7
2010-11	23.77	2037.33	75.3
2011-12	11.98	1052.77	-49.6
2012-13	9.97	964.24	-16.8
2013-14	7.70	791.52	-22.8
2014-15	9.24	936.30	20.0
2015-16	6.49	675.76	-29.8
2016-17*	3.88	407.21	-40.2
Total	123.13	10,373.93	-

* Estimated on the basis of 9 months data

Source: M/o Finance, M/o Interior, M/o Commerce, M/o Foreign Affairs Joint Ministerial Group

Contingent Liabilities

Introduction

Contingent liabilities are conditional obligations that arise from past events that may require an outflow of resources embodying economic benefits based on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the government. Contingent liabilities can be distinguished from the liabilities as these are conditional in nature and do not represent the present obligations of the government. Accordingly, contingent liabilities are not recognized as liabilities regardless of the likelihood of the occurrence (or non-occurrence) of the uncertain future event.

Contingent liabilities of Pakistan are guarantees issued to Public Sector Enterprises (PSEs). The sovereign guarantee is normally extended to

improve financial viability of projects or activities undertaken by the government entities with significant social and economic benefits. It allows public sector companies to borrow money at lower costs or on more favorable terms and in some cases allows to fulfill the requirement where sovereign guarantee is a precondition for concessional loans from bilateral/multilateral agencies to sub-sovereign borrowers.

During first half of current fiscal year, the government issued fresh/rollover guarantees aggregating to Rs.368 billion, while, outstanding stock of government guarantees as at end December, 2016 amounted to Rs.838 billion. The share of rupee guarantees increased during past few years and accounted for 89 percent of the total guarantees stock as at end December 2016.

Table-1.1: Guarantees Outstanding as on December 31, 2016		(Rs. in billion)
Outstanding Guarantees extended to Public Sector Enterprises (PSEs)		837.7
-Domestic Currency		742.4
-Foreign Currency		95.2
<u>Memo:</u>		
Foreign Currency (US\$ in million)		910.3
Source: Debt Policy Coordination Office Staff Calculations, Ministry of Finance		

The volume of new government guarantees issued during a financial year is limited under Fiscal Responsibility and Debt Limitation Act which stipulates that the government shall not give guarantees aggregating to an amount exceeding 2 percent of the GDP in any financial year including those for rupee lending, rate of

return, output purchase agreements and other claims and commitments provided the renewal of existing guarantees shall be considered as issuing a new guarantee. The limit of 2 percent of the GDP is applicable on guarantees issued both in local and foreign currencies. During July-December 2016-17, Government of

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Pakistan issued fresh/rollover guarantees aggregating to Rs.368billion or 1.2 percent of GDP [as shown in Table 1.2].

Table-1.2: New Guarantees Issued

(Rs. in billion)	2011	2012	2013	2014	2015	2016	2017*
New guarantees issued	62	203	136	106	156	191	368
(as percent of GDP)	0.3	1.0	0.6	0.4	0.6	0.7	1.2

*July -December

Source: Debt Policy Coordination Office Staff Calculations, Ministry of Finance

The year wise outstanding stock of government guarantees from 2010-11 till December 31, 2016 is presented through Table 1.3:

Table-1.3: Guarantees Stock

(Rs. in billion)

	2011	2012	2013	2014	2015	2016	2017*
Outstanding guarantees extended to PSEs	559	516	626	555	644	721	838
-Domestic Currency	301	262	355	426	533	627	742
-Foreign Currency	258	254	271	129	111	95	95

*end December, 2016

Source: Debt Policy Coordination Office Staff Calculations, Ministry of Finance

Guarantees issued against commodity operations are not included in the stipulated limit of 2 percent of GDP as the loans are secured against the underlying commodity and are essentially self-liquidating and thus should not create a long term liability for the government. The quantum of these guarantees depends on the supply-demand gap of various

commodities, their price stabilization objectives, volume procured, and domestic and international prices. The guarantees were issued against the commodity financing operations undertaken by TCP, PASSCO, and provincial governments. As on December 31, 2016, the outstanding stock issued against commodity operations was Rs.563 billion.

Tax Expenditure

Tax expenditure for FY2017 has been estimated at Rs.415.751 billion. Detailed estimates are highlighted below:

A. Income Tax

Tax expenditure in respect of direct taxes during FY2017 has been reflected in Table-1:

Table-1: Tax Expenditure of Direct Taxes during FY2017		(Rs. in Million)
S. No.	Tax Expenditure on various exemptions and concessions	Estimated Revenue Loss FY2017
1	Enhanced tax credit on employment generation under section 64B of the Ordinance.	150
2	Enhanced tax credit for making sales to registered persons under section 65A of the Ordinance.	200
3	Extension in time limit for availing tax credit for balancing, modernization and replacement of plant and machinery under section 65B of the Ordinance up to 30.6.2019.	500
4	Extension in time limit for availing tax credit for enlistment in stock exchange under section 65C of the Ordinance.	5
5	Tax credit for establishing new industry under section 65D of the Ordinance	300
6	Tax credit for expansion of existing plant or new project under section 65E of the Ordinance	200
7	Extending exemption to export of IT services under clause (133) of Part-I of the Second Schedule	100
8	Enhancing limit of interest on house building loan under section 64A of the Income Tax Ordinance, 2001.	50
9	Rationalization of corporate tax rates	12,000
10	Relief on education expenses	500
Total		14,005

B. Sales Tax

Major exemptions in sales tax and their tax expenditures during FY2017 are presented in Table-2.

Table-2: Tax Expenditure of Sales Tax for FY2017		(Rs. in Billion)
SRO	Loss of Sales Tax due to Exemptions	
SRO 1125(I)/2011, dated 31.12.2011 (leather, textile, carpets, surgical goods etc.)		50.4
Import under 5 th Schedule		0.56
Local supply under 5 th Schedule		25.8
Imports under 6 th Schedule		67.6
Local supply under 6 th Schedule		89.3
Imports under 8 th Schedule		16.4
Grand Total		250.06

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C. Customs Duties

Following is the break-up of estimates of tax expenditure of main exemptions in Customs Duties for FY2017.

Table-3: Cost of Customs Duty Exemption for FY2017			(Rs. in Million)
S.No	SRO No. & Date FTA As/PTA	Description	Cost of Exemption (Estimated) FY2017
1	558(I)/2004 01.07.2004	Concession of customs duty on goods imported from SAARC and ECO countries	73
2	894(I)/2006 31.08.2006	Exemption from customs duty on import into Pakistan from Iran under Pak-Iran PTA .	0
3	1274(I)/2006 29.12.2006	Exemption from customs duty on imports into Pakistan from under SAFTA Agreement	1,184
4	659(I)/2007 30.06.2007	Exemption from customs duty on import into Pakistan from China	31,618
5	1151(I)/2007 26.11.2007	Exemption from customs duty on goods imported from Mauritius .	27
6	741(I)/2013 28.08.2013	Exemption from customs duty on import into Pakistan from Indonesia under Pak-Indonesia PTA .	3,309
7	280(I)/2014 08.04.2014	Exemption from customs duty on imports from Sri Lanka	2,538
8	1261(I)/2007 31.12.2007	Exemption from customs duty on import into Pakistan from Malaysia	1,983
General Concessions: Automobile sector, E & P, Textile, Energy and others			
9	565(I)/2006 05.06.2006	Conditional exemption of customs duty on import of raw materials and components etc. for manufacture of certain goods (Survey based)	2,276
10	678(I)/2004 12.6.2004	Exemption of customs duty and sales tax to Exploration and Production (E&P) companies on import of machinery equipment & vehicles etc..	6,282
11	655(I)/2006 22.06.2006	Exemption from customs duty for vendors of Automotive Sector	17,668
12	656(I)/2006 22.06.2006	Exemption from customs duty for OEMs of Automotive Sector	21,827
13	* 809(I)/2009 19.09.2009	Exemption of Machinery & Equipment, if imported by Textile Industrial Units	-
14	5th Schedule	Concessions under 5th Schedule	62,901
Total			151,686

Source: PRAL + WeBOC

*: SRO.809(I)/2006 was rescinded in the Budget 2016-17. However, remaining concessions have been shifted to Part-IV of 5th Schedule to the Customs Act.

Following is the consolidated summary of tax expenditure for the FY 2017 in Table-4.

Table 4: Tax Expenditure of Federal Taxes for FY 2017			(Rs. in billion)
S. No.	Type of Tax	FY2017	
1.	Income Tax	14.005	
2.	Sales Tax	250.06	
3.	Customs Duty	151.686	
Total		415.751	

Source: Federal Board of Revenue