PAKISTAN ECONOMIC SURVEY 2008-09

Overview of the Economy

GLOBAL ENVIRONMENT

The collapse of the US sub-prime market and worst ever global financial crisis has had serious repercussions not only for the developed world's economy but for the developing markets as well. The fallout has spread through an extensively interlinked global financial market and resulted in a tightening of credit and general drying up of liquidity. The impact of this crisis on developing and emerging economies is widespread. The crisis is not limited to the meltdown of financial markets, the real economy at the national and international levels, its institutions; its productive structures are also being affected. The financial meltdown inevitably backlashes on consumer markets, the housing market, and more broadly on the process of investment in the production of goods and services. The new growth power houses China and India are experiencing worst kind of slowdown in economic growth mainly because of the sub-prime meltdown in the US and the ensuing financial crisis and credit crunch around the world.

The world economy is likely to contract by 1.3 percent in 2009 with almost all developed countries are to post negative growth. Despite numerous stimulus packages and government action of unprecedented scale and nature, advanced economies are expected to contract by 3.8 percent in 2009. Notwithstanding, strenuous efforts by the US administration, including buying up of toxic assets and recapitalization of financial institutions and stimulus packages the world's largest economy US is projected to contract by 2.9 percent in 2009, further down from positive growth of 1.1 percent in the previous year.

Countries relying on trade as a primary means of boosting economic growth saw trade volumes disappear as contractions starts in trading partners. Growth in world trade volumes fell to 3.3 percent in 2008, as compared to 7.2 percent in 2007, and is expected to contract substantially by 11 percent in 2009. Exports from developing economies are projected to contract by 6.4 percent during the same period and developing economies started experiencing substantial slowdown in growth in 2008, with real GDP growing at 6.1 percent as compared to robust growth of 8.3 percent in 2007. Growth in these economies is projected to slow down further to 1.6 percent in 2009.

In emerging economies, the slowdown manifested itself through various channels like volatility in the financial markets led to a flight of capital. Emerging economies have already seen the spreads on sovereign and corporate debt widening, and a retreat in equity prices as a result of the global crunch. East Asian tigers Malaysia, Thailand, Korea, Philippines and Singapore all are prospective candidate for posting negative growth. Pakistan, India, Indonesia, Bangladesh and Sri Lanka are the rare positive growth depicters around the globe. The effects of adverse developments at global level have been felt unevenly and countries with weaker macroeconomic fundamentals taking a bigger hit. The impact from the global meltdown might be compensated to some extent through boosting local demand. However, vigilance by the policy-makers around the developing countries is needed to lessen the severity of downside risks posed by the current crisis. Pakistan economy also gained from compression of demand for external goods, however, export slowdown is a serious cause of concern. Going forward the government has to pursue aggressive trade diplomacy to augment its access to external markets, beside ignite its efforts to diversify exports to optimal exploitation of export potential.

DOMESTIC ENVIRONMENT

Pakistan's macroeconomic environment is affected by intensification of war on terror and deepening of the global financial crisis which penetrated into domestic economy through the route of substantial decline in Pakistan's exports and a visible slowdown in foreign direct inflows. Although contraction in export receipts is more than compensated by massive import compression emanating from global crash of crude oil and commodity prices, the external sector vulnerabilities remain a threat. Pakistan's economy continues to remain exposed to the vagaries of international developments as well as internal security environment. The intensity of the global financial crisis has further added to Pakistan's predicament. Despite support from the IMF and other bilateral and multilateral donors, Pakistan's external account remains exposed to a host of uncertainties. The dependence on external inflows needs some rationalization and to this end additional domestic resource mobilization is instrumental.

Pakistan's economy has lost significant momentum in the last few years. One of the prime contributors to this derailing is Pakistan's proactive role in war against terror. Pakistan being a front line state has to bear the fallout of events unfolded after 9/11. At the outset of the war, normal trading activities were disrupted with substantial increase in the cost of international trade because of higher rate of insurance cover; economic growth slowed down; import demand compressed with consequential decline in tax collection; and inflows of foreign investment and privatization were adversely affected. Pakistan not only lost precious lives and infrastructure but a very conservative estimate has placed economic cost of this war for Pakistan at around US$ 35 billion since 2001-02. The current fiscal year has witnessed the height of this increased cost. The expenditure overrun has created many uncertainties for public finances. The loss in economic opportunity was compounded by exogenous oil and commodity price shocks, which led to a significant deterioration of the macroeconomic indicators of Pakistan in 2007-08.

The problem was exacerbated in the July-October period of the current fiscal year. Major financial inflows dried up during the July-November 2008 period. The current account deficit widened with imports rising more than exports with a significant depletion in SBP's FE reserves which enhanced country's default risk. The FDI inflows fell by 21.4 percent from July-November 2008 against a 9.8 percent decline in the same period of year before. The external account, however, does depict certain positives. Even in the face of the world economic downturn, workers' remittances have remained strong and grew by 19.5 percent. In addition, declines in international commodity and food prices has helped reduce the country's import bill and thus impact favourably on the large current account deficit.

At the beginning of this fiscal year (2008-09), Pakistan economy was confronted with four major challenges which posed threat to Pakistan's recovery and socio-economic growth including *regaining macroeconomic stability, poverty reduction, fiscal retrenchment* and *weaknesses in the external account.* The overall vision is to regain macroeconomic stability and to attain GDP growth rate of 6 percent by 2012-13 from 2.0 percent in 2008-09. In order to ensure that macroeconomic difficulties do not further slow down the pace of job creation and adversely affect poverty reduction, the government has recently reached an agreement with IMF for a US $7.6 billion package with interest rate varying from 3.51 to 4.51 percent spread out over a period of 23 months. For the first time, IMF has accepted Pakistan's homegrown proposals/programs which have two main objectives: (i) to restore the confidence of domestic and external investors by addressing macroeconomic imbalances through a tightening of fiscal and monetary policies until visible signs of demand curtailment; and (ii) to protect the poor and preserve social stability through well-targeted and adequately funded social safety nets. The government's new broad-based program for economic stabilization was mainly focused on rationalization of expenditures, removal of unproductive subsidies to reduce the burden on the budget; significant cuts in expenditures to reduce budgetary deficit and a tight monetary policy to fight inflation.

The government adopted the following measures to address the above challenges:

a. Strong adjustments in the petroleum prices were undertaken to reduce the budget deficit;

b. Significant cuts were made in the expenditures to curtail aggregate demand;

c. Tight monetary policy was followed by the State Bank of Pakistan to contain inflationary spiral;

d. Electricity tariffs were periodically adjusted to rationalize energy prices;

e. Government adopted a Nine-Point Program for economic and social recovery encompassing the following elements:

    i. Macroeconomic Stability and Real Sector Growth

    ii. Protecting the Poor and the Vulnerable

    iii. Increasing Productivity and Value Addition in Agriculture

    iv. Integrated Energy Development Program

    v. Making Industry Internationally Competitive

    vi. Human Capital Development

    vii. Removing Infrastructure Bottlenecks through Public Private Partnerships (PPPs)

    viii. Capital and Finance for Development

    ix. Governance for a Just and Fair System

f. Prioritized the scarce government expenditures available for development-related programs;

g. Directed immediate support to the most vulnerable groups through the Benazir Income Support Programme (BISP). These are small (Rs.1000 per month per family) cash grants channeled through women to help satisfy the most fundamental needs of vulnerable households. Currently reaching 3.5 million poor households, the scope of the programme is expected to expand to 7.0 million households in 2009-10;

h. Implemented improved and transparent targeting of Benazir Income Support Programme (BISP) and other programmes aimed at the poor and the vulnerable groups.

i. Intensified public-private partnerships with the objective of making private investments, including foreign investors, the most important funding source for economic development; and

j. Reinforced the importance of sound governance, managerial and systemic mechanisms to ensure that investments in the social sector are cost-effective and aimed at output-oriented service delivery.

Pakistan's stabilization programme is supported by the Stand-By Arrangement (SBA) with the IMF approved on November 24, 2008. The SBA envisaged a significant tightening of fiscal and monetary policies to bring down inflation and strengthen the external position adopting several structural measures in the fiscal and financial sectors including strengthening of the social safety net. In addition, to stabilize the macroeconomic situation, the Programme aimed at addressing some of Pakistan's long standing economic problems. In particular, it called for a comprehensive tax reform to raise budgetary revenue and phase out the electricity subsidies to create greater fiscal space for public investment and social spending. Initial developments in the economy since the implementation of the Programme have been positive:

- The exchange rate has broadly stabilized enabling the State Bank of Pakistan (SBP) to buy foreign exchange on a net basis.

- SBP reserves have strengthened from US$ 3.5 billion at end October 2008 to US$ 7.1 billion on end March 2009.

- T-Bill auctions have been consistently oversubscribed with wide participation of banks enabling the government to retire some of its debt to the SBP.

- Headline Consumer Price Index (CPI) inflation is estimated to have declined from 25.3 percent in August 2008 to 17.2 percent in April 2009.

- The overall fiscal deficit is estimated to have been restricted to 4.3 percent in 2008-09.

The government is conscious of the cost being imposed on poor families from the sharp escalation in food prices. Many of these needs are strongly linked and need to be addressed holistically — unless health services are improved, the incidence of ill health will continue to rise; unless educational retention is improved, children will never be able to exit from poverty because they will be concentrated in low-return employment or remain unemployable. It is, therefore, important to address primary needs via social protection, while simultaneously focusing on the mechanisms that ensure that the exit from absolute poverty is permanent for the majority of the vulnerable and a large proportion of the chronically poor. The national Poverty Reduction Strategy covers the three-year PRSP-II period of 2008-09 – 2010-11 while also providing a framework for thinking well beyond this timeframe and is, therefore, to be viewed as an approach to a long-term national economic strategy that has its main focus on reduction of poverty.

The sharp rise in international oil and food prices last year and the global financial crisis not only adversely impacted the macroeconomic indicators in Pakistan but also increased the number of the poorest of the poor. Recognizing the urgent need to protect the poor and the vulnerable, the Government of Pakistan (GoP) launched the Benazir Income Support Programme (BISP) in 2008 as its main social safety net programme. This programme would serve as a platform to provide cash transfers to the vulnerable identified on the basis of a poverty scorecard and would be backed by an exit strategy. This strategy includes imparting training to one member of each vulnerable family to sustain itself. The Programme also envisages a workfare initiative through social mobilization. BISP intends to cover 3.4 million families or 22.75 million people in the current year. In the next year, the government intends to at least double the allocation for BISP to cover 7 million families. The government would require additional resources of US$ 3.05 billion over the next two years to sustain the above programme.

Notwithstanding all these stabilization measures, recent trends in most macroeconomic variables suggest that the disciplined implementation of the macroeconomic stabilization program is started paying some dividends. Improvement in fiscal discipline is complementing the still relatively tight monetary policy to aggregate demand compression to a meaningful level which has improved prospects of lower inflation in the last two months of the current fiscal year (May-June 2009). The demand compression is also manifested from improvement in the cumulative Jul-April 2008-09 trade deficit which is the first reduction in the last six years. The narrowing of trade deficit and robust remittances has caused a reduction of over $2 billion in the current account deficit and even for the month of February 2009, we have witnessed first surplus in monthly current account surplus since June 2007. The current account deficit is likely to decelerate from as high as 8.5 percent of GDP to around 5.3 percent of GDP in 2008-09 — a reduction of 3.2 percentage points in just one year. The improvement allowed for a build-up of the country's foreign exchange reserves beyond $11 billion.

Nevertheless, Pakistan's economy still faces pressures from uncertain security environment, higher inflation driven by spike in food prices, the acute power shortages, and bewildering stock market, perceptible contraction in the large-scale manufacturing and slowdown in services sector; lower than anticipated inflows and growing absolute financing requirements. Abatement of inflationary pressure remained oblivious and prices depicted stubbornness.

REAL SECTORS

In the wake of above mentioned international and domestic environment the economy lost significant growth momentum owing to massive contraction in the industrial sector. The economic growth of 2.0 percent achieved during 2008-09 seems reasonable albeit it implies definite slippage against 4.1 percent growth of the last year and this year's target of 4.5 percent. However, it should be looked in the backdrop of global recession where positive growth is an exception and international developments where real GDP in Pakistan's main trading partners is estimated to contract by almost 3 percent on average in 2009, depressing the external demand for Pakistan's exports. The domestic environment was also not supportive to the growth momentum.

The industrial sector in general and large-scale manufacturing in particular has contributed to this slowdown in economic growth by posting dismal performance. The poor show of the LSM is understandable in the context of acute energy shortages and constrained international demand for Pakistan's manufactured exports. The massive downward correction in services sector's growth is mainly because of poor show of the financial sector beside saturation level attained in the communication sub-sector.

Notwithstanding the challenges of the fertilizer operations and credit squeeze, agriculture sector is the saving grace of this year's economic growth and performed exceptionally well on the back of extraordinary performance of major crops (mainly wheat, gram and rice). Livestock, a major component of agriculture, exhibited slight adjustment from 4.2 percent growth of last year to 3.7 percent growth in 2008-09. Construction sector witnessed worst growth performance for almost a decade owing to constricted activity in the private housing market, shrinkage of spending on physical infrastructure due to huge adjustment to rationalize development expenditure, and slowdown in reconstruction activities in earthquake affected areas.

The services sector has compensated some of the lost growth of the industrial sector by growing at 3.6 percent and provided much needed sanity to economic growth. Barring social services and public admn & defence almost all sub-sectors of services sector felt the pinch of recessionary trend. Consumer spending remained strong with real private consumption rising by 5.2 percent as against negative growth of 1.3 percent attained last year. However, gross fixed capital formation could not maintain its strong growth momentum and real fixed investment growth contracted by 6.9 percent as against the expansion of 3.8 percent in the last fiscal year.

The current slowdown is substantially different from the deceleration of the 1990s or early 2000s. The aggressive monetary tightening posture of the SBP has witnessed a reversal in the last monetary policy statement by notional downward adjustment of policy rate in April 2009 to ensure that stubbornness of monetary policy might not haemorrhage the economic activity. The recent monetary policy has tried to strike a balance between sustaining the growth momentum and containing the inflation in stabilization mode.

Growth and Investment

Real GDP grew by 2.0 percent in 2008-09 as against 4.1 percent last year and growth target is met 4.5%. The modest growth of just 2.0 percent is shared between Commodity Producing Sector (CPS) (0.08) and services sector (1.92). Within the CPS, agriculture contributed 1.0 percentage points or 50.1 percent to overall GDP growth (a significant increase from its contribution of only 5.0 percent last year) while negative performance of industry dragged 0.92 percentage points or 46.1 percent to neutralize positive contribution of the agriculture. In the services sector major contributions to GDP growth came from transport, storage & communication (0.3 percentage points or 14.6 percent), wholesale & retail trade (0.7 percentage points or 27.1 percent) and social services (0.8 percentage points or 38.6 percent).

Agriculture sector has depicted a stellar growth of 4.7 percent as compared to 1.1 percent witnessed last year and target of 3.5 percent for the year. *Major crops* accounting for 33.4 percent of agricultural value added registered an impressive growth of 7.7 percent as against a negative growth of 6.4 percent last year and a target of 4.5 percent. The *livestock sector* grew by 3.7 percent in 2008-09 as against 4.2 percent last year. Output in ***the***

manufacturing sector has contracted by 3.3 percent in 2008-09 as compared to expansion of 4.8 percent in last year and over-ambitious target of 6.1 percent. *Small and medium manufacturing sector* maintained its healthy growth of last year at 7.5 percent. ***Large-scale manufacturing*** depicted contraction of 7.7 percent as against expansion of 4.0 percent in the last year and 5.5 percent target for the year. The massive contraction is because of acute energy outrages, security environment and political disruption in March 2009.

The ***services sector*** grew by 3.6 percent as against the target of 6.1 percent and last year's actual growth of 6.6 percent. Value added in the ***wholesale and retail trade sector*** grew at 3.1 percent as compared to 5.3 percent in last year and target for the year of 5.4 percent. ***Finance and insurance sector*** witnessed slowed down to 12.9 percent in 2007-08 but registered negative growth of 1.2 percent in 2008-09. The performance of this sector shows that Pakistan's financial sector is integrated in the world economy and feeling the heat of the financial crisis plaguing international financial markets. The ***Transport, Storage and Communication*** sub-sector depicted a sharp deceleration in growth to 2.9 percent in 2008-09 as compared to 5.7 percent of last year.

Pakistan's ***per capita real income*** has risen by 2.5 percent in 2008-09 as against 3.4 percent last year. Per capita income in dollar term rose from $ 1042 last year to $ 1046 in 2008-09, thereby showing marginal increase of 0.3 percent. ***Real private consumption*** rising by 5.2 percent as against negative growth of 1.3 percent attained last year. However, gross fixed capital formation could not maintain its strong growth momentum and real fixed investment growth contracted by 6.9 percent as against the expansion of 3.8 percent in the last fiscal year.

The ***total investment*** has declined from 22.5 percent of GDP in 2006-07 to 19.7 percent of GDP in 2008-09. *Fixed investment* has decreased to 18.1 percent of GDP from 20.4 percent last year. ***Private sector investment*** was decelerating persistently since 2004-05 and its ratio to GDP has declined from 15.7 percent in 2004-05 to 13.2 percent in 2008-09. Public sector investment to GDP ratio was rising persistently from 4.0 percent in 2002-03 to 5.6 percent in 2006-07, however, declined to 4.9 percent in 2008-09. The ***national savings*** rate has declined to 14.4 percent of GDP in 2008-09 as against 13.5 percent of GDP last year. Domestic savings has also declined substantially from 16.3 percent of GDP in 2005-06 to 11.2 percent of GDP in 2008-09.

INFLATION

As inflationary pressures across the globe continue to dissipate, sparking deflationary concerns in even some countries like Thailand and India which shared pain of galloping inflation with Pakistan a few months ago, Pakistan still faces high double-digit inflation. Although all the price indices like the CPI including core inflation, WPI and SPI have shown a downward trend in recent months, the decline has been subject to stiff downward rigidity. The month on month increase in food and non-food inflation in the last three months (February-April) has been especially disappointing. Going forward the government has to rationalize electricity tariff which will be inflationary in nature.

Notwithstanding difficult domestic environment, the inflation rate as measured by the changes in ***Consumer Price Index (CPI)*** showed an easing trend beginning in November 2008, touching 17.2 percent in April 2009 after reaching a record level of 25.5 percent in August 2008. While the food group was the major source of inflation in Pakistan during the first ten months of 2008-09, the non-food component of the CPI has also been persistently high, resulting in overall stubbornness of the inflation. The CPI inflation averaged 22.3 percent during July-April 2008-09 as against 10.3 percent in the comparable period of last year. Given current trends and barring any adverse shocks, it is expected that the average inflation for the year (2008-09) as measured by CPI will be close to 21 percent. The ***core inflation*** which represents the rate of increase in cost of goods and services excluding food and energy prices also went up from 7.1 percent to 18.0 percent.

MONETARY POLICY

The SBP has kept its tight monetary policy stance in the period July 01, 2008-April 20, 2009. The policy rate was adjusted upward in November 2008 to shave-off some aggregate demand from the economy and kept constant in January 2009. However, noticing visible signs of demand compression enabled the SBP to reduce 100 basis points on April 20, 2009. During July 01, 2008-May 16, 2009, money supply (M2) expanded by 4.6 percent against the target of expansion of 9.3 percent for the year and last year expansion of 8.1 percent in the comparable period of last year. The reserve money witnessed growth of 2.4 percent in this period as against expansion of 13.2 percent in the comparable period of last year.

Net domestic assets (NDA) have increased by Rs.443.8 billion as compared to increase of Rs.702.5 billion in last year, thereby showing an increase of 11.0 percent in this period whereas, last year the growth in the comparable period was 22.8 percent. ***Net foreign assets (NFA)*** have recorded a contraction of Rs.227.3 billion against the contraction of Rs.322.8 billion in the comparable of last year. ***Government borrowing for budgetary support*** has recorded an increase of Rs.332.2 billion as compared to Rs.361.0 billion in the comparable period of the last year. The SBP financing has shown a net increase of Rs.198.2 billion and financing from scheduled banks witnessed a net increase of Rs.134.0 billion during July 01, 2008-May 16, 2009.

Credit to private sector witnessed a net disbursement of Rs.26.8 billion as compared to Rs.369.4 billion in the comparable period of last year. ***Weighted average lending rate*** have witnessed decline from 15.5 percent in October 2008 to 14.3 percent in March 2009. ***Weighted average deposit rate*** on the other hand has decreased from 9.5 percent in October 2008 to 8.0 percent in March 2009 which implies increase in the spread amidst intensive deposit mobilization efforts on the part of the banks. The ***weighted average yields on 6 months T-bill*** has declined by almost 250 basis points to 11.5 percent in March 2009 as against 14 percent in November 2008 but inched up to 12.4 percent in April 2009.

FISCAL POLICY

The government has decided in the economic stabilization program to adhere to the fiscal deficit target reverently and during the first nine months (July-March) the fiscal deficit hovered around 3.1 percent of the projected GDP for 2008-09 which is consistent with annual fiscal deficit target of 4.3 percent. The fiscal improvement in the first nine months (July-March 2008-09) has largely based on reduction of oil subsidies and a cut in development spending. All meaningful efforts to expand revenues particularly by broadening the tax base will only work in the medium-term.

The financing patterns of fiscal deficit remained dominated by the banking system which financed 85 percent of the fiscal deficit and only 15 percent were financed by the non-bank sources. The government remained well ahead of the SBP financing limit allowed by the Economic Stabilization Program.

The overall FBR tax collection remained less than satisfactory and actually witnessed deceleration in real term. Resultantly, the FBR tax collection to GDP ratio is likely to deteriorate around 9 percent of GDP as against the target of bringing it in to the vicinity of 10 percent of GDP. ***Tax Revenue*** collected by the FBR amounted to Rs.898.6 billion during the first ten months (July-April) of the current fiscal year, which is 17.7 percent higher than the net collection of Rs.763.6 billion in the corresponding period of last year. The ***net Direct tax*** collection was estimated at Rs. 332.5 billion against the target of Rs 496 billion which implies a growth of 16.9 percent during Jul-April 2008-09.

Indirect taxes grew by 18.2 percent during Jul-April 2008-09 and accounted for 62 percent of stake in overall tax revenue. The *sales tax collections* grew by 22.2 percent and stood at Rs.358.9 billion as against Rs.293.6 billion in comparable period last year. The *net customs duty collection* has inched up from Rs.114.9 billion in 2007-08 to Rs.117.2 billion in 2008-09, thereby showing modest growth of 2.1 percent. The net collection of *federal excise* stood at Rs 90.0 billion during Jul-April 2008-09 as against Rs. 70.6

billion in the corresponding period of last year, thereby, showing an increase of 27.5 percent.

Despite a decline in fiscal deficit in the first nine months of 2008-09, the growth in ***domestic debt*** accelerated reflecting non-availability of financing through external sources. The stock of domestic debt grew by Rs.484.1 billion during July-March 2008-09. This strong growth in the domestic debt reflects non-realization of privatization proceeds and reduced availability of net external financing due to increase in external debt repayments on maturing stock of foreign currency bonds. The main contribution came from 17.5 percent rise in floating debt which increased by Rs.286 billion. The stock of permanent debt has increased by Rs.44 billion. Unfunded debt witnessed a growth of 15.1 percent or Rs.154.2 in Jul-March 2008-09 mainly because of uncertainty in the financial market and very attractive rates offered by NSS schemes.

EXTERNAL SECTOR

The external sector has shown definite signs of improvement. The current and trade account balance has improved but there is some slippages on account of current transfers. The buoyancy in remittances is more than off-set by substantial declining trend in inflows through exchange companies. There is a substantial decline of around $2 billion in services trade deficit during the first ten months of the current fiscal year because of tapering off in the demand pressures on the one hand and lower freight and insurance payments on the other. The financial account witnessed slackening of capital inflows by staggering $ 2.7 billion mainly on account of lower FDI inflows, higher portfolio outflows, lower disbursements of loan and higher amortization payments. The worsening of external account in the period of July-October 2008-09 is compensated by substantial improvement in the external account in the period November-April 2008-09.

Exports were targeted at $ 19.0 billion or 6.9 percent lower than last year. Exports started to face heat of global financial crisis since November 2008 and the contraction of world over demand has exacerbated export contraction. The exports witnessed negative growth of 2.6 percent — declining from $ 16.4 billion last year to $ 16.0 billion in July-April 2008-09. ***Imports*** registered a negative growth of 9.8 percent in July-April 2009. The imports stood at $26.77 billion as against $28.715 billion in the comparable period of last year. The growth in imports reflects impact of substantial fall in oil and food imports in monetary terms and these two items were responsible for 80 percent of additional imports bill last year. Import compression measures coupled with massive fall in international oil prices have started paying dividends and imports witnessed marked slowdown during the last two months.

Trade Balance The merchandise trade deficit improved by 12.3 percent and declined from $10.7 billion in July-April 2008-09 to $ 12.3 billion in July-April 2008-09. The substantial decrease of 9.8 percent in imports outstripped otherwise significant decrease of 3.0 percent in export growth, which caused the trade deficit to improve by 12.3 percent. ***Workers Remittances*** totaled $ 6.4 billion in July-April 2008-09 as against $ 5.3 billion in the comparable period of last year, depicting an increase of 19.5 percent. Deep recession in the US economy, which constitute close to one-third of Pakistan's remittances started taking its toll and witnessed negative growth of 1.9 percent. The trend will be expected to continue in the months to come, however, overall outlook of remittances from other source countries is positive.

Current Account Balance Pakistan's current account deficit shrank by 23.5 percent during July-April 2008-09. Current account deficit shrank to $ 8.5 billion as against $ 11.2 billion last year. In the month of February 2009, the current account witnessed a surplus which is a rare development in Pakistan economy. This was first monthly surplus since June 2007. It turned to deficit in March and April 2009. ***Exchange rate*** after remaining stable for more than 4 years, lost significant value against the US dollar and depreciated by 21% during March–December 2008. Most of the depreciation of rupee against dollar was recorded in post November 2007 owing to combination of factors like political uncertainty, trade related outflows and speculative activities. With successful signing of Standby arrangements with the IMF, the rupee got back some of its lost value. With substantial import compression and revival of external inflows from abroad in the coming months of the fiscal year, the exchange rate will remain stable at around Rs.80-82 per dollar.

The overall foreign investment during the first ten months (July-April) of the current fiscal year has declined by 42.7 percent and stood at $ 2.2 billion as against $3.9 billion in the comparable period of last year. ***Foreign direct investment (private)*** shown some resilience and stood at $3205.4 million during the first ten months (July-April) of the current fiscal year as against $3719.1 million in the same period last year thereby showing a decline of 13.8 percent. If viewed in the massive fall in capital flows to emerging economies, even this decline in FDI seems to be reasonably good. ***Private portfolio investment*** on the other hand showed an outflow of $451.5 million as against an inflow of $98.9 million during the comparable period of last year.

The hemorrhage to the ***foreign exchange reserves*** have been arrested in the post-November period and over $ 3 billion are added to the SBP reserves inspite of $500 million Eurobond payment in February 2009. Notwithstanding, improvement in the external sector outlook remain hostage to expected inflows in the last quarter. Foreign Exchange Reserves declined substantially in the initial months of 2008-09 dropping from $11.4 billion at end-June 2008 to a low of $6.4 billion by November 25, 2008. This depletion of reserves in the five months (July-November 2008) was much higher than fall in forex reserves for the entire fiscal year 2007-08. The subsequent partial recovery since November 25, 2008 onward owed essentially to the inflow of $ 3.1 billion from the IMF following Pakistan's entry into a macroeconomic stabilization program. The import coverage ratio declined to an uncomfortable level of 9.1 weeks as of end-October 2008 from 16.8 weeks of imports as of end-June 2008 but it improved to 18 weeks of imports by end-April 2009.

The ***external debt & liabilities*** recovered in the third quarter and actually fell in absolute as well as relative terms between end-December 2008 and end-March 2009, mainly because of lower than anticipated net disbursements and positive translation impact of appreciation of dollar versus yen, SDR and euro. External debt and liabilities (EDL) stood at US$ 50.1 billion or 30.7 percent of the projected GDP for the 2008-09 at the end of March 2009 which is higher than end-June 2008 stock of $46.3 billion or 27.6 percent of GDP. It implies that EDL grew both in absolute and relative terms during July-December period but witnessed some correction in the third quarter. Almost all categories of EDL barring Paris Club, Eurobond and military, have witnessed increase; however, highest increase in absolute term was recorded in debt stock owed to the IMF as a result of inflow of $3.1 billion on account of Stand by Arrangements (SBA) signed with the IMF in end-November 2008. On the liabilities side $500 million are added by Bank of China.

EXECUTIVE SUMMARY

01. GROWTH AND INVESTMENT

The economy has lost significant growth momentum owing to massive contraction in the industrial sector. The lowest real GDP growth rate of 2 percent attained in the last eight years should be taken in the backdrop of major disruptions of extraordinary nature like political uncertainty hovering around for most part of the year, intensification of war on terror, acute energy shortage and extremely high inflation by Pakistan's standard, massive adjustment efforts to regain stability from a highly disruptive year *(2007-08)* of exceptionally high macroeconomic imbalances, and above all significant demand compression both on domestic and external front, the economic growth seemed to be satisfactory under the circumstances. ***Real GDP*** grew by 2.0 percent in 2008-09 as against 4.1 percent last year and growth target of 4.5%. The commodity producing sector witnessed marginal positive growth of 0.2 percent which is the lowest ever in the last eighteen years.

The modest growth of just 2.0 percent is shared between ***Commodity Producing Sector (CPS)*** (0.08) and ***services sector*** (1.92). Within the CPS, agriculture contributed 1.0 percentage points or 50.1 percent to overall GDP growth (a significant increase from its contribution of only 5.0 percent last year) while industry dragged 0.92 percentage points or 46.1 percent to neutralize positive contribution of the agriculture. In the services sector major contributions to GDP growth came from transport, storage & communication *(0.3 percentage points or 14.6 percent)*, wholesale & retail trade *(0.7 percentage points or 27.1 percent)* and social services (0.8 percentage points or 38.6 percent).

Agriculture sector has depicted a stellar growth of 4.7 percent as compared to 1.1 percent witnessed last year and target of 3.5 percent for the year. ***Major crops*** accounting for 33.4 percent of agricultural value added registered an impressive growth of 7.7 percent as against a negative growth of 6.4 percent last year and a target of 4.5 percent. The ***livestock sector*** grew by 3.7 percent in 2008-09 as against 4.2 percent last year. Output in ***the manufacturing sector*** has contracted by 3.3 percent in 2008-09 as compared to expansion of 4.8 percent in last year and over-ambitious target of 6.1 percent. ***Small and medium manufacturing sector*** maintained its healthy growth of last year at 7.5 percent. ***Large-scale manufacturing*** depicted contraction of 7.7 percent as against expansion of 4.0 percent in the last year and 5.5 percent target for the year. The massive contraction is because of acute energy out-ages, security environment and political disruption in March 2009. The ***mining and quarrying sector*** witnessed lowest ever growth in almost one decade and grew by 1.3 percent in 2008-09 as against 4.4 percent growth last year and target of 5.0 percent.

The ***services sector*** grew by 3.6 percent as against the target of 6.1 percent and last year's actual growth of 6.6 percent. Value added in the ***wholesale and retail trade sector*** grew at 3.1 percent as compared to 5.3 percent in last year and target for the year of 5.4 percent. ***Finance and insurance sector*** witnessed slow down of 1.2 percent compared with an expansion of 12.9% in 2007-08. The performance of this sector shows that Pakistan's financial sector is integrated in the world economy and feeling the heat of the financial crisis plaguing international financial markets. The ***Transport, Storage and Communication*** sub-sector depicted a sharp deceleration in growth to 2.9 percent in 2008-09 as compared to 5.7 percent growth of last year.

Pakistan's ***per capita real income*** has risen by 2.5 percent in 2008-09 as against 3.4 percent last year. Per capita income in dollar term rose from $ 1042 last year to $ 1046 in 2008-09, thereby showing marginal increase of 0.3 percent. ***Real private consumption*** rising by 5.2 percent as against negative growth of 1.3 percent attained last year. However, gross fixed capital formation could not maintain its strong growth momentum and real fixed investment growth contracted by 6.9 percent as against the expansion of 3.8 percent in the last fiscal year.

The ***total investment*** has declined from 22.5 percent of GDP in 2006-07 to 19.7 percent of GDP in 2008-09. ***Fixed investment*** has decreased to 18.1 percent of GDP from 20.4 percent last year. ***Private sector investment*** was decelerating persistently since 2004-05 and its ratio to GDP has declined from 15.7 percent in 2004-05 to 13.2 percent in 2008-09. Public sector investment to GDP ratio was rising persistently from 4.0 percent in 2002-03 to 5.6 percent in 2006-07, however, declined to 4.9 percent in 2008-09. The ***national savings*** rate has increased to 14.4 percent of GDP in 2008-09 from 13.5 percent of GDP last year. Domestic savings has declined substantially from 16.3 percent of GDP in 2005-06 to 11.2 percent of GDP in 2008-09.

The overall foreign investment during the first ten months (July-April) of the current fiscal year has declined by 42.7 percent and stood at $ 2.2 billion as against $3.9 billion in the comparable period of last year. ***Foreign direct investment (private)*** showed some resilience and stood at $3205.4 million during the first ten months (July-April) of the current fiscal year as against $3719.1 million in the same period last year thereby showing a decline of 13.8 percent. ***Private portfolio investment*** on the other hand showed a net outflow of $451.5 million as against a net inflow of $98.9 million during the comparable period of last year.

US kept its distinction of being a largest investor in Pakistan with 23.2 percent stake in the FDI. Other big investors originated from Mauritius *(10.0* *percent)*, Singapore *(7.7 percent)*, UK (6.9 percent), Switzerland *(6.6 percent)*, UAE *(5.3 percent)* and Hong Kong *(3.9 percent)*. The communication sector *(including Telecom)* spearheaded the FDI inflows by accounting for 27.3 percent stake during July-April 2008-09 followed by financial business *(22.4 percent*), energy including oil & gas and power *(22.7 percent)*, and trade *(4.9 percent)*. The current wave of uncertainty in the global demand and economic activity in the country has a major backlash on FDI inflows.

02. Agriculture

Inspite of structural shift towards industrialization, agriculture sector is still the largest sector of the economy with deep impact on socio-economic set up. It is the source of the livelihood of almost 44.7 percent of the total employed labour force in the country. With the present contribution to GDP at 21.8 percent, agriculture sector is the mainstay of the rural economy around which socio-economic privileges and deprivations revolve. Thus given for its stretched distinct forward and backward linkages particularly with the industrial sector, a large impact on balance of payments and highest share in employment, agriculture sector has assumed an added significance in backdrop of global food crunch and food security. No strategy of economic reforms can be realized without sustained and broad based agricultural development which is critical for raising living standards, alleviating poverty assuring food security, generating buoyant market for expansion of industry and services, and making substantial contribution to the national economic growth.

Agriculture has grown at an average rate of 4.1 percent per annum since 2002-03 with variations, from 6.5 percent to 1.1 percent. The fluctuation in agriculture has largely stemmed from a fluctuation in major crops which in turn is the result of the behaviour of Mother Nature, pest attacks on crops.

The performance of agriculture sector has been stronger than expected during 2008-09 as against the target of 3.5 percent and last year's performance of 1.1 percent, overall agriculture this year is estimated to grow by 4.7 percent on account of bumper wheat, rice and maize crops estimated as 23.42, 6.9 and 4.0 million tons respectively. Hence major crops accounting for 33.4 percent of agricultural value added registered stellar growth of 7.7 percent as against negative 6.4 percent last year. Minor crops contributing 12.0 percent to overall agriculture grew by 3.6 percent as against 10.9 percent last year. The performance of livestock – the single largest contributor to overall agriculture *(51.8 percent)* grew by 3.7 percent in 2008-09 as against 4.2 percent last year. The fisheries sub sector performed positively at 2.3 percent though the previous year's growth stood at 9.2 percent. Forestry has been experiencing negative growth since 2003-04 and this year too has posted negative growth of 15.7 percent in a row.

Pakistan's agricultural output is closely linked with the supply of irrigation water. As against the normal surface water availability at canal heads of 103.5 million-acre feet (MAF), the overall *(both for Kharif and Rabi)* water availability has been less in the range of 2.5 percent *(2005-06)* to 20.6 percent *(2004-05)* against the normal availability. Relatively speaking, Rabi season faced more shortage of water than Kharif during these years.

During the current fiscal year *(2008-09)*, the availability of water for Kharif 2008 (for the crops such as rice, sugarcane and cotton) has been 0.3 percent less than the normal supplies and 5.5 percent less than last year's Kharif. The water availability during Rabi season (for major crop such as wheat), is, however, estimated at 24.9 MAF, which is 31.6 percent less than the normal availability, and 10.7 percent less than last year's Rabi.

The domestic production of fertilizers during the first nine months *(July - March 2008-09)* of the current fiscal year was up by 3.6 percent as compared with corresponding period last year. On the other hand, the import of fertilizer decreased by 51 percent, the total availability of fertilizer also decreased by 11.9 percent during the same period last year. Agricultural loans amounting to Rs. 151.9 billion were disbursed during *(July-March, 2008-09)* as against Rs.138.6 billion during the corresponding period last year, thereby registering an increase of 9.6 percent.

03. MANUFACTURING AND MINING

Manufacturing sector is the second largest sector of the economy having 18.4 percent contribution to GDP. This sector has recorded its weakest growth in a decade during current fiscal year. Overall manufacturing posted a negative growth rate of 3.3 percent during the current fiscal year against the target of 6.1 percent and 4.8 percent of last year. Large-scale manufacturing (LSM) accounting for almost 70 percent of overall manufacturing, witnessed a broad-based decline of 7.7 percent against the revised growth target of negative 5.0 percent during July-Mar 2008-09. Main contributors towards this broad based decline were the impact of severe energy shortages, deterioration in domestic law and order situation, sharp depreciation in rupee vis-à-vis US dollar and most importantly, weak external demand on the back of global recession coupled with slowdown in domestic demand. The increasing trend in inflation also affected consumers to curtail expenditure on durable goods.

Textile sector being an export oriented industry of Pakistan and more prone to international demand shocks has been under severe stress amid a global recession, however, textile production has declined slightly, by 0.7 percent over the same period last year.

The sustained growth in recent years in cement industry is an outcome of increase in its production capacity and exploitation of export markets. The cement sector posted a growth rate of 4.71 percent during the current fiscal year. Cement exports increased by 48.8 percent. Fertilizer industry also posted a positive growth due to increase in production. The performance of steel mill was unsatisfactory during the current fiscal year. The production value slid down from Rs.11133 million in 2007-08 to Rs. 9971 million in the current financial year, witnessing a decrease of 10.44 percent.

Mineral potential of Pakistan though recognized to be excellent is inadequately developed as its contribution to GDP at present stands at 2.4 percent. During the current fiscal year *(July-Mar 2008-09)*, the mining and quarrying sector has registered almost flat growth rate i.e. 1.31 percent as against a target of 4.5 percent and 3.0 percent of last year. The growth rate of this sector declined sharply due to substantial diminishing trend in the production of Magnesite *(51.3%)*, Sluphere (10.3%) and Dolomite (4.6%).

During the current fiscal year, the privatization commission completed the transaction of Hazara phosphate fertilizer limited (HPFL) fetching an amount of Rs.1340.02 million. SMEDA plays a vital role in creating market oriented economic growth, employment opportunities and reducing poverty. As many as 16 projects amounting to Rs.1680 million have been approved for implementation by SMEDA.

04. FISCAL DEVELOPMENT

The severity of the macroeconomic imbalances in the last fiscal year once again reinforces the importance of fiscal prudence for sustainable economic growth. The overhang from 2007-08 continued to haunt adjustment efforts. The fiscal consolidation efforts faced headwinds like deteriorating security environment, domestic political uncertainties along with the deepening of the global financial crisis and overall depressed macroeconomic environment. The unanticipated persistence of inflationary pressures on the economy kept fiscal policy options limited. The shrinking revenues constrict government's ability to pursue counter cyclical policy.

There has been significant improvement in fiscal performance during 2008-09 due to the policy shift, with the overall fiscal deficit estimated to have dropped to 4.3 percent of annual GDP. The fiscal improvement in 2008-09 has largely based on reduction of oil subsidies and a slash on development spending. Going forward Pakistan needs a substantial increase in resource base to augment its development efforts and fiscal consolidation efforts has to come from enhanced revenue base because we have already exhausted options for expenditure cuts. Pakistan's future economic development crucially hinges upon additional resource mobilization and for this end extending the tax base to unexplored sectors is very crucial.

The expenditure of the government in relation to GDP exhibited replica of the past performance and showing an overall decline since the beginning of the 1990s. However, in 2008-09 total revenue as percentage of GDP slightly recovered, due to a marginal improvement in non-tax revenues as percent of GDP. Total revenue is expected to reach at Rs. 1910 billion, as compared to Rs. 1499.5 billion during the 2007-08.

The FBR revenue collection for the fiscal year 2008-09 was targeted at Rs.1250 billion at the time of presentation of the Federal Budget 2008-09. Tax collection during the first ten months (July-April) of the current fiscal year amounted to Rs.898.6 billion, which is 17.7 percent higher than the net collection of Rs.763.6 billion in the corresponding period of last year. The tax collection performance reflects the heat of slowing economy and falling imports. The customs duty collection deviated from its recent past track record of high growth mainly because of the fact that dutiable imports have undergone negative growth. The overall FBR tax collection remained less than satisfactory and actually witnessed deceleration in real term. Resultantly, the FBR tax collection to GDP ratio is likely to deteriorate around 9 percent of GDP as against the target of bringing it in to the vicinity of 10 percent of GDP. Tax revenue from all sources exhibited a decline in tax-GDP ratio from 10.3 percent in 2007-08 to around 10 percent in 2008-09.

The budgeted total expenditure for the fiscal year 2008-09 was Rs.2391 billion, which is 4.9 percent higher than the last year's revised estimate. On the other hand current expenditures were envisaged to remain more or less stagnant at Rs.1876 billions. The share of federal government in the current expenditure was to the extent of Rs.1359 billions and the remaining Rs. 517 billions were earmarked for provincial governments. Development expenditure *(after adjusting for net lending)* was targeted at Rs.396 billion in 2008-09 which is up by 7 percent than last year. On the basis of revenue and expenditure projections, the overall fiscal deficit is estimated at Rs.562 billion or 4.3 percent of GDP as against 7.4 percent last year.

The current expenditure over run has become a norm because of intensification of war on terror and spike in security related expenditure in the last two years. This is feeding into a significant gap between budgeted and estimates in current expenditure. The current year has witnessed some deceleration in non-interest, non-defence expenditure, however, to follow fiscal deficit religiously, the government has to go an extra mile by development expenditure cutbacks. Notwithstanding this downturn, the growth in current expenditure remained strong. Pakistan's fiscal adjustment experience over the years suggests downward rigidity in current expenditure and much of the effort has to come from either additional revenue mobilization or development expenditure cutbacks. In case of any eventuality of revenue shortfall the development expenditure is the prospective candidate to bore the brunt of adjustment.

05. MONEY & CREDIT

In the light of continued inflationary buildup and increasing pressures in the foreign exchange market, the SBP announced a package of monetary measures on May 21, 2008 that included;(i) an increase of 150 bps in discount rate to 12 percent; (ii) an increase of 100 bps in CRR and SLR to 9 percent and 19 percent, respectively for banking institutions (iii) introduction of a margin requirement for the opening of letter of credit for imports *(excluding food and oil)* of 35 percent, and (iv) establishment of a floor of 5 percent on the rate of return on profit and loss sharing and saving accounts. Following a slight reversal in the mounting inflation, the SBP announced a decline of 100 bps on April 20, 2009. SBP's tight monetary policy and rationalization of fiscal subsidies and expenditure controls are the key factors that contributed a reasonable progress towards macroeconomic stability. Although the fiscal and external current account deficit reduced during the last year, still it remains high along with the risk of slippages.

The YoY growth in broad money (M2) declined sharply to 4.59 percent as on 9th May FY09 against 8.96 percent in the corresponding period last year. The money supply was limited to Rs 215.0 billion as the Net Foreign Assets (NFA) of the banking system recorded a decline of over Rs 227.1 billion during the first ten months of the current fiscal year to May 9th.

However, NFA has improved by Rs 130 billions as on 9th May, 2009 after contracting by Rs 357 billion on 6 December, 2008. This improvement mainly came towards end March 2009 as the government received $ 500 million each from the World Bank and the Bank of China. The improvements in external account and hence in NFA are mainly owed to a rise in worker's remittances; increase in external financial inflows from multilateral and bilateral sources and substantial retirement of foreign currency loans to commercial banks.

On the other hand Net Domestic Assets (NDA) of the banking system decelerated sharply during Jul-May FY09 to 10.99 percent as compared to 21.3 percent during the same period last year. The sharp deceleration in NDA growth of banking system was mainly contributed by decrease in government borrowings and credit to non-government sector during Jul-May FY09. The credit of Rs 138.4 billion to the public sector enterprise (PSEs), and government borrowings worth Rs 119.8 billion for commodity operations has significantly contributed Rs 258.2 billion in NDA during Jul-MayFY09 compared to an expansion of Rs 105.2 billion in the same period last year. Credit to PSEs increased by Rs 138.4 billion during July-May FY09 against an increase of Rs 44.3billion in same period last year. The demand for credit from private sector decelerated. As it declined to Rs. 21.8 billion during July – May FY09 compared to Rs 369.8 billion in the corresponding period of the last year. This sharp decline in private sector credit during July-May FY09 was mainly due to the exceptionally low demand for working capital that has witnessed the lowest growth in the recent past.

According to the distribution of credit to the private sector, the manufacturing sector although declined to Rs 89.4 billion, still continued to be the largest recipient of bank credit during Jul-March2008-09. The overall manufacturing sector accounted for almost 85 percent of the credit to private sector business. The structure of loan portfolio of the banks has changed significantly as by end December 2008, 78 percent of the total bank advances were lent at the rate of 12 percent and above as compared to the 70 percent of bank advances were extended at rates between 9 to 12 percent during the same month last year. The bank have followed more strict credit criteria due to rising NPLs. Banks are focusing to finance those projects which are able to generate cash flows.

The impact of tight monetary stance and liquidity management began to translate into a rise in other interest rates, with varied magnitude, at different stages of the economy. For instance, 6-months T-bills cutoff witnessed an increase of 169 basis points to 13.2 percent during Jul-May FY09. However, 6-months and 12-months KIBOR decreased by 26 bps and 39 bps to 13.68 percent and 13.83 percent respectively at end May 2008 in view a cut of 100 bps in the policy rate in April 2009.

6. CAPITAL MARKETS

The beginning of the fiscal year 2008 appeared promising for Pakistan's capital markets regardless of the sub-prime crisis intensifying its grip on financial systems all over the globe. The stock markets in Pakistan posted good gains and the KSE-100 index gained 11.6 percent by mid of April 2008 and touched the highest level of 15,676 points on April 18, 2008 with a gain of 1,747 points over the level of index as at start of the year 2008. Subsequent to this high time, however, the equity market has seen an episode of precipitous decline: the KSE-100 index has fallen by over 62 percent (as on December 31, 2008) since touching its peak in April 2008. While issues related to the macroeconomic scenario and a shaky political environment fuelled anxiety among the investor community and contributed to the fall in value, a dearth of adequate corporate governance measures aggravated the situation. Supplementing the extensive weakness was the diminishing foreign interest in the equity markets of Pakistan.

Notwithstanding, equity investors have embarked on a fractional recovery of their fortunes with an upsurge in the KSE-100 index of a fine 22.5 percent since the commencement of the calendar year 2009, driven up chiefly by signs of returning economic stability. A timely loan from the International Monetary Fund (IMF) approved in November 2008 and a materialization of pledges by Friends of Democratic Pakistan are collectively expected to help out the economy sail through what could be a tumultuous era. It goes without saying that the government's success in managing the economy has, without a doubt, served to build a soothing outcome.

The stock market observed gigantic foreign outflows owing to the removal of price floor mechanism in the middle of December 2008. The prospects of healthy foreign interest become doubly depressing by looking at the figure of foreign equity investment during the first nine months of the current fiscal year 2008-09. It stands at a negative $418.4 million till March 2009. With no fresh merger and acquisition activity in the year 2008-09, the international investors remained keen to increase their ownership share.

Pakistan’s debt market has witnessed an issuance of long term government securities amounting to about Rs. 49 billion and revision in deposit rates of National Savings Schemes on a quarterly basis in 2008-09. Three new TFCs have been issued. Interestingly, the non-bank market remained the principal issuers this time with no floatation related to the financial sector. Recent regulations by SECP that emphasize on increasing the minimum capital base and strict requirements for the classification of non-performing loans are anticipated to augment the strength of the NBFC sector.

Capital market reforms are an integral component of the structural reforms being supported by the government to restore macroeconomic stability and to build up the banking system, while developing a more contributing incentive regime for financial industry. Significant progress has been made on capital market reforms, including adoption of international standards and market practices and the streamlining of regulatory infrastructure to enhance surveillance and enforcement.

The government is keen to maintain the momentum to strengthen, deepen and broaden the base of capital markets. As a further step to fulfill this objective, the SECP has revived the Consultative Group on Capital Markets to act as an independent think tank for important policy decisions in relation to the development of capital markets in Pakistan.

07. INFLATION

Inflation rate as measured by the change in Consumer Price Index (CPI), averaged at 22.3 percent during the first ten months (July-April) 2008-09 as against 10.3 percent in the same period last year. Food and non-food inflation have been estimated at 26.6 percent and 19.0 percent against 15.0 percent and 6.8 percent in the same period of last year. This year inflation accelerated at rapid pace mainly because of food prices which increased as result of high prices of widely consumable items such wheat, wheat flour, sugar and meat etc, owing to their supply shortage. Other major factors that effected domestic prices include phasing out of subsidies on petroleum products, upward revision of support prices of wheat by above 50 percent thus pushing up the retail prices of wheat and wheat flour across the country.

Core Inflation, which represents the rate of increase in cost of good and services excluding food and energy prices, core also went up from 14.7 percent in July 2008 to 17.8 percent in April 2009. After hovering around the 18 percent since October 2008, core inflation came down slightly to 18.5 percent in March 2009 and further to 17.8 percent in April 2009. The demand supply gap in case of meat, the extreme shortage of onion in the market and decline in sugar production has been the most significant contributors to the pick-up in food inflation during 2008-09. Based on the trend of prices of these items, the contribution of food inflation to the overall inflation has increased to 48% and that of non-food at 50.7 percent.

To contain inflation within desirable limits, the government took various measures such as curtailing government expenditure through stringent fiscal discipline, supply augment arrangements through imports and smooth distribution network of essential commodities. Throughout the year, the Economic Coordination Committee (ECC) keep a constant watch over prices and supply of essential commodities in their fortnightly meetings And come up with recommendations to improve supply.

08. TRADE AND PAYMENTS

The external sector developments in 2008-09 followed a rollercoaster ride patterns: started with highest ever oil prices and unbearable commodity prices, punctuating the highs in October 2008 when current account crossed $2 billion mark on the back of soaring energy prices and uncertainties, gradually caught into the financial crisis and accentuating the lows in February 2009 with a current account surplus. The year started with first quarter current account deficit of $3.8 billion and reached to third quarter deficit of just $0.3 billion. Notwithstanding this positive development, the external sector is still prone to some downside risk.

Overall exports recorded a negative growth of 3.0 percent during the first ten months *(July-April)* of the current fiscal year against positive growth of 10.2 percent in the same period of last year. In absolute terms, exports have decreased from $ 15,222.9 million to $ 14762.2 million in the period.

Imports during the first ten months (July-April) of the current fiscal year (2008-09) decline by 9.8 percent compared with the same period of last year, reaching to $ 28.92 billion. Import compression measures lowering domestic demand coupled with massive fall in international oil prices have started paying dividends and imports witnessed slowdown. Beside that depreciation of rupee had also played a significant role for lower imports during current fiscal year.

Imports of the petroleum group registered declining growth of 7.6 percent and reached to $8012.7 million. The petroleum group accounts for 27.7 percent of total imports but contributed 21.0 percent in the overall growth of imports for the year. The decline in imports of the petroleum group has been due to massive fall in oil prices in the international market. The imports of telecom decline by 54.8 percent during July-April 2008-09. This is followed by imports of consumer durables group which exhibits negative growth of 16.4 percent. Petroleum group, Raw Materials and food groups witnessed a negative growth of 7.6 percent, 5.2 percent and 3.1 percent respectively. Import of machinery remained the only group which showed a nominal growth of 0.5 percent during July-April 2008-09.

Pakistan's current account deficit (CAD) moved back o US$ 8.5 billion during Jul-April 2008-09 against US$ 11.2 billion in the comparable period of last year, showing an improvement of 23.5 percent. The improvement in current account arises during November-April 2008-09 when it declined by 74 percent over the corresponding period last year on the back of reduction in trade deficit and improvement in invisible account. While on the other hand, current account balance worsened by 100.8 percent during the first four months of the current fiscal year 2008-09 compared with the same period last year owing to increased import payments on account of higher import prices and food imports. Trade deficit decelerated by 12.3 percent during July-April 2008-09.

Services account deficit shrank by 41.3 percent during Jul-April Fiscal Year 2008-09 to reach $ 3.2 billion. This deterioration was contributed by factors like receipt from logistic support, deceleration in freight related charges and sharp fall in outflows from foreign exchange companies the result of action against undocumented fund transfer.

Financial account contracts from $ 6,224 million to $ 3,476 million during July-April 2008-09 against corresponding period last year. This decline was a result of variety of reasons which discourage the investment flows to Pakistan during July-April 2008-09, mainly weakening economic fundamentals, deteriorating law and order situation, slack functioning of stock market, lack of privatization proceeds and in the presence of global financial crises the foreign investors declined to invest as expectations of the lower degree of profitability.

Workers' remittances amounted to $ 6355.6 million in July-April 2008-09 as against $ 5319.1 in corresponding period last year, thereby showing an increase of 19.5 percent. More than 75.0 percent of remittance during July-October 2008-09 routed through exchange companies whereas majority of the increase in remittances growth was contributed by higher inflows in banks during November-March 2008-09. This compositional change in remittance can be attributed to the FIA actions against the undocumented fund transfer during October 2008.

Pakistan's total liquid foreign exchange reserves amounted to $ 11.6 billion by the end of May, 2009. Of which reserves held by State Bank of Pakistan stood at $ 8.28 billion and by banks stood at $ 3.32 billion. The trend of reserves is consisting of two parts during current fiscal year. As foreign exchange reserves declined to a low during the first five months of 2008-09 at $ 6.4 billion by 25th November, 2008 from $ 11.4 billion at the end of June 2008._Pressure on reserves eased due to reduction in current account deficit along with modest recovery in capital flows thereby bringing stability in exchange rate which further improved the position of foreign exchange reserves.

09. EXTERNAL AND DOMESTIC DEBT

External debt and liabilities (EDL) Pakistan's total external debt increased from US$ 46.3 billion at end-June 2008 to US$ 50.1 billion by end-March 2009 — an increase of US $ 3.8 billion or 8.2 percent. In relative terms, EDL as percentage of GDP increased from 28.1 percent at end-June 2008 to 30.2 percent by end-March 2009— an increase of 2.1 percentage points. The country's debt burden is also defined as external debt and liabilities as percentage of foreign exchange earnings which increased from 124.3 percent by end-June 2008 to 144.3 percent by end-March 2009.

International capital markets have seen one of the most turbulent years in recent history. With the financial crisis instilling a sense of distrust amidst the market, access to financing has been restricted, with spreads widening for both developed and emerging economies alike. As negative sentiments prevail, the situation for Pakistan is compounded by weaker economic performance in 2008-09 and a highly volatile domestic security situation. The spread on Pakistani sovereign bonds as given by the EMBI have gone up by 1550 bps and have a rating of B3/CCC+. Given the severity of the crisis in international markets, and hesitance with respect to investor confidence, Pakistan has not issued any new instruments in 2008-09.

Public debt increased by Rs.1367 billion in the first nine months of 2008-09, reaching a total outstanding amount of Rs.7268 billion; an increase of 23.2 percent in nominal terms. Total public debt has been growing at an average of 12 percent per year since the fiscal year 1999-2000. The increase in total public debt is shared between rupee and foreign currency debt in the ratio of 40:60. The rise in foreign currency debt is mainly because of massive depreciation of the Pak rupee in the first quarter of the fiscal year. In absolute terms $3.1 billion are added to the public external debt in the period July-March 2009. Public debt as a percentage of GDP *(a critical indicator of the country's debt burden)* has declined by 1.9 percentage points in the nine months down from 57.4 percent by end-June 2008 to 55.5 percent of GDP by end-March 2009.

Total domestic debt is positioned at Rs 3758.6 billion at end-March 2009 which implies net addition of Rs.484.1 billion in the nine months of the current fiscal year. In relation to GDP the domestic debt stood at 28.7 percent of GDP which is lower than end-June 2008 level at 31.3 percent. The domestic debt grew by 14.8 percent which is lower than last years' growth of 23.3 percent. The increase in domestic debt is lower than nominal GDP growth which helped reduction of 2.7 percentage points of GDP.

Interest payments on domestic debt stood at Rs 551 billion which sums to 41.8 percent of tax revenues and 30.5 percent of total revenues estimates of 2008-09. As a percentage of total expenditure budgeted for 2008-09, interest payments are currently 23.0 percent. The interest payments on domestic debt stood at 4.3 percent of GDP for 2008-09.

10. EDUCATION

Education is extensively regarded as a route to economic prosperity being the key to scientific and technological advancement. Hence, it plays a pivotal role in human capital formation and a necessary tool for sustainable socio-economic growth. Education also combats unemployment, confirms sound foundation of social equity, awareness, tolerance, self esteem and spread of political socialization and cultural vitality.

Public expenditure on education as a percentage to GDP is lowest in Pakistan due to fiscal resources constraint. The trend of investment on Education in terms of GDP has been 2.50 % and 2.47 % in the years 2006-07 and 2007-8 respectively whereas it is estimated to be 2.10 % during the 2008-09. It is on the lower side compared with requirements given the importance of the sector. The budget allocation has increased by 8.6 % in 2008-09 as against an increase of 17 % in 2007-08.

According to Pakistan Social and Living Measurement (PSLM) Survey data *(2007-08)*, the overall literacy rate (age 10 years and above) is 56% (69% for male and 44% for female) in 2007-08 compared to 55% *(67% for male and 42% for female)* in 2006-07. Literacy remains higher in urban areas (71%) than in rural areas (49%) and more in men (69%) compared to women (44%). When analyzed provincially, literacy rate in Punjab stood at 59 % followed by Sindh (56%), NWFP (49%) and Balochistan at 46%. The literacy rate of Punjab and Balochistan has improved considerably during 2006-07 to 2007-08. The overall school attendance (age 10 years and above) is 58% *(71% for male and 46% for female)* in 2007-08 compared to 56% (68 % for male and 44% for female) in 2005-06.

According to the Ministry of Education, there are currently 227,243 educational institutions in the country. The over all enrolment is recorded at 34.49 million with teaching staff of 1.27 million.

11. HEALTH & NUTRITION

The government attaches a very high priority to the improvement of health facilities so as to translate the economic success into social benefits. In Pakistan, the coverage of health facilities has improved over the years. The existing network of medical services consists of 948 hospitals, 4794 dispensaries, 5310 basic health units (BHUs), 561 rural health centres (RHCs) and the availability of 103037 hospital beds. Besides, there are 133956 doctors, 9012 dentists and 65387 nurses in the country. During the calendar year 2008, the population medical facilities ratio in terms of doctor works out 1212 person per doctor, 18010 person per dentist, 2478 person per nurse and availability of one hospital bed for 1575 persons.

The total outlay on health during 2008-09 is estimated at Rs.74 billion which shows an increase of 23 percent over last year and works out to be 0.5 percent of GNP. The new health facilities added to the overall health services system during 2008-09, include the construction of 48 new facilities *(35 BHUs and 13 RHCs)*, up-gradation of 890 existing facilities *(850 BHUs and 40 RHCs)*, addition of 4300 hospital beds and training of 4500 doctors, 400 dentists, 3200 nurses and 5000 paramedics beside training of 96000 LHVs. To control the common diseases and to alleviate their pain and suffering, various health programmes like TB, Malaria and AIDS Control Programmes were carried out. The caloric intake per person has been estimated as 2363 per day in 2008-09 and per capita protein availability has increased from 69.5 gram last year to 70.0 gram in the 2008-09.

12. POPULATION, LABOUR AND EMPLOYMENT

The population of Pakistan stood at 163.67 in mid 2008-09. If the existing trend remains unchanged, it will reach 167 million by the year 2010 and 194 million by 2020 (NIPS). The density of population per person is 185 *(2003)*.According to 2007 province wise demographic estimates of the planning and development division, Punjab has 55.46 percent of the total population of Pakistan. Sindh has 22.92 percent of entire population NWFP has 13.73 percent population. Baluchistan is the least populous with 5.15 percent of population while Islamabad has 0.7 percent population and Federally administered Tribal Areas have 2.37 percent of entire population.

Crude birth rate (CBR) measures the growth and crude death rate (CDR) measures the decline of a population. These also give the birth and death rates among a population of 1000. CBR in Pakistan is estimated at 25 while 10 years ago it was 31.7 which is a good trend, similarly CDR is 7.7 and about a decade ago it was 9. Both of these indicate that improvement on the population front is evident. This also shows that health statistics are gradually improving. Infant mortality rate was 81.1 in 1998 while it is 70.2 per thousand live births now. The decline explains that certain diseases have been controlled and there has been greater access to health care for the people.

Pakistan has a labour force of 51.78 million people. Women labour force has increased; which stood at 10.96 million that is 0.1 million more than the previous year. The total number of people employed was 49.09 that is 1.44 million more than the previous year. The supply of labour force in the economy and the composition of the country's human resource is determined by the labor force participation rate (LFPR). Crude activity rate is the currently active population expressed as a percentage of the total population in Pakistan. Crude activity has increased negligibly in 2007-08; it is 32.2 percent. Agriculture dominates the distribution of employed persons among all the major sectors leading at (44.65%) during 2007-08, manufacturing has the share of (12.99%). The *"Others"* category has the combined distribution of employed persons in several industries of (0.1%). During the period 1999-2000 to 2005-06, 11.33 million work opportunities were created, due mainly to the strong economic growth. However, in the subsequent year i.e. 2007-08, an increase of 1.44 million employed persons was seen.

13. POVERTY

The main objectives of government policies are to raise the standard of living and improve the socio-economic conditions of the people and thus reduce the incidence of poverty in the country.

Food prices have a significant bearing on poverty incidence. A review of price trends of essential items during 2007-08 indicates that the major portion of food inflation during this period stemmed from hike in the prices consumed by the poor household such as wheat, flour, rice, edible oil, vegetables and pulses. Since April 2007, the economy has witnessed over 200 percent increase in the price of palm oil; and an increase of 150 percent in wheat prices, while over 100 percent increase in the price of oil in the international market.

Moreover, economic growth has slowed down considerably during the last three years. The industry and construction sectors have contracted due to the domestic slowdown and energy shortage and also due to global recession. Thus job absorbing capacity of the economy shrank.

Based on the Federal Bureau of Statistics' PSLM data, the Centre for Poverty Reduction and Social Policy Development (CPRSPD), Planning and Development Division estimated a sharp decline in the headcount poverty ratio for 2007-08. However, these findings appear to contradict other assessments conducted subsequently, and which better reflect global and domestic price developments after June 2008. These subsequent assessments point towards a strong likelihood of a sharp increase in the poverty incidence in Pakistan as a result of unprecedented food inflation and transmission of international energy prices to domestic consumers.

The Report of a UN Inter Agency Assessment Mission fielded during June-July 2008 found that food security in Pakistan in 2007-08 had significantly worsened as a result of food price hike. The total number of households falling into this category was estimated to be seven million households or about 45 million people in 2008. The survey further indicates that more than 40 percent of households reported no change in income in 2008 since last year. Forty five percent of the population working as employees witnessed decrease in their real wages. The Report shows an increase in the share of severely food insecure population, from 23 percent in 2005-06 to 28 percent in 2008. The main findings indicate that the high food prices are undermining poverty reduction gains, as food expenditures comprise a large share of the poor's total expenditures and food price hike has severely eroded poor household purchasing power.

The Planning Commission's constituted Panel of Economists in its Interim Report based on 2004-05 poverty head count number of 23.9 percent suggested an increase of around 6 percentage points in poverty incidence for the year 2008-09. Similarly, the Task Force on Food Security based on the World Bank estimates of head count ratio of 29.2 percent in 2004-05 poverty estimated that poverty head count increased to 33.8 percent in 2007-08 and 36.1 percent in 2008-09 or about 62 million people in 2008-09 were below the poverty line.

Subsequent to the poverty estimates of 2007-08 produced by CPRSPD, a validation exercise was conducted by the World Bank. In its analysis, the World Bank disaggregated the full year estimate into quarterly estimated HCR and found an almost 4 to 5 percentage point increase in the last quarter of 2007-08, to around 21 percent.

The World Bank has estimated, using methodology consistent with that used by CPRSPD in its poverty estimation, and taking current projections of real GDP growth, that the poverty Head Count Ratio could rise to over 25 percent by 2009-10.

Given the flux produced by large changes in food and energy prices since late 2007, the government intends to commission a rapid household income and expenditure survey to better assess the current position regarding poverty incidence and vulnerability in the country. This survey is expected to be conducted shortly.

Second generation poverty reduction strategy paper (PRSP-II) built up on nine pillars has been finalized with an aim to reduce poverty by regaining macroeconomic stability. Social sector and poverty related expenditures are projected to be Rs 760 billion during 2008-09, constituting 5.86 percent of GDP which is in line with the fiscal responsibility and Debt Limitation Act 2005, stipulating that expenditures on social sectors should not be less than 4.5 percent of GDP in any given year.

During year 2008-09, government took various initiatives to combat poverty which included PPAF, micro finance SME operations, Benazir Income Support programme, Peoples Works programme, Pakistan Bait-ul-Mal and Punjab Government initiatives including tractor subsidy, sasti roti and Punjab food support scheme; which will help enhance absolute per capita income, and widen the scope to earn livelihood.

14. TRANSPORT AND COMMUNICATION

Transportation network of any country is of vital importance to its development and affects all sectors through economic linkages. It ensures safe and timely traveling, encourages business activities and cuts down transportation costs while granting access to producers for marketing their goods. Pakistan’s economic development partly depends on improvement/modernization of its transport sector accounting for 11 percent of GDP & 16 percent of fixed investment.

Pakistan has a vast road network covering 258,350 kilometers including 176,589 KM of high type roads and 81,761 KM of low type roads. Total roads network which were 229,595 Km in 1996-97, increased to 258,350 Km by 2008-09 indicating an increase of 12.5 percent. During the out-going fiscal year, the length of the high outgoing type road network increased by 1.3 percent but the length of the low type road network declined by 2.7 percent because most of the low typed roads have been converted to high type roads.

An effective railway system facilitates commerce and trade, reduces transportation cost and promotes rural development and national integration while reducing the burden on commuters. Pakistan Railway carried 63.0 million passengers and 5.4 million tons of freight during current fiscal year and its earning stood at Rs. 17442 million.

The outgoing year (2009) was also exceptionally difficult for PIA, as the airline was equally affected by the unprecedented increase in fuel cost coupled with weaker Pakistani-Rupee which severely hurt PIA and eventually it had to bear huge loss on its US $ loans. PIA international passenger traffic, excluding Hajj traffic registered an increase of 3.5 percent (passengers despite the seat (capacity) reduction of 2.3 percent. On domestic routes passenger traffic also registered an increase of 3.6 percent passengers, despite the seat (capacity) reduction of 7.4 percent. Hence in terms of capacity utilization, overall Passenger Seat Factor (excluding Hajj) increased to 74.5 percent during the year 2008 as compared to 70.3 in 2007 although Airline was constrained to mount less ASKs (Available Seat Kilometers) by 5.7 percent. Similarly, though Cargo capacity was also lowered by 13.8 percent during the year 2009. load factor compared to the year 2008 improved by 2.7 percent.

Karachi Port Trust (KPT) is contributing to the economic growth of the country, by its record cargo handled at KPT. During the first seven months of the current fiscal year, it posted a remarkable increase of 44.3 percent in exports handled at Karachi Port Trust during first nine months of current financial year 2008-09, Port Qasim Authority handled 18.01 million tones cargo depicting a shortfall of 9 percent over Jul 07-Mar 08 owing to global economic crisis. Pakistan National Shipping Corporation (PNSC) lifted 5762.2 million tones of liquid cargo and 865.0 million tons of dry cargo during the current fiscal year. The consolidated revenues of the Group for the quarter ending March 31, 2009 were Rs.9503 million during the period under review as against Rs.7,471 million for the corresponding period last year showing an increase of 27 percent.

Telecom sector of Pakistan exhibited positive but slow growth in terms of revenue, subscribers and teledensity. During the current fiscal year total teledensity reached to 60.6 percent. However, cellular segment leads the share in total teledensity by 93.7 percent followed by Fixed Local Loop (FLL) 3.8 percent and Wireless Local Loop (WLL) 2.5 percent. During the first 9 months of 2008-09, cellular Market added 3,422,599 subscribers with average of 0.3 million per month and total subscribers reached 91.4 million. Total fixed line subscribers in Pakistan stand at a total of 3.7 million as of March, 2009, yielding total teledensity of 2.3 percent. Total WLL subscribers stood at 2.5 million and density in the country touched 1.5 percent in March, 09. There are currently more than 12,000 cities/ towns/villages covered by WLL services.

15. ENERGY

The outgoing year has witnessed number of internal and external challenges in Pakistan's economy and shortfall in energy sector is among the major problems. During the current year, supply and consumption of energy remained lower than previous years. The consumption of energy remained low due to overall slow down of economy. While the major cause behind the lesser energy supplies remained circular debt issue in the energy sector. Energy shortages dragged the performance of economy especially large scale manufacturing.

The consumption of petroleum products, gas and coal during the first nine months (July-March 2008-09) of the current fiscal year decreased by 3.4 percent, 2.5 percent and 26.5 percent, respectively over the corresponding period of last year. On the other hand, supply of crude oil, petroleum products, coal, and electricity during the first nine months of the outgoing fiscal year 2008-09 decreased by 5.5 percent, 2.8 percent, 26.5 percent and 17.9 percent, respectively over the corresponding period of last year

Production of crude oil per day has decreased to 66,531 barrels per day during July-March 2008-08 from 70,165 barrels per day during the same period last year, showing a decrease of 5.2 percent. On average, the transport sector consumes 51.6 percent of the petroleum products, followed by power sector (33.1 percent), industry (10.3 percent), household (1.7 percent), other government (2.1 percent), and agriculture (1.1 percent) during last 10 years i.e. 1998-99 to 2007-08.

The average production of natural gas per day stood at 3,986.5 million cubic feet during July-March, 2008-09, as compared to 3,965.9 million cubic feet over the same period last year, showing an increase of 0.52 percent. On average, the power sector consumes 37.2 percent of gas, followed by industrial sector (20.4 percent), household (16.8 percent), fertilizer (19.8 percent), Transport (2.0 percent), commercial sector (2.7 percent) and cement (1.0 percent) during last 10 years i.e. 1998-99 to 2007-08.

The total installed generation capacity has increased to 19.754 MW during July-March 2008-09 from 19,566 MW during the same period last year, showing a marginal increase (1.0 percent). Total installed capacity of WAPDA stood at 11,454 MW during July-March 2008-09 of which, hydel accounts for 57.2 percent or 6,555 MW, thermal accounts for 42.8 percent or4, 899 MW. The number of villages electrified increased to 133,463 by March 2009 as compared to 126,296 by March 2008, showing an increase of 5.7 percent. Presently, some 2.700 CNG stations are operating in the country. By March 2009 about 2.0 million vehicles were converted to CNG as compared to 1.70 million vehicles during the same period last year, showing an increase of 17.6 percent. With these developments Pakistan has now become the largest CNG using country.

16. ENVIRONMENT

The Government of Pakistan has declared 2009 as the National Year of Environment. In this regard the current year was kicked off with a Regional level workshop on Climate Change, which was inaugurated by the Prime Minister of Pakistan. A Medium Term Development Framework 2005-2010 (MTDF) adopted by the GoP in mid-2005 coincided with the approval of a new and far-reaching National Environmental Policy (NEP), with the goal to *"protect, conserve and restore Pakistan's environment in order to improve the quality of life of the citizens through sustainable development", and establishing directions for water supply and management, air quality, waste management, forestry, biodiversity, energy efficiency, and agriculture.* The Government has also made a considerable increase in its fund allocation for Environmental projects in the Public Sector Development Programme (PSDP).

Realizing the importance and role of sanitation in the improvement of environment as well as the commitment to achieve the MD sanitation goals, the MoEnv presented the National Sanitation Policy of Pakistan before the Federal Cabinet soon after the Second South Asian Conference. The Ministry in collaboration with UNICEF, Water & Sanitation Programme (World Bank), Water Aid, Rural Support Programme Network (RSPN) etc, launched awareness and training programmes in the year 2008, the International Year of Sanitation (IYS 2008). Installation of water filtration plants in different areas is underway, the implementation of which is targeted to be completed within this fiscal year.

The latest figures released by the MoEnv estimated that about 38 percent of Pakistan's irrigated land is waterlogged; the productivity of soil is being lost due to salinity and sodicity. To achieve the MDGs target of vegetation cover of 6 percent by 2015, the Planning Commission proactively interacted with the MoEnv and the Provincial Forest Departments to come up with project for afforestation/ reforestation to meet the MTDF and MDGs targets. The President of Pakistan launched a Mass Afforestation Programme on December 22, 2008. This programme will be spread over a period of five years and shall largely be sponsored by private entrepreneurs for planting trees on state and other suitable lands.

Climate Change is also a mater of concern for Pakistan because of the impact it will have on glaciers releasing water for crops. Planning Commission has recently established a task force to investigate the impact of climate change on the country's agriculture, economy and natural resources. The Government also initiated the Technical Advisory Panel (TAP) Feb 2008 on Climate Change. So far, the Government has taken significant initiatives in collaboration with international agencies to address complex issues responsible for environmental degradation. A pragmatic approach towards multifarious challenges requires in depth and focused research, without which desired results will remain unachievable.

Chapter No. 1

Growth and Investment

I. INTRODUCTION

Pakistan's economy weathered an unprecedented set of challenges during 2008-09. The outgoing fiscal year witnessed the culmination of four separate, and severe, shocks that Pakistan has had to endure over the course of the past two years. The first negative shock to the economy emanated from a severe macroeconomic crisis that resulted from policy-induced imbalances of the past several years that had assumed unsustainable proportions by 2007-08. This was reinforced by a second shock involving a large deterioration in Pakistan's net external terms of trade as a result of the spike in world commodity prices that had occurred during 2007 and a large part of 2008. Largely as a result, the economy suffered a significant supply shock, especially in the case of provision of energy. In addition to the foregoing, a third shock Pakistan has had to grapple with emanated from the adverse effects of the turmoil in global financial markets which has resulted in a collapse of external demand for its exports, and a sharp decline in the availability of external capital to finance its fiscal and current account deficits.

A spill-over effect of the global financial crisis was felt on market and investor confidence in many developing countries, including Pakistan, as banking systems and asset markets came under periods of stress. Finally, 2008-09 witnessed the intensification of an unprecedented domestic security challenge which has exacted an extremely high cost on the economy, both in terms of direct costs of the fight against extremism, as well as in terms of a knock-on effect on investment inflows and market confidence. A significant collateral impact has been borne by Pakistan in terms of the squeezing of fiscal space for critical development and social sector expenditures.

The cumulative effect of these challenges has been a significant loss of growth momentum in the economy. Real GDP growth in the outgoing year is now estimated at 2 percent, compared to a revised 4.1 percent in the previous fiscal year, with the commodity producing sector recording a rise of only 0.2 percent – the lowest since 1992-93. Gross fixed investment declined substantially, from 20.4 percent of GDP in 2007-08 to 18.1 percent provisionally in 2008-09, with a significant fall in investment by the private sector.

In response to the challenges outlined above, the government of Pakistan strongly committed itself to restoring macroeconomic stability as well as the confidence of markets and investors after assumption of office in March 2008. To this effect, general subsidies on fuel and food were withdrawn through large increases in administered prices during 2008-09, among other measures in a wider home-grown stabilization programme that was implemented with support and endorsement of the IMF. A pivotal element of the stabilization program included putting in place direct income support measures to protect the poor and vulnerable sections of the population. The government is now expanding the social safety net to a broader platform of social development, the scale of which is unprecedented in Pakistan's history.

In addition, and equally fundamentally, a comprehensive and integrated medium term strategy has been evolved, which is embedded in the government's "9-point" program [see Box-1] to increase productivity, efficiency, and competitiveness of the economy, and to ensure high growth rates that are both sustainable as well as more equitable.

Box-1 : The government's "9-point" Plan

An assessment conducted by the Planning Commission (PC) and the Prime Minister's Economic Advisory Council (EAC) over end-May to September 2008, broadly identified nine areas as priorities for deep, broad-ranging, and sustained policy intervention with a view to addressing deep-seated structural impediments to sustained and more equitable economic growth. The nine areas are:

1. Macroeconomic Stabilization
2. Social Development, including Social Protection
3. Agriculture
4. Industrial Competitiveness
5. Human Capital Development
6. Energy
7. Capital Markets
8. Public-Private Partnerships for Infrastructure
9. Institutional/Administrative Reform

These nine points form the pillars of the government's poverty reduction strategy as articulated in the Poverty Reduction Strategy Paper (PRSP) – II.

While the economic environment in Pakistan remained inhospitable for growth and investment during the first half of 2008-09, firm policy action to restore macroeconomic stability paid off dividends by December. The Rupee stabilized, after losing 19.3 percent in value against the US Dollar. This occurred on a build-up of foreign exchange reserves from November onwards, when Pakistan entered an IMF program, after the country's international liquidity had declined to an import cover of only several weeks. Confidence in the banking system and financial markets was largely restored from December, with the second half of 2008-09 exhibiting greater stability and positive trends in virtually all macroeconomic indicators barring inflation.

Despite the negative effects on the economy of a host of challenges during 2008-09, especially with regard to growth, viewed in a global context Pakistan's economic performance has not been out of sync with its peers, as highlighted in the following section.

Global developments

The global financial crisis which was ostensibly triggered by a deterioration of sub-prime mortgage loans in the US in mid-2007, has assumed unprecedented scale, magnitude and depth since. The International Monetary Fund (IMF) has revised downward its latest forecasts for world economic growth to a decline of 1.3 percent in 2009, the first global contraction in nearly sixty years. The predicted outturn by the IMF compares with an expansion in the global economy of 3.2 percent in 2008, and a recent peak of 5.2 percent in 2007. It now expects real GDP growth in *advanced economies* to fall 3.8 percent in 2009, from 0.9 percent in 2008, while the previously torrid pace of growth in *developing countries* is estimated by the IMF to decelerate to 1.6 percent from 6.1 percent a year earlier.

The economic and social costs of the severe shock to the global economy are massive. According to the World Trade Organisation (WTO), world trade is expected to shrink 3.5 percent in 2009, after a 6.2 percent expansion in 2008 – the first decline in international trade since 1982. The International Labour Organisation (ILO) recently predicted global job losses could touch 30 to 50 million by the end of 2009, while the Asian Development Bank (ADB) has projected that the ranks of the poor in Asia alone could rise by 230 million by 2010 – an increase of over 50 percent of the region's population.

The global financial crisis is impacting the real and social sectors of developing countries through multiple channels. As the process of globalization intensified over the past two decades, the linkages between developed and developing economies have deepened as well as broadened. Foremost amongst these linkages is international trade. The collapse in global demand will drive exports down by roughly 9 percent in volume terms in 2009 — the biggest contraction since the 2nd World War. The contraction in developed countries will be particularly severe with exports falling by 10 percent this year. In developing countries exports will shrink by some 2-3 percent in 2009.

The social and economic development of a host of developing economies since the 1970s, beginning with the East Asian countries, followed by China, India, Vietnam and a few others, led to the globalisation of the international production chain. Better communication, cheaper and faster transportation, and wage-arbitrage all played an important role in the global dispersion of production facilities of the world's largest companies, and formed the basis for the export-led success of most rapidly developing emerging economies. Another equally important linkage that developed over the decade of the 1990s was via financial flows. According to World Bank/ Institute of International Finance (IIF), private capital flows to emerging economies rose from US$ 74 billion in 1990 to US$ 359 billion by 2007. For emerging Asia alone, the IIF estimates a drop in net private capital flows to US$ 65 billion in 2009, from a peak of US$ 315 billion in 2007. Credit flows to the region are expected to contract by US$ 21 billion from the 2007 peak of US$ 202 billion, while equity-related flows are expected to decline to nearly US$ 86 billion in 2009 from US$ 113 billion in 2007.

Yet another potential transmission channel of the global financial crisis is worker remittances. According to the IMF/World Bank's Global Monitoring Report, 2009 worker remittances to all developing countries totaled nearly US$307 billion in 2008, making up a larger source of external capital for emerging economies than official assistance. Based on current estimates by the IMF/World Bank, inflows of international worker remittances are expected to decline nearly 5 percent in 2009, as dislocation in host country labour markets feeds through to either job losses in the expatriate workforce or lower wages and incomes. Such an outturn could lower the overall income of remittance-dependent households in countries of origin of the expatriate labour force.

Finally, an important transmission channel is international prices of commodities. The sharp decline in world prices of commodities following the eruption of the global financial crisis has hurt commodity net-exporting countries, while providing an extremely significant offset to the adverse effects of the crisis for commodity net-importing countries. The steep and unprecedented rise in world prices of commodities, especially oil, in the run up to the crisis impacted net-importing countries in a variety of ways including via high inflation, strained public finances and balance of payments, pressure on the exchange rate, and higher interest rates.

In Pakistan's case, the dominant effects of the global financial crisis are being transmitted through the external trade and capital flows channels, while prospects for worker remittances remain a wild card at this stage. After a period of healthy growth, Pakistan's export receipts have begun to plummet since November 2008, with year-on-year growth declining to contraction of 23.9 percent in April 2009. With over 60 percent of its exports routed to *advanced economies*, mainly the US and Europe, Pakistan is extremely vulnerable on this front. In terms of external financing, Pakistan's vulnerability is also quite acute. For the period July 2008 to April 2009, inflows into the financial account declined 44 percent, with a substantial contraction in all categories of capital inflows, including private as well as official capital.

While the *advanced economies* appear to have borne the brunt of the economic impact of the crisis, at least in terms of reduction in headline economic growth and the costs of recapitalizing the banking system, *developing countries*, where the bulk of the world's poor and vulnerable reside, will inevitably have to suffer disproportionately greater social consequences of this crisis. With public finances coming under strain, the enormous challenge of up-scaling inadequate social safety nets is likely to overwhelm the capacity to manage for many developing countries, especially smaller economies that were well-integrated with the world economy at the start of the global financial crisis.

To mitigate the adverse effects of the various shocks to the economy stemming from both exogenous as well as endogenous developments, the government has launched a wide-ranging social safety net, which initially involves a cash transfer program (the Benazir Income Support Programme – BISP) that will target 7 million poorest households in the country. At the same time, the government is expanding the social protection plank to a much broader social development platform that will include skills development, health interventions, employment via small works programs, as well as a host of other policy measures. This is the largest and most ambitious social development intervention in Pakistan's history.

Notwithstanding the intensity of the multiple shocks Pakistan's economy has had to face over the past two years, in relative terms, its economy has exhibited a fair degree of resilience. Compared to other countries affected by the global financial crisis, it is remarkable that Pakistan is among a handful of countries with a positive rate of growth, and among a very few with the lowest decline in real GDP growth (see Table 1.1).

The worst ever global financial crisis has had serious repercussions for the developed and the developing markets. The fallout has spread through an extensively interlinked global financial market and resulted in a tightening of credit and general drying up of liquidity. The crisis is not limited to the meltdown of financial markets, the real economy at the national and international levels, its institutions; its productive structures are also in jeopardy. The financial meltdown inevitably backlashes on the process of investment in the production of goods and services.

The world economy is likely to contract by 1.3 percent in 2009 with almost all developed countries are to post negative growth. Despite numerous stimulus packages and government action of unprecedented scale and nature, advanced economies are expected to contract by 3.8 percent in 2009. The world's largest economy US is projected to contract by 2.9 percent in 2009, further down from positive growth of 1.1 percent in the previous year.

European economies were initially thought to be quasi-insulated against contagion of financial crisis and consequently policy response to the crisis was lacklustre. However, soon fallout of the financial crisis engulfed the Euro area and contraction in trade volumes crippled Euro area growth powerhouses like Germany. Resultantly, growth in the Euro area slowed to a meager 0.9 percent in 2008, and is projected to contract by 4.2 percent in 2009.

In emerging economies, the slowdown manifested itself through various channels like volatility in the financial markets led to a flight of capital. Furthermore, constricted access to external financing and widening spreads on sovereign bonds to record levels are apparent. Growth in world trade volumes fell to 3.3 percent in 2008, as compared to 7.2 percent in 2007, and is expected to contract substantially by 11 percent in 2009. Exports from developing economies are projected to contract by 6.4 percent during the same period and developing economies started experiencing substantial slowdown in growth in 2008, with real GDP growing at 6.1 percent as compared to robust growth of 8.3 percent in 2007. Growth in these economies is projected to slow down further to 1.6 percent in 2009.

Emerging economies have already seen the spreads on sovereign and corporate debt widening, and a retreat in equity prices as a result of the global crunch. East Asian tigers Malaysia, Thailand, Korea, Philippines and Singapore all are prospective candidate for posting negative growth. Pakistan, India, Indonesia, Bangladesh and Sri Lanka are the rare positive growth depicters around the globe. The effects of adverse developments at global level have been felt unevenly and countries with weaker macroeconomic fundamentals taking a bigger hit.

The fallout has been complicated further by ever increasing globalization and inter-weaving connectivity of financial markets. There might be no quick fix to the current situation, but all efforts must be made through monetary and fiscal responses with reforms in the financial sectors. Developing countries need to keep a close eye on inflation, while guarding against any spill-over effects from the slowdown.

Macroeconomic imbalances continue to pose a risk to stimulus efforts. The payment imbalances are part of a wider problem of imbalances in the global economy. The main risk posed by these global imbalances is a disorderly resolution of the problem for example, an abrupt adjustment of exchange rates and interest rates, with obvious implications for emerging market debt.

Table-1.1:Comparative Real GDP Growth Rates (%)

Region/Country	2005-06	2006-07	2007-08	2008-09	Diff (FY09-FY-08)
World GDP	**5.1**	**5.2**	**3.2**	**-1.3**	-4.5
Euro Area	2.9	2.7	0.9	-4.2	-5.1
United States	2.8	2.0	1.1	-2.8	-3.9
Japan	2.0	2.4	-0.6	-6.2	-5.6
Germany	3.0	2.5	1.3	-5.6	-6.9
Canada	2.9	2.7	0.5	-2.5	-3.0
Developing Countries	8.0	8.3	6.1	1.6	-4.5
China	10.4	10.7	10.4	10.7	0.3
Hong Kong SAR	7.0	6.4	2.5	-4.5	-7.0
Korea	5.2	5.1	2.2	-4.0	-6.2
Singapore	8.4	7.8	1.1	-10.0	-11.1
Vietnam	8.4	8.2	8.4	8.2	-0.2
	ASEAN				
Indonesia	5.5	6.3	6.1	2.5	-3.6
Malaysia	5.8	6.3	4.6	-3.5	-8.1
Thailand	5.2	4.9	2.6	-3.0	-5.6
Philippines	5.4	7.2	4.6	0.0	-4.6
	South Asia				
India	9.8	9.3	7.3	4.5	-2.8
Bangladesh	6.5	6.3	5.6	5.0	-0.6
Sri Lanka	7.7	6.8	6.0	2.2	-3.8
Pakistan	***5.8***	***6.8***	***4.1***	***2.4***	-1.7
	Middle East				
Saudi Arabia	3.0	3.5	4.6	-0.9	-5.5
Kuwait	5.1	2.5	6.3	-1.1	-7.4
Iran	5.8	7.8	4.5	3.2	-1.3
Egypt	6.8	7.1	7.2	3.6	-3.6
	Africa				
Algeria	2.0	3.0	3.0	2.1	-0.9
Morocco	7.8	2.7	5.4	4.4	-1.0
Tunisia	5.5	6.3	4.5	3.3	-1.2
Nigeria	6.2	6.4	5.3	2.9	-2.4
Kenya	6.4	7.0	2.0	3.0	1.0
South Africa	5.0	4.8	5.1	5.0	-0.1

Source: World Economic Outlook (IMF), April 2009.

Structural transformation-led growth

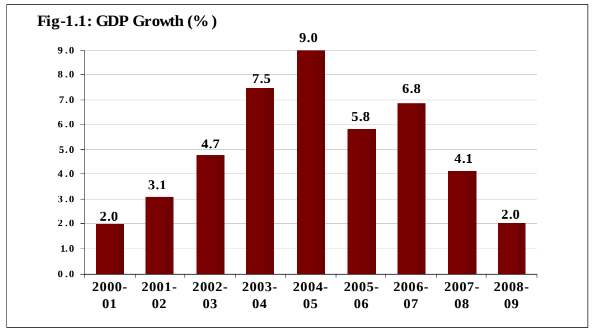
After several years of strong economic expansion, Pakistan experienced a full-blown macroeconomic crisis beginning early 2008. While the immediate trigger appeared to be the large terms of trade shock that buffeted Pakistan – and other commodity-importing developing countries – since 2007, in fact the crisis had more "classic" roots: economic growth powered by large capital inflows, a growing fiscal imbalance accompanied by large-scale monetisation of the deficit, a credit bubble in the economy, and an increasingly overvalued exchange rate.

Hence, Pakistan's vulnerabilities were already quite pronounced well before the start of the global crisis. Both external as well as internal imbalances in the economy had risen sharply in the wake of the growth episode of fiscal 2003 to 2008. The external current account had swung from a surplus of 4.9 percent of GDP in 2002-03 to a deficit of 5.1 percent of GDP in 2006-07, before widening to a historic high of over 8.5 percent of GDP in fiscal 2007-08. The fiscal deficit had risen somewhat more moderately prior to the crisis, to 4.3 percent of GDP in 2006-07, before ballooning to 7.6 percent of GDP in 2007-08, largely on account of policy inaction in reducing energy and food subsidies.

In the case of the twin deficits, the imbalances were being financed via a heavy reliance on external financing. In 2007, portfolio capital inflows "financed" almost 50 percent of the external current account deficit – underscoring Pakistan's vulnerability to "sudden stops" – while 70 percent of the fiscal deficit in 2008 was budgeted to be financed by external inflows, i.e. official capital, proceeds from privatisation and divestment (mainly by issuance of Global Depositary Receipts), and issuance of global sovereign bonds.

Ultimately, the virtual drying up of flows of confidence-sensitive capital to Pakistan led to a massive monetisation of the fiscal deficit in 2007 and 2008. Not surprisingly, public debt had begun to rise fairly significantly, especially with reference to revenues, thus reversing the favourable debt trajectory established post-2001. Finally, inflation had begun to crawl upwards due to the unfavourable combination of a growing output gap in the economy, and increasing monetisation of the fiscal deficit.

Despite marginal success in introducing incremental economic reform, Pakistan missed a unique opportunity over the past several years to fundamentally restructure the economy. The painful lack of fundamental structural reform in the past several years before the current government took over is manifested in the low, and declining, tax to GDP ratio – amongst the lowest in the world. The combination of weak tax administration, an exemptions-ridden tax system, and a questionable introduction of the universal self-assessment scheme in terms of sequencing (in the absence of risk-based audits), has dealt a severe blow to Pakistan's efforts to broaden the tax base.



The continued strain imposed by public sector enterprises (PSEs) on fiscal resources is another important area of public finances where desired results could not be achieved, despite the large-scale losses imposed on the economy year after year. In aggregate, the charge on the budget on account of absorption of explicit as well as implicit contingent liabilities losses of the PSE's crossed Rs 217 billion in 2007-08, the equivalent of over 2.1 percent of GDP.

Cognizant of the limitations of the growth strategy followed in the past, which has invariably produced boom-bust cycles, and has invariably been followed at various intervals by a balance of payments crisis, the present government is embarking on a fundamental change of the development paradigm. The new growth strategy is embodied in the government's "nine-point" plan, and seeks to foster sustainable and more equitable growth by means of structural improvements in the productive sectors of Pakistan's economy.

After analyzing the overall growth, investment and consumption, it is imperative to look into the growth performance of the various components of Gross National Product for the year 2008-09 in the historical context. The performance of the various components of national income over the last two and a half decades is summarized in Table 1.2.

Table 1.2: Growth Performance of Components of Gross National Product

(% Growth At Constant Factor Cost)

	1980's	1990's	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Commodity Producing Sector	**6.5**	**4.6**	**4.2**	**9.3**	**9.5**	**5.1**	**6.6**	**1.4**	**0.2**
1. Agriculture	5.4	4.4	4.1	2.4	6.5	6.3	4.1	1.1	4.7
- Major Crops	3.4	3.5	6.8	1.7	17.7	-3.9	7.7	-6.4	7.7
- Minor Crops	4.1	4.6	1.9	3.9	1.5	0.4	-1.0	10.9	3.6
- Livestock	5.3	6.4	2.6	2.9	2.3	15.8	2.8	4.2	3.7
- Fishing	7.3	3.6	3.4	2.0	0.6	20.8	15.4	9.2	2.3
- Forestry	6.4	-5.2	11.1	-3.2	-32.4	-1.1	-5.1	-11.5	-15.7
2. Mining & Quarrying	9.5	2.7	6.6	15.6	10.0	4.6	3.1	4.4	1.3
3. Manufacturing	8.2	4.8	6.9	14.0	15.5	8.7	8.3	4.8	-3.3
- Large Scale	8.2	3.6	7.2	18.1	19.9	8.3	8.7	4.0	-7.7
- Small Scale *	8.4	7.8	6.3	-20.0	7.5	8.7	8.1	7.5	7.5
4. Construction	4.7	2.6	4.0	-10.7	18.6	10.2	24.3	-3.9	-10.8
5. Electricity & Gas Distribution	10.1	7.4	-11.7	56.8	-5.7	-26.6	4.7	-22.0	-3.7
Services Sector	**6.6**	**4.6**	**5.2**	**5.8**	**8.5**	**6.5**	**7.0**	**6.6**	**3.6**
6. Transport, Storage and Comm.	6.2	5.1	4.3	3.5	3.4	4.0	4.7	5.7	2.9
7. Wholesale & Retail Trade	7.2	3.7	6.0	8.3	12.0	-2.4	5.8	5.3	3.1
8. Finance & Insurance	6.0	5.8	-1.3	9.0	30.8	42.9	14.9	12.9	-1.2
9. Ownership of Dwellings	7.9	5.3	3.3	3.5	3.5	3.5	3.5	3.5	3.5
10.Public Administration & Defence	5.4	2.8	7.7	3.2	0.6	10.1	7.1	1.2	5.0
11.Services	6.5	6.5	6.2	5.4	6.6	9.9	7.9	10.0	7.3
12.GDP (FC)	**6.1**	**4.6**	**4.7**	**7.5**	**9.0**	**5.8**	**6.8**	**4.1**	**2.0**
13.GNP (FC)	5.5	4.0	**7.5**	**6.4**	**8.7**	**5.6**	**6.7**	**4.1**	**2.6**

**** Slaughtering is included in small scale sector*** ***Source: FBS***

II. Commodity Producing Sector (CPS)

The Commodity Producing Sector (CPS) has been severely ignored during the last eight years. It is comprised of production sectors like agriculture and industry. It accounts for 46.2 percent of the GDP. Notwithstanding stellar growth performance by the agriculture sector, CPS was mainly responsible for modest GDP growth at 2 percent. Barring agriculture, the growth performance of its main components remained lackluster at best. In the industrial sector the only positive growth came from a relatively smaller subsector mining &quarrying and thus it witnessed a negative growth of 3.6 percent which was neutralized by a positive growth of 4.7 percent by the agriculture sector which helped in depicting overall marginal positive growth of 0.2 percent by the CPS. This is the worst performance of the CPS in more than a decade [See Table 1.2].

II.i. Agriculture

The share of agriculture in GDP has been falling persistently. It accounted for 25.9 percent of GDP in 1999-2000; however, gradually its share shrank to 21.3 percent in 2007-08 but improved slightly to 21.8 percent of GDP in 2008-09. Notwithstanding its declining share it remains the single largest sector of Pakistan's economy and an overwhelming majority of the population depends directly or indirectly on income streams generated by the agriculture sector. The agriculture sector remained the dominant sector with its job absorption ability and it still absorbs 44 percent of the country's labour force. It gives a kick-start to aggregate demand for industrial goods and services as well.

The agriculture sector consists of crops, livestock, fishing and forestry sub-sectors. The crop sub-sector is further divided into major crops (primarily wheat, cotton, rice, sugarcane, maize and gram) and minor crops (such as pulses, potatoes, onions, chilies and garlic). Historically, the crops sub-sector has had the largest share of the agriculture sector, but with changing patterns of income and expenditure, the crop sector accounts for 45 percent of agriculture. The crop sector has the potential to influence the overall performance of the agriculture sector and it has spearheaded the growth in the agriculture sector. Recent trends point towards a reduction in the share of the crops sub-sector. The share of crops in agriculture has declined from 65.1 percent in 1990-91 to 45.4 percent in 2008-09. Global integration, rising incomes and living standards as well as changing dietary patterns across regions have caused a paradigm structural shift. The share of livestock in agriculture has increased from 29.8 percent to 51.8 percent in the same period.

Agriculture sector has depicted a stellar growth of 4.7 percent as compared to 1.1 percent witnessed last year and a target of 3.5 percent for the year. The improved performance is mainly attributed to a sharp pick-up in the major crops sub-sector on the back of exceptionally good performance of wheat, cotton, rice, maize and gram. The only major crop which performed below par was sugarcane. As a result of this impressive performance this sub-sector grew by 7.7 percent in 2008-09. ***Minor crops*** registered a growth rate of 3.6 percent compared to the target of 2.0 percent and an impressive growth of 10.9 percent last year. Smaller sub-sector fishing posted a modest growth of 2 percent while forestry continued its historical negative growth by declining by 15.7 percent. A detailed analysis of the performance of each of the sub-sectors of agriculture is given below:

II.i.a. Major crops accounting for 33.4 percent of agricultural value added registered an impressive growth of 7.7 percent compared to a negative growth of 6.4 percent last year and a target of 4.5 percent. Almost all major crops recorded double digit growth except sugarcane where production is down by 21.7 percent. The wheat which accounts for 12.1 percent of the agriculture and 37.1 percent of major crops has witnessed a record crop at 23.4 million tons — higher by 11.7 percent over last year's crop size. The other two major crops rice and gram also broke all previous records of production. Rice accounts for 5.4 percent of overall agriculture and 16.6 percent of the major crops. It witnessed an increase of 25 percent in production whereas relatively smaller stakeholder gram grew by 60 percent. The important crop cotton, with 7.4 percent stake in agriculture and 22.7 percent in value addition of major crops, grew modestly by 1.4 percent and its production at 11.8 million bales is below par. Other major crops jawar, tobacco, barley, oil seeds and maize depicted mixed trends but their stake is small.

II.i.b. Minor crops, accounting for 12 percent of value added in overall agriculture, grew by 3.6 percent which is far below the 10.9 percent growth last year. Production of pulses has declined by 8.9 percent which has added to the supply side shock to the food inflation. Vegetables recorded marginal growth of 0.9 percent. The production of all fruits grew by 3.1 percent, out of which production of citrus fruits grew marginally by 0.1 percent whereas production of other fruits including dry fruits grew by 4.1 percent.

II.i.c. Livestock. With rising incomes, globalization and changing dietary patterns, the consumption of livestock products has increased significantly. The price of livestock items has remained a major contributor to inflationary pressures in Pakistan's economy. The demand for livestock has grown at a phenomenal pace. The upsurge in prices has provided incentives for greater production and thus prospects for growth. The government has also placed great focus on this important sector which accounts for 52.3 percent of value addition in the agriculture sector. The importance of this sector can be gauged by the fact that the livelihoods of about 36 million people in the rural areas depend directly or indirectly on the livestock and dairy sector. It is a highly labour–intensive and job creating sector. Its share in agriculture is much more than the combined shares of major and minor crops. It accounts for 11.3 percent of GDP. Accordingly, it has emerged as a major alternative source of income, particularly for the landless rural poor. Livestock includes: cattle, buffalos, sheep, goats, camels, horses, asses and mules. The livestock sector grew by 3.7 percent in 2008-09 compared to 4.2 percent last year. Poultry

& products grew by 11.2 percent while milk production grew by 3.2 percent only.

II.i.d. Fisheries: The fisheries sector accounts for only 0.4 percent of GDP and witnessed a growth of 2.3 percent against the target of 3.4 percent and actual outcome of 9.2 percent for last year. Components of fisheries such as marine fishing and inland fishing, contributed to an overall increase in value addition in the *fisheries* sub-sector. Marine fisheries registered a growth of 3.9 percent compared to 4.9 percent last year. Inland fish segment also registered a growth of 1.6 percent compared to 11.1 percent last year.

II.i.e. Forestry: Forestry accounts for 0.2 percent of GDP and value addition contracted by 15.7 percent compared to a contraction of 11.5 percent last year. The forestry sector is depicting negative growth for the sixth year in a row. Forests are a key component of our environment, degradation of which can pose severe socio-economic challenges for the generations to come.

II.ii. Manufacturing

The manufacturing sector has been hard hit by international and domestic factors. Political instability and frequent eruptions of incidents detrimental to law and order have created an uncertain environment resulting in loss of working hours. This sector has also fallen victim to the acute energy shortages. Continuous power breakdowns are preventing industries from operating at far less than their optimal level. In unison with the increasing cost of doing business, all these factors have caused a slowdown in output.

The ***manufacturing sector*** is witnessing erosion of share in the GDP to 18.2 percent which is the lowest ever share of it in the last five years. The process of deceleration in growth that started in the fiscal year 2004-05 continued unabated partly because of acute energy shortages but more importantly owing to structural problems. Output in the manufacturing sector has contracted by 3.3 percent in 2008-09 as compared to expansion of 4.8 percent last year and an over-ambitious target of 6.1 percent. ***Small and medium manufacturing sector*** maintained its healthy growth of last year at 7.5 percent.

Large scale manufacturing which accounts for 12.1 percent stake in GDP faced the most difficult period of its recent history and depicted a negative growth of 7.67 percent during July-March 2008-09 compared to 4.0 percent positive growth in the same period last year. Main items showing positive growth included; fertilizer (21.5 percent), non-metallic mineral products (4.8 percent), chemicals (3.8 percent), leather products (2.9 percent), paper & paper board (2.9 percent) and engineering products (0.8 percent). Major items showing decline in production included automobiles (-39.0 percent), electronics (-31.3 percent), petroleum products (-9.2 percent), food & beverages (-10.5 percent), rubber products (-4.0 percent), and iron & steel products (-5.6 percent). There was negative growth all around in all major groups with one or two exceptions. This implies that the large-scale manufacturing sector is exhibiting signs of moderation since 2004 on the one hand and acute power shortages along with several other factors like the rising cost of doing business, demand compression in the export sector, and deteriorating law and order situation in the country. The negative growth of 20.7 percent in the month of March 2009 may have been caused due to the massive disruption in economic activity because of the long-march for almost two weeks. The LSM growth is adversely impacted by a sharp reduction in demand from both domestic and international factors.

II.iii. Mining and Quarrying

Extraction of minerals and ores through efficient mining and quarrying provides convenient and economical access to raw materials and provides a competitive edge to developing countries. The mining and quarrying sector witnessed the lowest ever growth in almost one decade and grew by 1.3 percent in 2008-09 as compared to 4.4 percent growth last year and a target of 5.0 percent. The contribution of this sector towards GDP has remained low at around 2.5 percent. Within the sector, the output of crude oil and coal has decreased by 3.0 percent and 2.0 percent, respectively. The production of natural gas has increased by 1.3 percent. Because much of the country's mining reserves exist in remote areas, infrastructure improvements are necessary to attract higher investment in this sector and as investment in mining is coming from abroad, improvement in the security situation is crucial in boosting this sector.

II.iv. Services Sector

In recent times the importance of the services sector has increased all around the world and it emerged as the main driver of economic growth around the world. Pakistan has also seen a major transformation in the economic structure and the share of the services sector has risen to 53.8 percent in 2008-09. The services sector grew by 3.6 percent against the target of 6.1 percent and actual outcome of 6.6 percent. This implies a major correction from last year's growth as well as the target for the year.

The services sector has made a contribution of 96 percent to the GDP growth. The services sector has been an important contributor to Pakistan's economic growth over the past five years by growing at an average of 6.6 percent annually since 2003-04. The continuing buoyant trend, even while growth in the industrial sectors has been slowing, implies that the services sector in Pakistan has been relatively insulated from the challenges faced by the rest of the economy and has been better able to cope with them.

The sector consists of the following sub-sectors: Transport, storage and communication; Wholesale & Retail Trade; Finance and Insurance; Ownership of Dwellings; Public Administration and Defence; and Social Services. ***Finance and insurance sector*** displayed a stellar growth performance by posting double digit growth for the last few years. However, on the eve of the global financial meltdown the contagion is well observed in Pakistan's banking and financial sector. The growth in the financial sector slowed down to 12.9 percent in 2007-08 but registered a negative growth of 1.2 percent in 2008-09. The performance of this sector shows that Pakistan's financial sector is integrated in the world economy and feeling the heat of the financial crisis plaguing international financial markets. The ***Transport, Storage and Communication*** sub-sector depicted a sharp deceleration in growth to 2.9 percent in 2008-09 as compared to 5.7 percent of last year. Value added in this ***sector*** is based primarily on the profits and losses of Pakistan Railways, Pakistan International Airlines and other airlines, Pakistan Posts & Courier Services, Pak Telecom and motor vehicles of different kinds on the road. Mechanized road transport has depicted a growth of 2.9 percent, followed by road transport (6.4 percent), communication sector (3.6 percent) and storage (2.7 percent). The value addition of Pakistan Railways has declined by 6.4 percent. Other sectors that showed a decline are; air transport (2.1 percent) and pipeline transport (8.0 percent). Value added in the ***wholesale and retail trade sector*** is based on the margins taken by traders on the transaction of commodities traded in the wholesale and retail market. In 2008-09, this sector grew at 3.1 percent as compared to 5.3 percent last year and the target for the year of 5.4 percent.

Public administration and defense posted a stellar growth of 5.0 percent as compared to 1.2 percent in 2007-08. The estimates of this sector are based on budgeted figures of federal, provincial, district and local governments. The performance of this sector far outstripped the target of 4.0 percent mainly due to a positive change in the wage component of public sector employees, and an increase in defense and security related expenditures. Growth in the ***Ownership of Dwellings*** has remained constant at 3.5 percent for the past 5 years. ***Social Services Sector*** grew by 7.3 percent which is slightly higher than the target of 7.0 percent but lower than last year's actual growth of 10 percent.

III. Contribution to Real GDP Growth (Production Approach)

The contribution to economic growth is spearheaded by the services sector with 96.1 percent stake while only 3.9 percent contribution came from the Commodity Producing Sector (CPS). One of the important components of CPS, agriculture alone contributed 50.1 percent to real GDP growth; however, this is more than neutralized by 50.4 percent negative contribution from large-scale manufacturing. Thanks to 16.7 percent positive contribution from small-scale manufacturing, the overall negative contribution of the manufacturing sector stood at 31.9 percent.

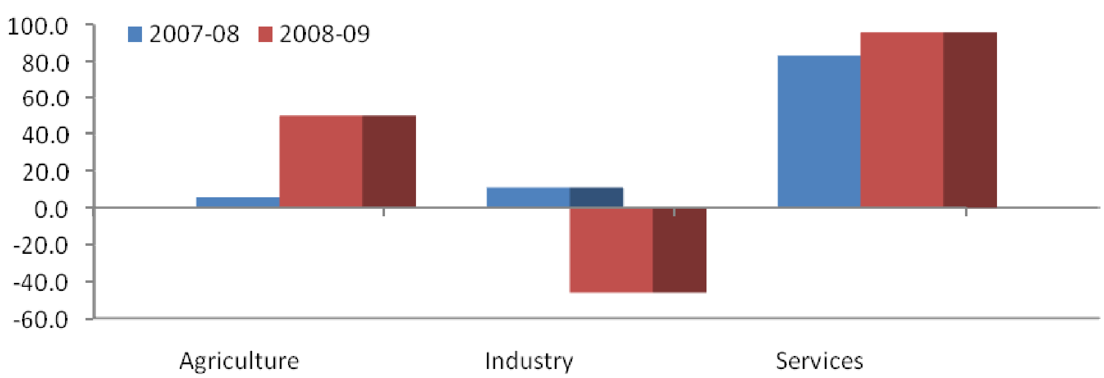
The Commodity Producing Sector has been overshadowed by another year of exceptional growth in the Services sector. The modest growth of just 2.0 percent is shared between CPS (0.08) and services sector (1.92). Within the CPS, agriculture contributed 1.0 percentage points or 50.1 percent to overall GDP growth (a significant increase from its contribution of only 5.0 percent last year) while industry dragged 0.92 percentage points or 46.1 percent to neutralize positive contribution of the agriculture sector [See table 1.3 and fig. 2 for details]. In the services sector major contributions to GDP growth came from transport, storage & communication (0.3 percentage points or 14.6 percent), wholesale & retail trade (0.7 percentage points or 27.1 percent) and social services (0.8 percentage points or 38.6 percent). Going forward diversification in favour of more positive contribution from commodity producing sector is required for inclusive growth with human face.

Table 1.3: Sectoral Contribution to the GDP growth (% Points)

Sector	2004-05	2005-06	2006-07	2007-08	2008-09
Agriculture	1.5	1.4	0.9	0.24	1.00
Industry	3.1	1.1	2.3	0.45	-0.92
- Manufacturing	2.7	1.6	1.6	0.91	-0.64
Services	4.4	3.3	3.6	3.41	1.92
Real GDP (Fc)	9.0	5.8	6.8	4.10	2.00

Source: Federal Bureau of Statistics.

Fig-1.2: Contribution to the Real GDP Growth



IV. Contribution to Economic Growth (Aggregate Demand Side Analysis)

Consumption, investment, net exports are figuratively described as the 'three horses of Troika' that drives economic growth. In all economies the expansion of output is the sum of consumption (both private and government) plus investment (public and private) plus net exports of goods and services (exports minus imports). Pakistan's economic growth is historically characterized as consumption-led growth; however, massive demand compression measures and stabilization efforts bring consumption under control in 2008-09. The GDP market price grew by 3.7 percent contrary to 2.0 percent growth in the GDP factor cost. The contribution of the consumption sharply decelerated from 142.6 percent in 2007-08 to just 47.8 percent in 2008-09. Within consumption the private consumption remained strong but government consumption dragged the contribution down by a huge margin. The share of investment in real GDP (mp) growth decelerated from 37.3 percent to negative contribution of 32.3 percent as investment to GDP ratio adjusted downward.

The terms of trade in real terms has improved as the exports real growth outpaced the import growth. The net exports contributed the highest ever share in real GDP at market price growth. The contribution of net exports has traditionally been negative for most part of our history and it was only during the short-lived brief interval (2000-04) of external sector buoyancy that the net exports contributed positively. The balance between investment and consumption which had improved during 2004-05 and 2006-07, disturbed significantly in the last two years (2007-08 and 2008-09) [See Table 1.4 and Fig. 1.3].

Table-1.4: Composition of GDP Growth

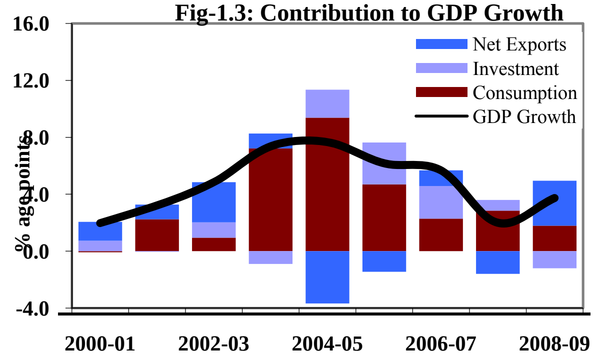
	Point Contribution						
Flows	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Private Consumption	0.3	7.1	8.7	0.8	3.4	-0.9	3.6
Public Consumption	0.6	0.1	0.1	3.9	-1.1	3.8	-1.8
Total Consumption [C]	**0.9**	**7.2**	**9.4**	**4.7**	**2.3**	**2.9**	**1.8**
Gross Fixed Investment	0.6	-1.0	1.8	2.9	2.2	0.7	-1.2
Change in Stocks	0.4	0.1	0.1	0.1	0.1	0.1	-0.1
Total Investment [I]	**1.1**	**-0.9**	**2.0**	**2.9**	**2.3**	**0.7**	**-1.2**
Exports (Goods & Serv.) [X]	4.5	-0.3	1.7	1.8	0.4	-1.0	1.5
Imports (Goods & Serv.) [M]	1.6	-1.3	5.4	3.2	-0.7	0.6	-1.6
Net Exports [X-M]	**2.8**	**1.0**	**-3.7**	**-1.5**	**1.1**	**-1.6**	**3.2**
Aggregate Demand (C+I+X)	6.5	6.0	13.0	9.4	5.0	2.6	2.1
Domestic Demand (C+I)	2.0	6.3	11.3	7.6	4.6	3.6	0.6
GDP MP	**4.8**	**7.4**	**7.7**	**6.2**	**5.7**	**2.0**	**3.7**

Source: Federal Bureau of Statistics.

Given its lion's share in GDP, consumption mainly supported the on-going growth momentum has contributed in the range of 80 – 83 percent to overall economic growth over the last 7 years. In 2007-08 consumption accounted for 142.0 percent or 2.9 percentage points to real GDP (mp) growth of 2.0 percent and while in the current fiscal year private consumption contributed almost 97 percent of the size of the economy only to be neutralized by a massive fall in public consumption and investment. The huge current account deficit of the last fiscal year reinforced a huge negative contribution of the net export sector. The investment rate was rising since 2004-05, and reached its peak of 22.5 percent of GDP in 2006-07, however, amidst extraordinary headwinds the investment to GDP ratio declined since then persistently to 19.7 percent of GDP in 2008-09. National savings have shown their inadequacy for financing even the lower level of investment in the country. The national savings rate has nose-dived to 14.4 percent of GDP in 2008-09 compared to 13.5 percent of GDP last year.

The current year's relatively faster real growth is in sheer contrast to the falling dollar value of nominal exports. Going forward Pakistan needs real effort to reinvigorate exports to make total demand less sensitive to rising domestic real interest rates and indebtedness, secure productivity gains as a result of competition in the international markets, and relax the foreign exchange constraints for imports which are crucial for giving a kick-start to economic growth.

Fig-1.3: Contribution to GDP Growth



V. Composition of the GDP

The patterns of economic growth are inimical to structural transformation. Some sectors of the economy may outpace others in the historical process. An analysis into shifts in sectoral patterns of growth provides further insight into a country's growth dynamics. This process of transformation has accelerated in Pakistan in recent years. The structure of the GDP has undergone substantial change during the last three and a half decades (see Table 1.5 for details). There has been a marked shift away from the commodity producing sector (CPS) which accounted for almost 62 percent of the GDP in 1969-70, its share has declined to 46.2 percent in 2008-09 — a decline of 15.0 percentage points. The decline in the share of CPS is fully accounted for by the equal rise in the share of services sector. A further breakdown of the CPS shows that the share of the agriculture sector has been falling with time. In 1969-70, agriculture accounted for 38.9 percent of GDP, but steadily decreased in the share over the years and has seen it fall to 21.8 percent in 2008-09. The share of the agriculture has declined from almost 39 percent in 1969-70 to 21.8 percent in 2008-09. The share of agriculture in GDP has declined by 4.1 percentage points in the last 9 years alone and the share of the manufacturing sector has increased by the same proportion of percentage points in the same period. It implies that the space created by the agriculture sector is occupied by the manufacturing sector which signals a move away from an agriculture based economy to an increasing reliance on industry and manufacturing- a pre-requisite for the first phase of structural transformation.

Beside compulsions imposed by the theory of economic development that with higher level of economic development the share of agriculture has to shrink, the other determining factor is the exclusive preoccupation of the successive governments in the past to four major crops, namely, wheat, cotton, sugarcane and rice in policy making and little or no efforts to increase yield per acre or no policy support to diversification of the agriculture sector. Livestock, which accounts for more than one-half of the agricultural value added, has been the major victim of the total neglect of the governments all along until few years ago that this sector started receiving some attention. A continued emphasis on four major crops and negligence as to the other sub-sectors of agriculture and stagnant yields, the contribution of agriculture to overall GDP is bound to shrink further in the coming years as rapid growth in industry and services sector outpaces the growth in agriculture.

Table 1.5: Sectoral Share in Gross Domestic Product(GDP)

(At Constant Factor Cost) (In %)

	1969-70	2004-05	2005-06	2006-07	2007-08	2008-09 P
Commodity Producing Sector	**61.6**	**48.7**	**48.3**	**48.2**	**47.0**	**46.2**
1. Agriculture	38.9	22.4	22.5	21.9	21.3	21.8
- Major Crops	23.4	8.4	7.6	7.7	6.9	7.3
- Minor Crops	4.2	2.7	2.6	2.4	2.6	2.6
- Livestock	10.6	10.6	11.6	11.1	11.1	11.3
- Fishing	0.5	0.3	0.3	0.4	0.4	0.4
- Forestry	0.1	0.4	0.4	0.3	0.3	0.2
2. Mining & Quarrying	0.5	2.7	2.6	2.5	2.6	2.5
3. Manufacturing	16.0	18.3	18.8	19.0	19.2	18.2
- Large Scale	12.5	12.9	13.2	13.4	13.4	12.1
- Small Scale	3.5	4.1	4.3	4.3	4.4	4.7
4. Construction	4.2	2.1	2.2	2.6	2.4	2.1
5. Electricity & Gas Distribution	2.0	3.2	2.2	2.2	1.6	1.5
Services Sector	**38.4**	**51.3**	**51.7**	**51.8**	**53.0**	**53.8**
6. Transport, Storage & Communication	6.3	10.4	10.2	10.0	10.2	10.3
7. Wholesale and Retail Trade	13.8	18.7	17.2	17.1	17.3	17.5
8. Finance and Insurance	1.8	4.0	5.5	5.9	6.4	6.2
9. Ownership of Dwellings	3.4	2.9	2.8	2.7	2.7	2.7
10. Public Admn. & Defence	6.4	5.9	6.1	6.1	5.9	6.1
11. Other Services	6.7	9.5	9.9	10.0	10.6	11.1
12.GDP (Constant Factor Cost)	100.0	100.0	100.0	100.0	100.0	100.0

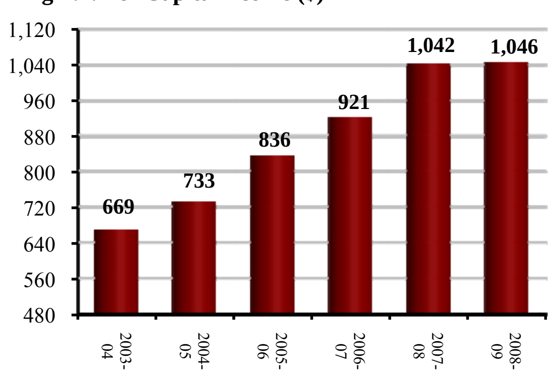
P Provisional *Source: Economic Adviser's Wing, Finance Division*

During the last seven years, the major impetus to growth has come from the services sector which has emerged as the main engine of the economic growth. The share of manufacturing in GDP has remained stagnant at around 16 percent for 33 years until 2002-03. Its contribution to GDP has increased only during the last five years - rising from 16.3 percent in 2002-03 to 18.2 percent in 2008-09. Within the services sector, almost all the components have raised their contribution over the last three and a half decades.

VI. Per Capita Income

Per capita income is not the proper measurement of the welfare in any economy because it imbeds a wide range of fluctuations behind the number. However, still it is treated as one of the foremost indicators of the depth of growth and general well-being of an economy. The recent and more sophisticated tools to assess effectiveness of economic growth, development, and economic advancement, not a single one has over-ruled the historical importance and simplicity of per capita income as a measure of the average level of prosperity in an economy. Per capita income, defined as Gross National Product at market price in dollar term divided by the country's population, grew by a meager 0.3 percent mainly because of slower economic growth and depreciation of Pak rupee.

Fig-1.4: Per Capita Income ($)



The last few years have been in complete contrast, with per capita income growing at a much stronger pace. The per capita income in dollar terms has increased from $ 586 in 2002-03 to $ 1046 in 2008-09 [See Fig-1.4]. The main factors responsible for the sharp rise in per capita income include acceleration in real GDP growth, and a four fold increase in the inflows of workers' remittances. Per capita income in dollar terms rose from $ 1042 last year to $ 1046 in 2008-09, thereby showing marginal increase of 0.3 percent. Fig. 1.4 shows the improvement in per capita income during the last seven years. Real per capita income in rupee terms has also increased by 2.5 percent as compared to 0.3 percent growth last year.

VII. Investment and Savings

Investment is a key determinant of growth and its fluctuation reflects the intensification of economic activity. The total investment has declined from 22.5 percent of GDP in 2006-07 to 19.7 percent of GDP in 2008-09. Fixed investment has decreased to 18.1 percent of GDP from 20.4 percent last year. Gross fixed capital formation in real terms has contracted by 6.5 percent compared to an expansion of 3.8 percent last year. However, in nominal terms gross fixed capital formation increased by 13.1 percent against 15.5 percent last year. Private sector investment also witnessed a contraction of 7 percent in real terms and expansion of 12.0 percent in nominal terms compared to a growth of 3.6 percent in real and 15.1 percent in nominal terms in last year. The composition of investment between the private and public sector has changed considerably during the last three years. Private sector investment was decelerating persistently since 2004-05 and its ratio to GDP has declined from 15.7 percent in 2004-05 to 13.2 percent in 2008-09. Public sector investment to GDP ratio was rising persistently from 4.0 percent in 2002-03 to 5.6 percent in 2006-07, however, declined to 4.9 percent in 2008-09.

Public sector investment is crucial for catalyzing economic development and it has created spillover effects for private sector investment through massive increase in development spending particularly on infrastructure in the past[See Table-1.6]. However, squeeze on development expenditures made it decelerate at a brisk pace.

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

Description	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09P
Total Investment	***17.2***	***16.8***	***16.9***	***16.6***	***19.1***	***22.1***	***22.5***	***22.0***	***19.7***
Changes in Stock	1.4	1.3	1.7	1.6	1.6	1.6	1.6	1.6	1.6
Gross Fixed Investment	***15.8***	***15.5***	***15.3***	***15.0***	***17.5***	***20.5***	***20.9***	***20.4***	***18.1***
- Public Investment	5.7	4.2	4.0	4.0	4.3	4.8	5.6	5.4	4.9
- Private Investment	10.2	11.3	11.3	10.9	13.1	15.7	15.4	15.0	13.2
Foreign Savings	0.7	-1.9	-3.8	-1.3	1.6	3.9	5.1	8.5	5.3
National Savings	***16.5***	***18.6***	***20.8***	***17.9***	***17.5***	***18.2***	***17.4***	***13.5***	***14.3***
Domestic Savings	17.8	18.1	17.6	15.7	15.4	16.3	15.6	11.5	11.2

P: Provisional ***Source: EA Wing Calculations***

The contribution of national savings to the domestic investment is indirectly the mirror image of foreign savings required to meet investment demand. The requirement for foreign savings needed to finance the saving-investment gap simply reflects the current account deficit in the balance of payments. National Savings at 13.5 percent of GDP in 2007-08 is the lowest ever level since 1999-2000 and has financed 61.5 percent of fixed investment in 2007-08. The current fiscal year has improved upon this performance and national savings as percentage of GDP stood at 14.3 percent. Domestic savings has also declined substantially from 16.3 percent of GDP in 2005-06 to 11.2 percent of GDP in 2008-09. In the current scenario, net foreign resource inflows are coming in a huge quantum and financing savings-investment gap. In the current fiscal year too we are expecting inflows of up to 5.3 percent of GDP.

VII. Foreign Investment

Foreign direct investment (FDI) has emerged as a major source of private external flows for developing countries around the world. The developing countries like Pakistan are able to bridge their widening savings-investment gap through this important non-debt creating inflow. During the last two decades countries have liberalized their FDI regimes and pursued investment- friendly economic policies to attract investment to maximize the benefits of foreign presence in the host economy. In many developing countries,

Table 1.7: Inflow of Net Foreign Private Investment (FPI) ***(Million US $)***

Country	2007-08			July-April 2007-08			July-April 2008-09		
	Direct	**Portfolio**	**Total**	**Direct**	**Portfolio**	**Total**	**Direct**	**Portfolio**	**Total**
USA	1309.2	439.2	1748.3	1161.4	520.6	1682.0	745.2	-278.5	466.7
UK	460.4	-125.1	335.2	304.8	-137.6	167.1	220.2	-74.7	145.5
UAE	588.6	4.3	592.9	535.3	17.9	553.2	170.2	9.3	179.5
Germany	69.6	-0.5	69.1	61.7	-0.5	61.2	60.4	-0.2	60.1
Kuwait	36.0	28.3	64.3	31.7	27.9	59.6	10.6	9.9	20.5
Hong Kong	339.8	-245.5	94.3	121.3	-227.5	-106.1	124.4	-35.5	88.9
Norway	274.9	0.0	274.9	154.8	0.0	154.8	91.9	0.0	91.9
Japan	131.2	9.9	141.1	100.3	10.9	111.2	65.2	-4.0	61.3
Saudi Arabia	46.2	-1.6	44.7	37.0	-1.6	35.4	-55.6	0.1	-55.6
Canada	13.3	0.4	13.7	13.0	0.3	13.3	2.1	0.2	2.3
Netherlands	121.6	24.5	146.1	77.4	39.7	117.1	63.8	8.9	72.7
Mauritius	99.6	5.9	105.6	338.7	5.3	344.0	320.7	2.7	323.4
Singapore	24.8	19.6	44.4	23.5	-19.5	4.0	246.2	-35.0	211.2
China	13.7	0.0	13.7	13.2	0.0	13.2	-69.7	0.0	-69.7
Australia	69.6	-73.2	-3.7	56.9	-64.8	-7.9	78.6	-11.6	67.0
Switzerland	169.3	-97.8	71.5	141.4	-79.3	62.1	210.4	-39.6	170.8
Others	1384.9	51.8	1436.7	546.5	7.1	553.7	920.8	-3.5	917.4
Total	5152.8	40.1	5192.9	3719.1	98.9	3818.0	3205.4	-451.5	2753.9

Source: State Bank of Pakistan

FDI has triggered technology spillovers, assisted human capital formation, contributed to international trade integration, helped in creating a more competitive business environment and promoted enterprise development. FDI has prevented developing countries from the ill-effects of exploding debt accumulation to finance their development needs and thus enabled exchange rate stability. Given the contagion of the global financial crisis developing countries are facing sever cutbacks in their private capital inflows like FDI. Pakistan has also witnessed a substantial fall in FDI inflows in 2008-09 in line with all other developing countries. However, the case of Pakistan is exacerbated by the deteriorating security environment.

The overall foreign investment during the first ten months (July-April) of the current fiscal year has declined by 42.7 percent and stood at $ 2.2 billion compared to $3.9 billion in the same period of last year. The overall foreign investment has two components – foreign direct investment (FDI) and portfolio investment i.e., investment in the equity market. Foreign direct investment (private) showed more resilience and stood at $3205.4 million during the first ten months (July-April) of the current fiscal year as compared to $3719.1 million in the same period last year thereby showing a decline of 13.8 percent (See Table 1.8). Private portfolio investment on the other hand showed an outflow of $451.5 million as against an inflow of $98.9 million during the comparable period of last year.

Table-1.8: Net Inflow of Foreign Direct Investment (Group-Wise) ***Million US$***

S.No.	ECONOMIC GROUP	2004-05	2005-06	2006-07	2007-08	July-April	
						2007-08	2008-09
1	Food, Beverages & Tobbaco	22.8	61.9	515.8	57.1	35.3	146.5
2	Textiles	39.3	47.0	59.4	30.1	25.1	28.4
3	Sugar, Paper & Pulp	4.3	5.1	17.4	10.5	10.1	14.3
4	Leather & Rubber Products	6.5	8.2	7.3	5.5	4.8	4.0
5	Chemicals & Petro Chemicals	52.1	72.4	52.5	106.2	93.3	82.0
6	Petroleum Refining	23.7	31.2	155.2	74.5	62.9	103.7
7	Minning & Quarrying	0.5	7.1	23.7	42.3	24.1	12.8
8	Oil & Gas Explorations	193.8	312.7	545.1	635.0	509.4	612.1
9	Pharmaceuticals & OTC Products	38.0	34.5	38.4	45.6	41.0	26.2
10	Cement	13.1	39.0	33.7	102.5	95.5	31.7
11	Electronics & Other Machinery	16.5	21.0	22.0	51.9	45.5	39.9
12	Transport Equipment(Automobiles)	33.1	33.1	50.4	111.5	81.0	70.2
13	Power	73.3	320.6	204.6	70.3	52.2	80.2
14	Construction	42.7	89.5	157.1	89.0	77.2	76.8
15	Trade	52.1	118.0	173.4	175.9	139.6	147.7
16	Communications	517.6	1937.7	1898.7	1626.8	1164.9	828.5
	1) Telecommunications	494.4	1905.1	1824.3	1440.1	1032.6	767.1
17	Financial Business	269.4	329.2	930.1	1607.9	997.1	680.9
18	Social & Other Services	24.7	64.7	88.4	107.4	94.6	81.2
19	Others	78.9	65.5	166.1	202.9	165.5	-28.3
TOTAL		1,524.0	3,521.0	5,139.6	5,152.8	3,719.1	3,038.8

Source: SBP

US kept its distinction of being the largest investor with 23.2 percent stake in the FDI. Other big investors originated from Mauritius (10.0 percent), Singapore (7.7 percent), UK (6.9 percent), Switzerland (6.6 percent), UAE (5.3 percent) and Hong Kong (3.9 percent) [See Table 1.7].

The communication sector (including Telecom) spearheaded the FDI inflows by accounting for 27.3 percent stake during July-April 2008-09 followed by financial business (22.4 percent), energy including oil & gas and power (22.7 percent), and trade (4.9 percent) [See Table 1.8]. The current wave of uncertainty in the global demand and economic activity in the country has a major backlash on FDI inflows.

TABLE 1.1

GROSS NATIONAL PRODUCT AT CONSTANT FACTOR COST OF 1999-2000

(Rs million)

	Sectors	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
	COMMODITY PROD. SECTOR	2,041,661	2,234,671	2,348,925	2,504,569	2,540,080	2,544,339	1.4	0.2
1	Agriculture	964,853	1,027,403	1,092,098	1,137,037	1,149,270	1,203,308	1.1	4.7
	Major Crops	327,057	385,058	370,005	398,617	373,275	401,890	-6.4	7.7
	Minor Crops	124,121	125,993	126,457	125,243	138,860	143,883	10.9	3.6
	Livestock	473,771	484,876	561,500	577,400	601,530	623,759	4.2	3.7
	Fishing	13,611	13,691	16,540	19,080	20,834	21,319	9.2	2.3
	Forestry	26,293	17,785	17,596	16,697	14,771	12,457	-11.5	-15.7
	A1. INDUSTRIAL SECTOR	*1,076,808*	*1,207,268*	*1,256,827*	*1,367,532*	*1,390,810*	*1,341,031*	*1.7*	*-3.6*
2	Mining & Quarrying	111,473	122,621	128,288	132,254	138,047	139,856	4.4	1.3
3	Manfacturing	727,439	840,243	912,953	988,301	1,035,797	1,001,387	4.8	-3.3
	Large Scale	492,632	590,759	639,585	695,489	723,322	667,825	4.0	-7.7
	Small & Household	176,841	190,121	206,656	223,365	240,139	258,174	7.5	7.5
	Slaughtering	57,966	59,363	66,712	69,447	72,336	75,388	4.2	4.2
4	Construction	82,818	98,190	108,195	134,536	129,243	115,297	-3.9	-10.8
5	Electricity and Gas Distrubution	155,078	146,214	107,391	112,441	87,723	84,491	-22.0	-3.7
	SERVICES SECTOR	2,173,947	2,358,559	2,511,551	2,687,140	2,864,406	2,968,106	6.6	3.6
6	Transport, Storage & Communication	461,276	477,171	496,073	519,486	549,326	565,056	5.7	2.9
7	Wholesale & Re-tail Trade	766,693	858,695	838,426	887,294	934,441	963,722	5.3	3.1
8	Finance & Insurance	141,768	185,501	265,056	304,514	343,867	339,787	12.9	-1.2
9	Ownership of Dwellings	126,764	131,214	135,820	140,587	145,521	150,628	3.5	3.5
10	Public Admn. & Defence	267,321	268,826	295,959	316,915	320,825	336,823	1.2	5.0
11	Social and Community Services	410,125	437,152	480,217	518,344	570,426	612,090	10.0	7.3
12	GDP (fc)	4,215,608	4,593,230	4,860,476	5,191,709	5,404,486	5,512,445	4.1	2.0
13	Indirect Taxes	372,029	358,455	395,440	361,841	372,651	351,479	3.0	-5.7
14	Subsidies	53,488	69,889	72,545	75,602	189,734	67,565	151.0	-64.4
15	GDP(mp)	4,534,149	4,881,796	5,183,371	5,477,948	5,587,403	5,796,359	2.0	3.7
16	Net Factor Income from abroad	90,721	88,766	84,343	82,434	85,949	118,343	4.3	37.7
17	GNP(fc)	4,306,329	4,681,996	4,944,819	5,274,143	5,490,435	5,630,788	4.1	2.6
18	GNP (mp)	4,624,870	4,970,562	5,267,714	5,560,382	5,673,352	5,914,702	2.0	4.3
19	Population (in million)	149.7	152.5	155.4	158.2	161.0	163.8	1.8	1.7
20	Per Capita Income(fc-Rs)	28,776	30,696	31,826	33,345	34,108	34,384	2.3	0.8
21	Per Capita Income(mp-Rs)	30,905	32,587	33,904	35,154	35,245	36,118	0.3	2.5

R: Revised

P: Provisional

Source : Federal Bureau of Statistics

TABLE 1.2

SECTORAL SHARE IN GDP

(%)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P
COMMODITY PROD. SECTOR	49.3	48.7	47.9	47.6	48.4	48.7	48.3	48.2	47.0	46.2
1. Agriculture	25.9	24.9	24.1	24.0	22.9	22.4	22.5	21.9	21.3	21.8
Major Crops	9.6	8.5	8.0	8.2	7.8	8.4	7.6	7.7	6.9	7.3
Minor Crops	3.5	3.3	3.1	3.0	2.9	2.7	2.6	2.4	2.6	2.6
Livestock	11.7	11.9	12.0	11.7	11.2	10.6	11.6	11.1	11.1	11.3
Fishing	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Forestry	0.7	0.7	0.7	0.7	0.6	0.4	0.4	0.3	0.3	0.2
A1. INDUSTRIAL SECTOR	*23.3*	*23.8*	*23.7*	*23.6*	*25.5*	*26.3*	*25.9*	*26.3*	*25.7*	*24.3*
2. Mining & Quarrying	2.3	2.4	2.4	2.5	2.6	2.7	2.6	2.5	2.6	2.5
3. Manfacturing	14.7	15.7	15.9	16.3	17.3	18.3	18.8	19.0	19.2	18.2
Large Scale	9.5	10.3	10.4	10.6	11.7	12.9	13.2	13.4	13.4	12.1
Small & Household	5.2	5.4	5.6	5.6	4.2	4.1	4.3	4.3	4.4	4.7
Slaughtering	0.0	0.0	0.0	0.0	1.4	1.3	1.4	1.3	1.3	1.4
4. Construction	2.5	2.4	2.4	2.4	2.0	2.1	2.2	2.59	2.39	2.09
5. Electricity and Gas Distrubution	3.9	3.3	3.0	2.5	3.7	3.2	2.2	2.2	1.6	1.5
SERVICES SECTOR	50.7	51.3	52.1	52.4	51.6	51.3	51.7	51.8	53.0	53.8
6. Transport, Storage & Communication	11.3	11.6	11.4	11.4	10.9	10.4	10.2	10.0	10.2	10.3
7. Wholesale & Re-tail Trade	17.5	17.9	17.8	18.0	18.2	18.7	17.2	17.1	17.3	17.5
8. Finance & Insurance	3.7	3.1	3.5	3.3	3.4	4.0	5.5	5.9	6.4	6.2
9. Ownership of Dwellings	3.1	3.2	3.2	3.1	3.0	2.9	2.8	2.7	2.7	2.7
10. Public Admn. & Defence	6.2	6.2	6.4	6.6	6.3	5.9	6.1	6.1	5.9	6.1
11. Social Services	9.0	9.3	9.8	9.9	9.7	9.5	9.9	10.0	10.6	11.1
12. GDP (fc)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.3

REAL GDP / GNP GROWTH RATES

(%)

Sector	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P
COMMODITY PROD. SECTOR	0.8	1.4	4.2	9.3	9.5	5.1	6.6	1.4	0.2
1. Agriculture	-2.2	0.1	4.1	2.4	6.5	6.3	4.1	1.1	4.7
Major Crops	-9.9	-2.5	6.8	1.7	17.7	-3.9	7.7	-6.4	7.7
Minor Crops	-3.2	-3.7	1.9	3.9	1.5	0.4	-1.0	10.9	3.6
Livestock	3.8	3.7	2.6	2.9	2.3	15.8	2.8	4.2	3.7
Fishing	-3.0	-12.3	3.4	2.0	0.6	20.8	15.4	9.2	2.3
Forestry	9.1	-4.4	11.1	-3.2	-32.4	-1.1	-5.1	-11.5	-15.7
A1. INDUSTRIAL SECTOR	4.1	2.7	4.2	16.3	12.1	4.1	8.8	1.7	-3.6
2. Mining & Quarrying	5.5	5.7	6.6	15.6	10.0	4.6	3.1	4.4	1.3
3. Manfacturing	9.3	4.5	6.9	14.0	15.5	8.7	8.3	4.8	-3.3
Large Scale	11.0	3.5	7.2	18.1	19.9	8.3	8.7	4.0	-7.7
Small & Household	6.2	6.3	6.3	-20.0	7.5	8.7	8.1	7.5	7.5
4. Construction	0.5	1.6	4.0	-10.7	18.6	10.2	24.3	-3.9	-10.8
5. Electricity and Gas Distrubution	-13.7	-7.0	-11.7	56.8	-5.7	-26.6	4.7	-22.0	-3.7
SERVICES SECTOR	3.1	4.8	5.2	5.8	8.5	6.5	7.0	6.6	3.6
6. Transport, Storage & Communication	5.3	1.2	4.3	3.5	3.4	4.0	4.7	5.7	2.9
7. Wholesale & Retail Trade	4.5	2.8	6.0	8.3	12.0	-2.4	5.8	5.3	3.1
8. Finance & Insurance	-15.1	17.2	-1.3	9.0	30.8	42.9	14.9	12.9	-1.2
9. Ownership of Dwellings	3.8	3.5	3.3	3.5	3.5	3.5	3.5	3.5	3.5
10. Public Admn. & Defence	2.2	6.9	7.7	3.2	0.6	10.1	7.1	1.2	5.0
11. Social Services	5.6	7.9	6.2	5.4	6.6	9.9	7.9	10.0	7.3
12. GDP (fc)	2.0	3.1	4.7	7.5	9.0	5.8	6.8	4.1	2.0

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.4

EXPENDITURE ON GROSS NATIONAL PRODUCT AT CONSTANT PRICES OF 1999-2000

(Rs million)

Flows	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
Private Consumption Expenditure	2,952,588	3,251,947	3,670,749	3,708,073	3,882,891	3,831,591	4,031,543	-1.32	5.22
General Govt. Current Consumption Expenditure	384,825	390,319	396,818	588,576	532,147	739,583	639,535	38.98	-13.53
Gross Domestic Fixed Capital Formation	658,070	617,731	701,392	840,977	955,140	991,718	927,325	3.83	-6.49
Change in Stocks	71,051	73,703	79,085	82,934	87,647	91,850	88,878	4.80	-3.24
Export of Goods and Non-Factor Services	814,425	801,982	878,896	965,863	988,164	935,303	1,019,868	-5.35	9.04
Less Imports of Goods and Non-Factor Services	657,983	601,559	845,144	1,003,052	968,041	1,002,642	910,790	3.57	-9.16
Expenditure on GDP at Market Prices	4,222,976	4,534,123	4,881,796	5,183,371	5,477,948	5,587,403	5,796,359	2.00	3.74
Plus Net Factor Income from the Rest of the World	127,050	90,721	88,750	84,343	82,434	85,949	118,343	4.26	37.69
Expenditure on GNP at at Market Prices	4,350,026	4,624,844	4,970,546	5,267,714	5,560,382	5,673,352	5,914,702	2.03	4.25
Less Indirect Taxes	355,323	372,029	358,455	395,440	361,841	372,651	351,479	2.99	-5.68
Plus Subsidies	54,451	53,488	69,889	72,545	75,602	189,734	67,565	4.21	150.96
GNP at Factor Cost	4,049,154	4,306,303	4,681,980	4,944,819	5,274,143	5,490,435	5,630,788	6.66	4.10

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.5

GROSS NATIONAL PRODUCT AT CURRENT FACTOR COST

(Rs million)

Sectors		2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
1.	Agriculture	1,164,751	1,314,234	1,457,222	1,685,240	2,016,553	2,590,185	19.7	28.4
	Major Crops	411,836	497,556	464,276	546,418	673,435	967,324	23.2	43.6
	Minor Crops	126,372	154,218	168,461	184,121	212,198	244,881	15.2	15.4
	Livestock	578,218	621,170	766,448	881,806	1,051,654	1,286,690	19.3	22.3
	Fishing	16,728	17,490	30,492	42,668	52,391	59,518	22.8	13.6
	Forestry	31,597	23,800	27,545	30,227	26,875	31,772	-11.1	18.2
2.	Mining & Quarrying	208,290	182,051	219,682	252,541	301,469	356,806	19.4	18.4
3.	Manfacturing	902,486	1,136,634	1,370,793	1,567,313	1,949,904	2,205,386	*24.4*	*13.1*
	Large Scale	621,899	814,657	1,003,062	1,149,573	1,466,607	1,622,347	27.6	10.6
	Small & Household	280,587	222,176	245,962	279,943	334,610	403,887	19.5	20.7
	Slaughtering		99,801	121,769	137,797	148,687	179,152	7.9	20.5
4.	Construction	115,497	153,333	179,885	225,239	264,780	299,864	17.6	13.3
5.	Electricity and Gas Distrubution	190,713	187,267	153,338	169,519	149,744	164,915	-11.7	10.1
6.	Transport, Storage & Communication	675,623	759,711	908,409	1,012,206	1,178,906	1,609,904	16.5	36.6
7.	Wholesale & Re-tail Trade	896,357	1,093,114	1,262,001	1,441,786	1,829,225	2,359,205	26.9	29.0
8.	Finance & Insurance	165,230	236,254	364,320	447,270	565,695	667,658	26.5	18.0
9.	Ownership of Dwellings	146,264	165,441	184,812	206,166	239,010	304,229	15.9	27.3
10.	Public Admn. & Defence	312,105	343,348	404,628	467,685	530,074	665,142	13.3	25.5
11.	Social Services	473,211	551,181	653,437	760,134	936,887	1,236,250	23.3	32.0
12.	GDP (fc)	5,250,527	6,122,568	7,158,527	8,235,099	9,962,247	12,459,544	20.97	25.1
13.	Indirect Taxes	455,549	468,573	569,077	556,874	667,604	828,576	19.9	24.1
14.	Subsidies	65,496	91,359	104,399	118,966	345,471	193,081	190.4	-44.1
15.	GDP(mp)	5,640,580	6,499,782	7,623,205	8,673,007	10,284,380	13,095,039	18.6	27.3
16.	Net Factor Income from abroad	124,478	134,461	149,901	157,631	209,801	407,867	33.1	94.4
17.	GNP(fc)	5,375,005	6,257,029	7,308,428	8,392,730	10,172,048	12,867,411	21.2	26.5
18.	GNP (mp)	5,765,058	6,634,243	7,773,106	8,830,638	10,494,181	13,502,906	18.8	28.7
19.	Population (in million)	149.65	152.53	155.37	158.17	160.97	163.76	1.8	1.7
20.	Per Capita Income(fc-Rs)	35,917	41,022	47,039	53,061	63,192	78,575	19.1	24.3
21.	Per Capita Income(mp-Rs)	38,524	43,495	50,030	55,830	65,193	82,455	16.8	26.5
22.	Per Capita Income(mp-US $)	669	733	836	921	1,042	1,046	13.2	0.3
23.	GDP Deflator								
	Index	124.55	133.30	147.28	158.62	184.33	226.03	-	-
	Growth	7.74	7.02	10.49	7.70	16.21	22.62	-	-

R: Revised
P: Provisional

Source : Federal Bureau of Statistics

TABLE 1.6

EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES

(Rs million)

Flows	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
Private Consumption Expenditure	3,600,963	4,184,717	5,001,499	5,720,225	6,543,843	7,877,216	10,402,888	20.38	32.06
General Government Current Consumption Expenditure	428,689	462,462	509,864	824,300	796,204	1,278,431	1,400,099	60.57	9.52
Gross Domestic Fixed Capital Formation	736,433	844,847	1,134,942	1,565,838	1,814,620	2,095,193	2,368,977	15.46	13.07
Change in Stocks	80,629	90,249	105,298	121,971	138,768	164,550	209,521	18.58	27.33
Export of Goods and Non-Factor Services	815,158	883,704	1,019,783	1,161,257	1,230,660	1,316,439	1,852,591	6.97	40.73
Less Imports of Goods and Non-Factor Services	786,224	825,399	1,271,604	1,770,386	1,851,088	2,447,449	3,139,037	32.22	28.26
Expenditure on GDP at Market Prices	4,875,648	5,640,580	6,499,782	7,623,205	8,673,007	10,284,380	13,095,039	18.58	27.33
Plus Net Factor Income from the rest of the world	151,812	124,478	134,461	149,901	157,631	209,801	407,867	33.10	94.41
Expenditure on GNP at Market Prices	5,027,460	5,765,058	6,634,243	7,773,106	8,830,638	10,494,181	13,502,906	18.84	28.67
Less Indirect Taxes	403,221	455,549	468,573	569,077	556,874	667,604	828,576	19.88	24.11
Plus Subsidies	61,791	65,496	91,359	104,399	118,966	345,471	193,081	190.39	-44.11
GNP at Factor Cost	4,686,030	5,375,005	6,257,029	7,308,428	8,392,730	10,172,048	12,867,411	21.20	26.50

R: Revised

P: Provisional

Note: Private Consumption Expenditure has been taken as residual

Source: Federal Bureau of Statistics

TABLE 1.7

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE, PUBLIC, AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY AT CURRENT MARKET PRICES

(Rs million)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
GFCF (A+B+C)	736,433	844,836	1,134,942	1,565,838	1,814,620	2,095,193	2,368,977	15.5	13.1
A. Private Sector	545,104	616,514	852,424	1,197,740	1,335,849	1,537,970	1,723,263	15.1	12.0
B. Public Sector	104,051	103,536	129,482	162,022	172,697	207,000	224,303	19.9	8.4
C. General Govt.	87,278	124,786	153,036	206,076	306,074	350,223	421,411	14.4	20.3
Private & Public (A+B)	649,155	720,050	981,906	1,359,762	1,508,546	1,744,970	1,947,566	15.7	11.6
SECTOR-WISE:									
1. Agriculture	75,681	81,159	135,308	145,575	151,574	155,246	171,987	2.4	10.8
2. Mining and Quarrying	77,430	18,651	33,378	49,569	75,559	95,067	140,140	25.8	47.4
3. Manfacturing (A+B)	164,920	203,929	247,166	326,797	350,248	362,792	402,064	3.6	10.8
A. Large Scale	136,066	164,572	195,655	261,023	276,131	272,039	282,465	-1.5	3.8
B. Small Scale*	28,854	39,357	51,511	65,774	74,117	90,753	119,599	22.4	31.8
4. Construction	7,130	10,113	17,824	26,106	38,299	33,474	43,470	-12.6	29.9
5. Electricity & Gas	57,562	25,261	40,050	69,795	73,497	88,840	73,231	20.9	-17.6
6. Transport and Communication	82,864	148,646	224,974	392,651	395,240	456,299	455,930	15.4	-0.1
7. Wholesale and Retail Trade	12,533	17,192	21,381	29,157	37,227	43,140	51,896	15.9	20.3
8. Finance & Insurance	23,366	27,945	31,580	41,009	81,683	150,143	163,585	83.8	9.0
9. Ownership of Dwellings	91,379	110,398	129,247	149,167	158,719	179,233	218,575	12.9	22.0
9. Services	56,290	76,754	101,065	129,936	146,500	180,736	226,688	23.4	25.4

P: Provisional (Contd.)

R: Revised

* Slaughtering is included in small scale sector

TABLE 1.7

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE SECTOR BY ECONOMIC ACTIVITY
AT CURRENT MARKET PRICES

(Rs million)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
PRIVATE SECTORS	545,104	616,514	852,424	1,197,740	1,335,849	1,537,970	1,723,263	15.1	12.0
1. Agriculture	74,293	81,050	135,086	143,538	151,340	155,026	171,786	2.4	10.8
2. Mining and Quarrying	48,252	12,701	18,384	31,323	49,007	61,952	86,603	26.4	39.8
3. Manufacturing	163,520	200,521	244,959	320,501	346,574	361,528	399,827		
Large Scale	134,666	161,162	193,448	254,727	272,457	270,775	280,228	-0.6	3.5
Small Scale*	28,854	39,359	51,511	65,774	74,117	90,753	119,599		
4. Construction	4,178	6,608	13,418	19,248	24,262	19,091	28,067	-21.3	47.0
5. Electricity & Gas	26,417	3,039	11,612	32,372	29,633	32,507	25,596	9.7	-21.3
6. Transport & Communication	51,381	86,951	153,558	312,549	324,335	370,214	369,892	14.1	-0.1
7. Wholesale and Retail Trade	12,533	17,192	21,381	29,157	37,227	43,140	51,896	15.9	20.3
8. Ownership of Dwellings	91,379	110,398	129,247	149,167	158,719	179,233	218,575	12.9	22.0
9. Finance & Insurance	20,897	26,599	30,520	38,692	77,974	146,525	159,618	87.9	8.9
10.Services	52,254	71,455	94,259	121,193	136,778	168,754	211,403	23.4	25.3

R: Revised

(Contd.)

P: Provisional

* Slaughtering is included in small scale sector

TABLE 1.7

GROSS FIXED CAPITAL FORMATION (GFCF) IN PUBLIC AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY AT CURRENT MARKET PRICES

(Rs million)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
Public Sector and General Govt. (A+B)	191,332	228,322	282,518	368,098	481,771	557,223	645,714	15.7	15.9
A. Public Sector	104,054	103,536	129,482	162,022	175,697	207,000	224,303	17.8	8.4
1. Agriculture	1,388	109	222	2,037	234	220	201	-6.0	-8.6
2. Mining and Quarrying	29,178	5,950	14,994	18,246	29,552	33,115	53,537	12.1	61.7
3. Manufacturing	1,400	3,410	2,140	6,296	3,674	1,264	2,237	-65.6	77.0
Large Scale	1,400	3,410	2,140	6,296	3,674	1,264	2,237	-65.6	77.0
Small Scale	-	-	-	-	-	-	-	-	-
4. Construction	2,952	3,505	4,406	6,858	14,037	14,383	15,403	2.5	7.1
5. Electricity & Gas	31,145	22,222	28,438	37,423	43,864	56,333	47,635	28.4	-15.4
6. Transport and Communication	31,486	61,695	71,416	80,102	70,905	86,085	86,038	21.4	-0.1
Railways	3,133	3,336	3,439	4,754	3,680	4,167	584	13.2	-86.0
Post Office & PTC	6,699	5,834	10,763	15,232	11,981	14,596	14,416	21.8	-1.2
Others	21,654	52,525	57,214	60,116	55,244	67,322	71,038	21.9	5.5
7. Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-
8. Finance & Insurance	2,469	1,346	1,060	2,317	3,709	3,618	3,967	-2.5	9.6
9. Services	4,036	5,299	6,806	8,743	9,722	11,982	15,285	23.2	27.6
B. General Govt.	87,278	124,786	153,036	206,076	306,074	350,223	421,411	14.4	20.3
Federal	31,581	41,304	38,938	53,522	78,862	83,175	127,788	5.5	53.6
Provincial	26,689	50,059	71,567	113,512	156,261	179,756	198,252	15.0	10.3
Local Bodies	29,008	33,423	42,531	39,042	70,951	87,292	95,371	23.0	9.3

R: Revised

P: Provisional

\- Nil

.. Not available

Source: Federal Bureau of Statistics.

TABLE 1.8

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE, PUBLIC AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY AT CONSTANT MARKET PRICES OF 1999-2000

(Rs million)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
GFCF (A+B+C)	658,070	617,731	701,392	840,976	955,141	991,718	927,324	3.8	-6.5
A. Private Sector	485,849	447,212	521,326	635,894	691,550	716,375	665,952	3.6	-7.0
B. Public Sector	91,475	72,763	75,153	81,809	85,153	90,236	80,579	6.0	-10.7
C. General Govt.	80,746	97,756	104,913	123,273	178,438	185,107	180,793	3.7	-2.3
Private & Public	577,324	519,975	596,479	717,703	776,703	806,611	746,531	3.9	-7.4
(A+B)	172,221	170,519	180,066	205,082	263,591	275,343	261,372	4.5	-5.1
SECTOR-WISE:									
1. Agriculture	66,762	55,779	76,389	70,285	70,902	64,484	59,484	-9.1	-7.8
2. Mining and Quarrying	66,738	12,232	17,482	22,021	32,557	36,248	45,881	11.3	26.6
3. Manfacturing	149,275	144,010	148,129	171,302	179,530	165,610	148,542	-7.8	-10.3
Large Scale	120,969	115,700	117,147	140,320	142,424	125,001	104,100	-12.2	-16.7
Small Scale*	28,306	28,310	30,982	30,982	37,106	40,609	44,442	9.4	9.4
4. Construction	6,606	7,919	13,155	19,378	26,805	21,284	19,841	-20.6	-6.8
5. Electricity & Gas	50,119	16,934	21,659	32,056	32,750	35,094	24,601	7.2	-29.9
6. Transport and Communication	74,151	105,851	133,953	202,033	197,176	203,242	167,955	3.1	-17.4
7. Wholesale and Retail Trade	11,692	13,760	15,165	18,123	22,578	23,816	23,059	5.5	-3.2
8. Finance & Insurance	21,265	22,025	21,835	25,196	48,454	81,023	74,364	67.2	-8.2
9.Ownerships of Dwellings	83,163	87,010	89,213	91,648	94,151	96,721	99,361	2.7	2.7
10. Services	49,996	54,455	59,499	65,661	71,800	79,090	83,442	10.2	5.5

R: Revised

P: Provisional

- Not available

* Slaughtering is included in small scale sector

(..Contd.)

TABLE 1.8

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE SECTOR
AT CONSTANT MARKET PRICES OF 1999-2000

(Rs million)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
PRIVATE SECTOR	485,849	447,213	521,326	635,893	691,549	716,375	665,953	3.6	-7.0
1. Agriculture	65,537	55,704	76,264	69,302	70,792	64,393	59,415	-9.0	-7.7
2. Mining and Quarrying	41,589	8,330	9,629	13,915	21,116	23,621	28,354	11.9	20.0
3. Manufacturing	145,588	141,613	146,847	167,917	177,636	165,029	147,718	-7.1	-10.5
Large Scale	119,724	113,303	115,865	136,935	140,529	124,420	103,276	-11.5	-17.0
Small Scale*	25,864	28,310	30,982	30,982	37,107	40,609	44,442	9.4	9.4
4. Construction	3,871	5,175	9,903	14,287	16,981	12,139	12,811	-28.5	5.5
5. Electricity & Gas	23,001	2,044	6,280	14,868	13,204	12,841	8,599	-2.7	-33.0
6. Transport & Communication	45,979	61,918	91,431	160,818	161,803	164,899	136,260	1.9	-17.4
7. Wholesale and Retail Trade	11,692	13,760	15,165	18,123	22,578	23,816	23,059	5.5	-3.2
8.Ownership of Dwellings	83,163	87,010	89,213	91,648	94,151	96,721	99,361	2.7	2.7
9. Finance & Insurance	19,018	20,964	21,102	23,772	46,253	79,070	72,560	71.0	-8.2
10.Services	46,411	50,695	55,492	61,243	67,035	73,846	77,816	10.2	5.4

R: Revised

(..Contd.)

P: Provisional

\- Nil

* : Slaughtering is included in small scale sector.

TABLE 1.8

GROSS FIXED CAPITAL FORMATION (GFCF) IN PUBLIC AND GENERAL GOVERNMENT SECTORS AT CONSTANT MARKET PRICES OF 1999-2000

(Rs million)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P	% Change 2007-08/ 2006-07	% Change 2008-09/ 2007-08
Public and General Government (A+B)	172,221	170,518	180,066	205,084	263,590	275,340	261,372	4.5	-5.1
A. Public Sector	91,476	72,762	75,153	81,810	85,152	90,234	80,579	6.0	-10.7
1. Agriculture	1,224	75	125	983	109	91	70	-16.5	-23.1
2. Mining and Quarrying	25,149	3,902	7,853	8,106	11,441	12,626	17,528	10.4	38.8
3. Manufacturing	1,245	2,397	1,282	3,385	1,895	581	824	-69.3	41.8
4. Construction	2,735	2,745	3,252	5,091	9,824	9,145	7,030	-6.9	-23.1
5. Electricity & Gas	27,118	14,890	15,379	17,188	19,545	22,253	16,003	13.9	-28.1
6. Transport and Communication	28,173	43,933	42,522	41,215	35,373	38,343	31,695	8.4	-17.3
Railways	2,804	2,376	2,048	2,446	1,836	1,856	215	1.1	-88.4
Post Office & T&T	5,992	4,154	6,408	7,837	5,977	6,501	5,311	8.8	-18.3
Others	19,377	37,403	34,066	30,932	27,560	29,986	26,169	8.8	-12.7
7. Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-
8. Finance & Insurance	2,247	1,061	733	1,424	2,200	1,952	1,803	-11.3	-7.6
9. Services	3,585	3,759	4,007	4,418	4,765	5,243	5,626	10.0	7.3
B. General Govt.	80,745	97,756	104,913	123,274	178,438	185,106	180,793	3.7	-2.3
Federal	29,217	32,357	26,694	32,017	45,976	43,961	54,823	-4.4	24.7
Provincial	24,691	39,216	49,062	67,902	91,098	95,008	85,054	4.3	-10.5
Local Bodies	26,837	26,183	29,157	23,355	41,364	46,137	40,916	11.5	-11.3

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

Chapter No. 2

Agriculture

Inspite of structural shift towards industrialization, agriculture sector is still the largest sector of the economy with deep impact on socio-economic set up. It is the source of the livelihood of almost 44.7 percent of the total employed labour force in the country. With the present contribution to GDP at 21.8 percent, agriculture sector is the mainstay of the rural economy around which socio-economic privileges and deprivations revolve. Thus given for its stretched distinct forward and backward linkages particularly with the industrial sector, a large impact on balance of payments and highest share in employment, agriculture sector has assumed an added significance in backdrop of global food crunch and food security. No strategy of economic reforms can be realized without sustained and broad based agricultural development which is critical for raising living standards, alleviating poverty assuring food security, generating buoyant market for expansion of industry and services, and making substantial contribution to the national economic growth.

Agriculture has grown at an average rate of 4.1 percent per annum since 2002-03 with variations, from 6.5 percent to 1.1 percent. The fluctuation in agriculture has largely stemmed from a fluctuation in major crops which in turn is the result of the behaviour of mother nature, pest attacks on crops. The trends in agriculture growth since 2002-03 are reported in table 2.1

The performance of agriculture sector has been stronger than expected during 2008-09 as against the target of 3.5 percent and last year's performance of 1.1 percent, overall agriculture this year is estimated to grow by 4.7 percent on account of bumper wheat, rice and maize crops estimated as 23.42, 6.9 and 4.0 million tons respectively. Hence major crops accounting for 33.4 percent of agricultural value added registered stellar growth of 7.7 percent as against negative 6.4 percent last year. Minor crops contributing 12.0 percent to overall agriculture grew by 3.6 percent as against 10.9 percent last year. The performance of livestock – the single largest contributor to overall agriculture (51.8 percent) grew by 3.7 percent in 2008-09 as against 4.2 percent last year. The fishery performed positively at 2.3 percent; though the previous years growth stood at 9.2 percent. Forestry has been experiencing negative growth since 2003-04 and this year too has posted negative growth of 15.7 percent in a row.

Table 2.1: Agriculture Growth (Percent)

Year	Agriculture	Major Crops	Minor Crops
2002-03	4.1	6.8	1.9
2003-04	2.4	1.7	3.9
2004-05	6.5	17.7	1.5
2005-06	6.3	-3.9	0.4
2006-07	4.1	7.7	- 1.0
2007-08	1.1	-6.4	10.9
2008-09 (P)	4.7	7.7	3.6

P= Provisional

Source: Federal Bureau of Statistics

Pakistan's agricultural output is closely linked with the supply of irrigation water. As shown in Table 2.2, against the normal surface water availability at canal heads of 103.5 million-acre feet (MAF), the overall (both for Kharif and Rabi) water availability has been less in the range of 2.5 percent (2005-06) to 20.6 percent (2004-05). Relatively speaking, Rabi season faced more shortage of water than Kharif during these years.

Table 2.2: Actual Surface Water Availability				(Million Acre Feet)
Period	**Kharif**	**Rabi**	**Total**	**%age incr/decr. Over the Avg.**
Average system usage	67.1	36.4	103.5	-
2002-03	62.8	25.0	87.8	- 15.2
2003-04	65.9	31.5	97.4	- 5.9
2004-05	59.1	23.1	82.2	- 20.6
2005-06	70.8	30.1	100.9	- 2.5
2006-07	63.1	31.2	94.3	- 8.9
2007-08	70.8	27.9	98.7	- 4.6
2008-09 (P)	66.9	24.9	91.8	-11.3
				Source: IRSA

During the current fiscal year (2008-09), the availability of water for Kharif 2008 (for the crops such as rice, sugarcane and cotton) has been 0.3 percent less than the normal supplies and 5.5 percent less than last year's Kharif (see Table 2.2). The water availability during Rabi season (for major crop such as wheat), is, however, estimated at 24.9 MAF, which is 31.6 percent less than the normal availability, and 10.7 percent less than last year's Rabi.

I. Crop Situation

There are two principal crop seasons in Pakistan, namely the "Kharif", the sowing season of which begins in April-June and harvesting during October-December; and the "Rabi", which begins in October-December and ends in April-May.Rice, sugarcane, cotton, maize, mong, mash, bajra and jowar are "Kharif" crops while wheat, gram, lentil (masoor), tobacco, rapeseed, barley and mustard are "Rabi" crops. Major crops, such as, wheat, rice, cotton and sugarcane account for 89.1 percent of the value added in the major crops. The value added in major crops accounts for 33.4 percent of the value added in overall agriculture. Thus, the four major crops (wheat, rice, cotton, and sugarcane), on average, contribute 29.8 percent to the value added in overall agriculture and 6.5 percent to GDP. The minor crops account for 12.0 percent of the value added in overall agriculture. Livestock contributes 51.8 percent to agricultural value added – much more than the combined contribution of major and minor crops (45.4%).

Table 2.3: Production of Major Crops (000 Tons)					
Year	**Cotton (000 bales)**	**Sugarcane**	**Rice**	**Maize**	**Wheat**
2003-04	10048	53419	4848	1897	19500
	(-1.6)	(2.6)	(8.3)	(9.2)	(1.6)
2004-05	14265	47244	5025	2797	21612
	(42.0)	(-11.6)	(3.6)	(47.4)	(10.8)
2005-06	13019	44666	5547	3110	21277
	(-8.7)	(-5.5)	(10.4)	(11.2)	(-1.6)
2006-07	12856	54742	5438	3088	23295
	(-1.2)	(22.6)	(-2.0)	(-0.7)	(9.5)
2007-08	11655	63920	5563	3605	20959
	(-9.3)	(16.8)	(2.3)	(16.7)	(-10.0)
2008-09 (P)	11819	50045	6952	4036	23421
	(1.4)	(-21.7)	(24.9)	(11.9)	(11.7)
P=Provisional (July-March)					*Source: Ministry of Food and Agriculture*

a) Major Crops:

i) Cotton:

Cotton is the important non-food cash crop and a significant source of foreign exchange earnings. Cotton accounts for 7.3 percent of the value added in agriculture and about 1.6 percent to GDP. The crop was sown on the area of 2820 thousand hectares, 7.7 percent less than last year (3054 thousand hectares). The production is estimated at 11.8 million bales for 2008-09, higher by 1.1 percent over the last year's production of 11.7 million bales. However, the cotton production was 14.5 percent less than the target of 14.11 million bales mainly due to the shortage of irrigation water, less use of DAP to cotton crop, attack of Cotton Leaf Curl Virus (CLCV), mealy bug and white fly on the crop and last picking of cotton was affected due to higher prices of wheat announced by the Government.

Bt. Cotton

Cotton Leaf Curl virus (CLCV) has been the major problem in achieving the higher cotton production. In order to improve per hectare yield of cotton crop, Ministry of Food & Agriculture (MINFA) has been working on a two pronged strategy i.e., developing the technology through indigenous capabilities as well as inviting the Multi-National Companies to bring in the latest cotton production and protection technologies for enhancing cotton production in the country.In this respect , letter of intent (LOI) and memorandum of understanding has been signed with Monsanto company for introduction of latest technology (bollgard -II) in the country to maximize cotton production. National Biosafety Committee (NBC) of Ministry of Environment has also authorized biosafety clearance to eight cotton varieties with bollard-I trait.

Area, production and yield of cotton for the last five years are given in Table 2.4 and Fig. 2.1.

Fig 2.1: Cotton Production (000 bales)

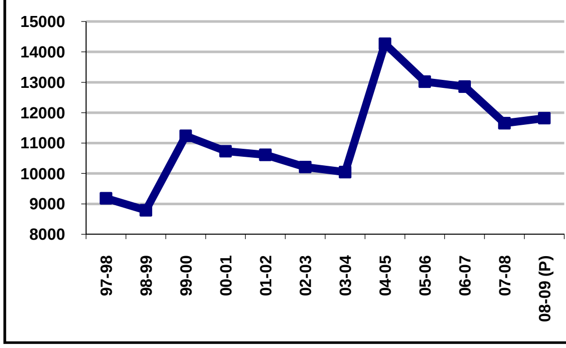


Table 2.4: Area, Production and Yield of Cotton

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Bales)	% Change	(Kgs/Hec)	% Change
2004-05	3193	6.8	14265	42.0	760	32.9
2005-06	3103	-3.0	13019	-8.7	714	-10.3
2006-07	3075	-0.9	12856	-1.2	711	-0.4
2007-08	3054	- 0.6	11655	- 9.4	649	-8.7
2008-09(P)	2820	-7.7	11819	1.1	713	9.9

P=Provisional (July-March) *Source: Ministry of Food and Agriculture, Federal Bureau of Statistics.*

World Cotton Situation

World cotton production is projected to decline by about 10 percent in 2008-09, to 108.8 million bales (480 lbs each), mainly due to decline in world cotton area caused by increased competition from alternative crops. Significant portions of cotton area were diverted to grains and oilseed production due to more attractive prices than cotton. The world yield is also estimated slightly down mainly due to unfavorable weather. The world yield is projected down to 763 kilograms per hectare from the record of 788 kilograms per hectare reached in 2007-08. The decline in world cotton area is registered for the second consecutive season.

The projected decrease in world production in 2008-09 is also driven by an expected fall of production in the United States to 13.0 million bales from 19.2 million bales of last year.

Production is also expected to decline significantly in Turkey, China, India, Brazil and Egypt. The cumulative share of China, India and Pakistan in world cotton production is expected to increase from 59 percent in 20007-08 to 62 percent in 2008-09.

World cotton trade is expected to drop by 21 percent in 2008-09 to 30.2 million bales. This would be the smallest volume of cotton traded internationally since 2001/02. Cotton imports are affected by lower demand from consuming countries and lower production in exporting countries. Only 28 percent of the world 2008-09 crop will be exported this season, compared to a five-Year average of 33 percent. China the largest cotton consumer and importer, is expected to import 6.8 million bales this season, 41% less than in 2007/08. India and Uzbekistan are expected to ship around 40% less cotton this season. The fall in industrial consumption is due mainly to a drop in end-use consumption of products caused by a slow-down in world economic growth, as well as a loss of competitiveness of cotton prices compared to polyester prices, and tightening credit conditions for textile mills. The decline in cotton prices in the first half of the season has triggered government support to producers in largest producing countries. In particular, the government of China bought 1.8 million tons of cotton. In India, government agencies bought around 1.2 million tons of the 2008-09 crop.

Despite governments attempts to support cotton prices in some countries in 2008/09, world cotton area is projected to decline in 2009/10. World cotton area is forecast down by 3% to 30.0 million hectares in 2009/10. Assuming an average yield slightly higher than in 2008/09, world cotton production is expected to decrease by 1% to 107.4 million bales. Production is expected to decline in China and the United States, but to increase in India and slightly up in Pakistan.

ii) Sugarcane*:*

Sugarcane is an important cash crop of Pakistan. It is mainly grown for sugar and sugar - related production. It is an important source of income and employment for the farming community of the country. It also forms essential item for industries like sugar, chipboard, and paper. Its share in value added of agriculture and GDP are 3.4 percent and 0.7 percent, respectively. For 2008-09, sugarcane has been sown in the area of 1029 thousand hectares, 17.1 percent lower than last year. Sugarcane production for the year 2008-09 is estimated at 50.0 million tons, against 63.9 million tons last year. This indicates significant decline of 21.7 percent over the production of last year. The main reasons of lower production are shortage of irrigation water, shifting of area to rice crop less use of DAP and non-payments of dues to farmers by the sugar mills on time for the last year's crop. The area, production and yield per hectare for the last five years are given in Table 2.5 (see also Fig. 2.2)

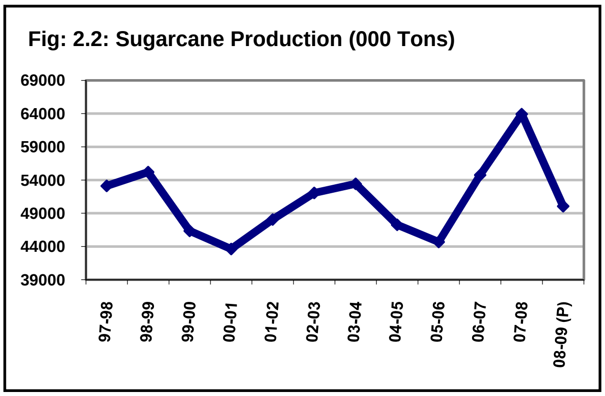


Table 2.5: Area, Production and Yield of Sugarcane

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Tons)	% Change	(Kgs/Hec.)	% Change
2004-05	966	-11.8	47244	-11.6	48906	-3.8
2005-06	907	-6.1	44666	-5.5	49246	0.7
2006-07	1029	13.5	54742	22.6	53199	8.0
2007-08	1241	20.6	63920	16.8	51507	-3.2
2008-09 (P)	1029	-17.1	50045	-21.7	48634	-5.6

P: Provisional. (July-March) *Source: Ministry of Food and Agriculture, Federal Bureau of Statistics.*

iii) Rice:

Rice is an important food cash crop. Rice is also one of the main export items of the country. It accounts for 5.9 percent of value added in agriculture and 1.3 percent in GDP. Pakistan grows enough high quality rice to meet both domestic demand and for exports. Area sown for rice is estimated at 2963 thousand hectares, 17.8 percent higher than last year. The size of the crop is estimated at 6952 thousand tons 24.9 percent higher than last year. Higher production of rice crop is primarily based on over achievements of area targets in Punjab and Sindh. In Punjab, area surpassed the target by 12.1 percent and as a result production overshot the target by 14.7 percent. Sindh production surpassed the target by 22.2 percent solely on accounts of area, which surpassed the target by 23.2 percent. In Punjab sugarcane area was shifted to rice crop, as the growers were discouraged from the non-payment of their dues timely by the sugar mills. The area, production and yield of rice for the last five years are given in Table 2.6 and Fig 2.3.

Fig 2.3: Rice Production (000 Tons)

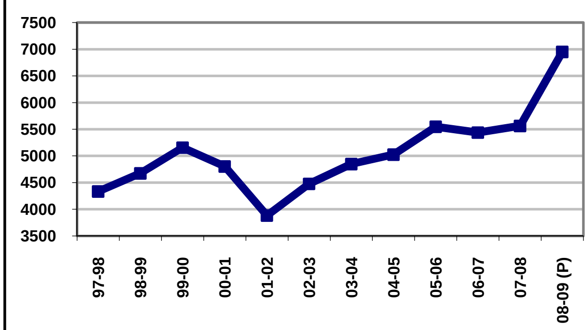


Table 2.6: Area, Production and Yield of Rice

Year	Area		Production		Yield	
	(000 Hectare	% Change	(000 Tons)	% Change	(Kgs/Hec.)	% Change
2004-05	2519	2.3	5025	3.6	1995	1.2
2005-06	2621	4.0	5547	10.4	2116	6.1
2006-07	2581	-1.5	5438	-2.0	2107	-0.4
2007-08	2515	-2.5	5563	2.3	2211	4.9
2008-09(P)	2963	17.8	6952	24.9	2346	6.1

P: Provisional. (July-March) *Source: Ministry of Food and Agriculture, Federal Bureau of Statistics.*

iv) Wheat:

Wheat is the main staple food item of the country's population and largest grain crop of the country. It contributes 13.1 percent to the value added in agriculture and 2.8 percent to GDP. Area and production target of wheat for the year 2008-09 has been set at 8610 thousand hectares and 25 million tons, respectively. Wheat was cultivated on an area of 9062 thousand hectares, showing an increase of 5.9 percent over last year's area of 8550 thousand hectares. The size of wheat crop is provisionally estimated at 23.4 million tons, 11.7 percent more than last year crop. The main reasons for higher production are: attractive wheat support price of Rs. 950 per 40 kg , before the sowing of crop i.e. 29th September 2008, significant increases in area under crop, timely rains during December, January and March and other supportive measures like setting a higher wheat procurement target by the public sector and extending fertilizer subsidy to the tune of Rs.32 billion. Government capped the DAP fertilizer price at Rs.3050 per bag by providing a subsidy of Rs.2200 per bag. The Area, Production and Yield per hectare of wheat for the last five years are given in Fig 2.4 and Table 2.7.

Fig 2.4: Wheat Production (000 Tons)

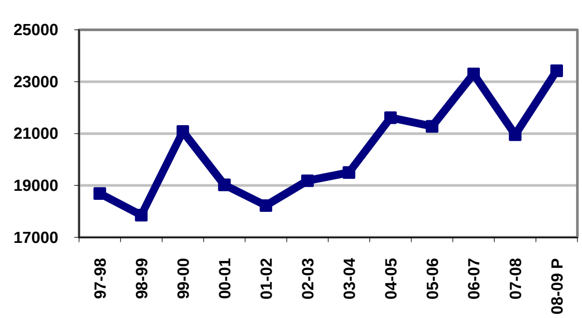


Table 2.7: Area, Production and Yield of Wheat						
Year	Area		Production		Yield	
	(000 hectares)	% Change	(000 tons)	% Change	(Kgs /Hec.)	% Changes
2004-05	8358	1.7	21612	10.8	2568	8.1
2005-06	8448	1.1	21277	-1.6	2519	-1.9
2006-07	8578	1.0	23295	9.5	2716	7.8
2007-08	8550	-0.3	20959	-10.0	2451	-9.8
2008-09(P)	9062	5.9	23421	11.7	2585	5.5

P = Provisional(July-March) *Source: Ministry of Food and Agriculture, Federal Bureau of Statistics*

v) Other Major Crops

The production of gram, maize and tobacco have increased by 60 percent, 11.9 percent and 4.6 percent respectively. Gram is the largest Rabi pulses crop in Pakistan. For the years 2008-09, gram production target was fixed at 652 thousand tons. Due to timely ample rains, the gram production surpassed the target and stood at 760 thousand tons. This indicates an impressive growth of 60 percent over the last year production of 475 thousand tons. The production of rape seed and mustard, barley, bajra and jawar decreased by 16.7, 4.6 , 3.0 and 2.9 percent respectively. The area and production of major crops are given in Table 2.8.

Table 2.8: Area and Production of Other Major Kharif and Rabi Crops					
Crops	2007-08		2008-09 (P)		% Change In production
	Area (000 hectares)	Production (000 tons)	Area (000 hectares)	Production (000 tons)	
KHARIF					
Maize	1052	3605	1118	4036	11.9
Bajra	531	305	470	296	-3.0
Jawar	281	170	263	165	-2.9
RABI					
Gram	1107	475	1094	760	60.0
Barley	91	87	86	83	-4.6
Rapeseed & Mustard	224	176	209	147	-16.7
Tobacco	51	108	52	113	4.6

P=Provisional (July-March), *Source: Ministry of Food and Agriculture; Federal Bureau of Statistics.*

b) Minor Crops

i) Oilseeds

The major oilseed crops include cottonseed, rapeseed/mustard, sunflower and canola etc. The edible oil available in the country from all sources was 3.066 million tons during 2007-08. Local production of edible oil stood at 833 thousand tons during 2007-08, which is 27.2% of the total availability in the country. While the remaining 72.8% was made available through imports.

During 2008-09 (July-March), 1.29 million tons edible oil which amounted to Rs.84 billions have been imported. The local production during 2008-09 (Jul-March) stood at 0.778 million tons. Total availability from all sources is estimated at 2.068 million tons during 2008-09. The area and production of oilseed crops during 2007-08 and 2008-09 is given in Table-2.9.

Table 2.9: Area and Production of Major Oilseed Crops						
Crops	2007-08			2008-09 (P)		
	Area	Production		Area	Production	
	(000 Acres)	Seed (000 Tons)	Oil (000 Tons)	(000 Acres)	Seed (000 Tons)	Oil (000 Tons)
Cottonseed	7,547	3,568	428	7,027	3,088	371
Rapeseed/ Mustard	576	172	58	682	204	69
Sunflower	1130	683	264	1250	755	287
Canola	402	208	83	260	134	51
Total	**9,655**	**4,631**	**833**	**9,219**	**4,181**	**778**

P: Provisional *Source: Pakistan Oilseed Development Board*

ii) Other Minor Crops:

The production of chillies, masoor and potatoes increased by 60.7 %, 44.5% and 0.2% respectively. The chilly crop is mainly concentrated in Sindh where timely rain proved very beneficial for the chillies crop. The production of mung, mash and onion decreased by 11.4%, 20.8% and 4.6% respectively. The decreased in these crop is mainly due to reduction of area under such crops as the area of mung, mash and onion decreased by 6%, 3.1% and 13.1% respectively. The area and production of minor crops are given in Table 2.10.

Table-2.10 : Area and Production of Minor Crops					
Crops	2007-08		2008-09 (P)		%Change In Production
	Area (000 hectares)	Production (000 tons)	Area (000 hectares)	Production (000 tons)	
Masoor	30.4	14.6	29.2	21.1	44.5
Mung	245.9	177.7	231.1	157.4	-11.9
Mash	32.5	17.3	31.5	13.7	-20.8
Potato	154.3	2539.0	149.1	2542.7	0.2
Onion	153.1	2015.2	133.1	1922.9	-4.6
Chillies	64.2	116.1	52.9	186.6	60.7

P=Provisional (July-March) *Source: Ministry of Food and Agriculture. Federal Bureau of Statistics*

Mandatory Crop Loan Insurance Scheme

Agriculture development is declared a priority area by the government for economic growth, food security and poverty alleviation. The farming sector is prone to natural hazards, so majority of the farmers have to bear losses in cases of natural calamities. Non-availability of crop insurance is also one of the major impediments in bank's extension of credit to farming community. The introduction of crop insurance was a long outstanding issue, as many schemes were developed in the past by the Government and insurance sector, however, none of them could be materialized. Therefore, to safeguard the interest of majority of farmers in such situations, the Prime Minister during his address to the National Assembly on 29th March 2008 announced introduction of Crop Insurance Scheme. Accordingly, the Cabinet decided that Crop Insurance Scheme for farmers should be introduced under Ministry of Finance.

The Ministry of Finance (MoF) had consultations with the representative of SBP, insurance companies, banks and other stakeholders to work out a concrete plan in this connection. The Report of SBP's Task Force on Crop Loan Insurance Framework was also reviewed. The Task Force comprising the representatives of leading insurance companies, banks, farming community, Security & Exchange Commission of Pakistan and Ministry of Food and Agriculture was constituted to develop a commercially viable and sustainable Crop Loan Insurance Scheme (CLIS) that can be adopted by the market players. It had adopted a strategy to review the lessons of international best practices, data series compiled by SBP, calamity announcements, crop wise and district wise loan disbursement, size wise production loans, data on write-offs & Non-performing loans (NPLs) and other seasonal analysis. Based on various deliberations, a market based Crop Loan Insurance Scheme was finalized by the SBP Task Force.

The MoF reviewed the SBP's Task Force CLIS and after thorough consultations with Ministry of Commerce, NICL, ZTBL and other stakeholders, proposed mandatory CLIS and after its successful implementation, National Agriculture Insurance Scheme (NAIS) will be launched on optional basis especially for small farmers. The Cabinet Committee in its meeting held on 5th August 2008 approved the proposal and decided to launch mandatory Crop Loan Insurance Scheme for five major crops viz. wheat, rice, cotton, sugarcane and maize from Rabi Crop 2008-09. The government would bear the cost of premium on account of subsistence farmers up to maximum 2% per crop.

Box Item – 1

Salient features of the Crop Loan Insurance Scheme are as under:-

- All banks including Microfinance banks involved in agricultural lending and all insurance companies dealing in general insurance interested to participate in scheme.
- All borrowers receiving production loans from banks/MFBs.
- All production loans disbursed for major crops by the banks are compulsorily insured.
- The name of the farmer and his crop must be entered in the land revenue record. The scheme will also be applied to tenants, lessees etc.
- Major Field crops i-e. Wheat, rice, sugarcane, maize and cotton.
- The insurance cover would be for the period from sowing till harvesting.
- Indemnity would be payable on the happening of:
- a) Natural calamities like excessive rains, hail storm, frost, flood and drought
- b) Crop related disease like viral and bacterial attacks, or any other damage caused to the crop like locust attack, etc.
- Sum insured will be based on the per acre borrowing limits prescribed by the banks subject to a maximum amount agreed between the banks and insurance company.
- The amount of claim is restricted up to 300% of the total premium received by the insurance company during the year or repayment period of the production loan.
- Maximum 2% of the loan amount per crop per season inclusive of standard levies.
- The bank will collect the premium from Economic & Above Economic holding farmers on behalf of the insurance companies upfront while in case of subsistence farmers and tenant/lessees where total cultivation should not exceed subsistence land level in the respective province, the bank will pay insurance premium which will be reimbursed bi-annually by Government of Pakistan. For this purpose insurance companies will open a collection account with the bank which will deposit all premiums so collected.
- A valid claim (as mutually agreed between the bank and the insurance company) under the scope of cover will be payable subject to the following:
- a) Insured crop is situated in an area declared as calamity affected by the respective provincial government.
- b) Damage to the crop was due to any of the insured peril.
- Claims shall be payable to the insurers for credit to the insured borrowers loan account
- Banks shall make all the necessary arrangements to facilitate the insurance companies by providing them all the relevant data.

All the banks have implemented the scheme. Further, to encourage the Microfinance Banks in increasing flow of credit to small and marginalized farmers, the mandatory CLIS has been extended to the Microfinance Banks from Kharif Season 2009.The scheme will mitigate the risk of losses to borrowers and banks in case of calamities and will also save million of rupees of the national exchequer paid to ZTBL in the shape of write-offs/waivers of agricultural loans of calamity affected farmers.

II. Farm Inputs

i) Fertilizer:

In this modern agricultural era, fertilizer is basic important input to boost yield. Contribution of balanced fertilization towards increased yield is from 30 to 60 percent in different crop production regions of the country. One kg of fertilizer nutrient produces about 8 kg of cereals (wheat, maize and rice), 2.5 kg of cotton and 114 kg of stripped sugarcane. All of our soils are deficient in nitrogen (N), 80-90 percent are deficient in phosphorus (P) and 30 percent in potassium (K), Wide spread deficiency of micronutrients are also appearing in different areas. Soil fertility is continuously depleting due to mining of the essential plant nutrients from the soils under intensive cultivation.

Mineral fertilizers have played a significant role in overcoming the problem of nutrient deficiency. However, main constraint in exploiting the full potential of the soils has remained the imbalanced use of fertilizers especially in terms of application of large amount of N in relation to P. The Government has taken several significant steps to boost agricultural production over the last five years. Realizing the importance of balanced nutrition, a landmark decision taken in September 2006 from urea fertilizer to phosphoric and potassic fertilizers as well. As a result, the prices of 50 kg bag of these fertilizers were reduced by 470 to Rs 2200 per bag of DAP.

The domestic production of fertilizers during the first nine months (July - March 2008-09) of the current fiscal year was up by 3.6 percent as compared with corresponding period last year. On the other hand, the import of fertilizer decreased by 51 percent, the total availability of fertilizer also decreased by 11.9 percent during the same period last year. Hence total off-take of fertilizer was lower by 6.5 percent (Table 2.11). Off-take pattern of nutrients also changed. Nitrogen off-take decreased by 3.3 percent while that of phosphate by 21 percent. Main reasons for reduction in off-take of fertilizers was high price of DAP and delayed import of urea.

Table 2.11: Production and Off-take of Fertilizer **('000' N/tons)**

Year	Domestic Production	% Change	Import	% Change	Total	% Change	Off-take	% Change
2003-04	2539	9.7	764	-0.3	3303	7.2	3222	6.7
2004-05	2718	7.1	785	2.7	3503	6.1	3694	14.6
2005-06	2832	4.2	1268	61.5	4100	17.0	3804	3.0
2006-07	2747	-3.0	796	-37.2	3543	-13.6	3672	-3.5
2007-08	2822	2.7	876	10.1	3698	4.4	3581	-2.5
2007-08 (Jul-Mar)	2076	-	818	-	2894	-	2878	-
2008-09 (Jul-Mar) P	2150	3.6	401	-51.0	2551	-11.9	2691	-6.5

P : Provisional ***Source: National Fertilizer Development Centre***

ii) Improved Seed*:*

Quality seed is the most desirable input of improving yield. Seed is an important component in agriculture productivity system. Seed has the unique position among various agricultural inputs because the effectiveness of all other inputs mainly depends on the potential of seeds. Seed is a high technology product and is an innovation most readily adapted. Improving access to good quality seed is a critical requirement for sustainable agricultural growth and food security. Effective use of improved seed can result in higher agricultural production and increase net incomes of farming families, which has a positive impact on rural poverty. Hence, availability of quality seed of improved varieties is essential to achieve the production target.

During July-March 2008-09, about 296.91 thousand tones of improved seed of various kharif/rabi/spring/winter season crops was distributed. The procurement and distribution of seeds of various Kharif crops (cotton, paddy, maize, mungbean etc) is under progress.

The Federal Seed Certification and Registration Department (FSC&RD) is engaged in providing seed certification coverage to public and private sector seed companies of Pakistan alongwith seed quality control services through its 31 seed testing laboratories and monitoring of seed quality in the market as well. The activities/achievements of the department during 2008-09 are briefly given as under:

- Under 'Establishment of Seed Testing Laboratories and Rehabilitation of Existing Laboratories' project fifteen seed testing laboratories were established and Establishment four Laboratories of Seed Certification System for Vegetable Seed Production in Northern Areas and AJK have successfully started functioning to provide seed certification services to public and private seed sector.
- During the year 2008-09, fourteen new seed companies were registered raising the total number of registered seed companies to 682 in the country including four public sector seed companies and five multinationals.
- Twenty one crop varieties were approved (wheat-8, cotton-1, maize-2, pulses-4, fodder-3, and vegetable-3) and fifty-five crop varieties were evaluated for registration.
- During the period under report, a total of 566.8 thousand acres of different crops offered by the various seed agencies were inspected for certification purposes.
- A total quantity of 296.9 thousand mt. seeds of various crops were sampled and tested for purity, germination and seed health purposes.
- Pre and Post Control Trials of all pre-basic, basic seed lots and 20% of certified seed lots were carried out in the field to determine the quality of seed distributed by various seed agencies.
- Under the provision of seed act enforcement, 360 cases were filed in the different Courts of Law against the seed dealers found selling substandard seeds.
- Imported seed of various crop/hybrid at the tune of 11.7 thousand M. tons with a total value of Rs.2149 million was tested under Labeling Seed Standard during the year so far at the port of entries i.e. Lahore and Karachi.
- Almost 1290 seed samples of various crops/vegetables and fruits were tested at the Central Seed Health Laboratory, Islamabad for detection of fungal and viral diseases using latest diagnosis techniques and protocols.
- Twelve short terms on job training courses on Seed Health Testing, Vegetable Production, Field Inspection and Seed Testing, were also arranged for seed Certification Officers, private nurseries and staff of Provincial Agri. Extension Department.
- Federal Seed Certification & Registration Department (FSC & RD) with the collaboration of MINFA and all stakeholders prepared the Standard Operating Procedures (SOPs) for evaluation, release and registration of candidate biotech crop varieties in Pakistan. SOPs are in finalization stage for approval and implementation.
- Various Seed Development Projects are being run during 2008-09 while two projects namely "Establishment of National Variety Data Bank" and "Up-gradation of Seed Testing Laboratories to meet WTO Requirements" have been successfully completed.

iii) Mechanization:

Food security and agriculture surpluses for export at competitive prices require efficient development and utilization of agricultural resources. Costs of production of various crops are relatively not competitive due to low productivity attributed mainly to inefficient farming practices. Farm operations being time specific, demand precision to optimize the efficiencies of agricultural input for higher productivity. The future changes of free market economy and faster globalization have further necessitated modernization of agricultural machinery through transfer of latest, efficient and cost effective technologies to the farming community. Efficient use of scarce agriculture resources and accelerated agricultural mechanization are, therefore, vital to meet the challenges of future scenario that need a comprehensive strategic loaning for future.

Accelerated farm mechanization is an important ingredient of the strategy to accelerate growth rate in the agriculture sector. In consideration of role of precision in farm operations, Federal Water Management Cell (FWMC) is encouraging the use of farm machinery for which credit facilities are being provided by the commercial banks. Presently, available farm power is inadequate. The number of additional tractors required stands at 200,000. In order to achieve this target Federal Government allowed import of new and used tractors in CBU (Completely Built Units) at Zero tariffs. Further, to promote use of efficient and quality machinery & equipment etc, the Federal Government also allowed import of agricultural machinery at zero tariffs not being manufactured locally. Other measures of include use of laser land levelers, ridge and broad bed farming are being encouraged in the country through provision of incentives to the farmers. Presently, two projects are in progress: National Project to Stimulate the Adaptation of permanent raised Beds in Maize – Wheat Farming System in Pakistan and Land and Water Resources Development Project. Prices of locally manufactured tractors are given in table 2.12

Table 2.12: Price of Locally Manufactured Tractors *(In Rs.)*

Tractor Model	2007-08	2008-09
MF-240 (50-H.P)	419,000	469,000
MF-260 (60 H.P)	509,000	559,000
MF-375 S (78 H.P)	629,000	725,000
MF-385 (85 H.P)	769,000	849,000
MF-385 (4wd)-85 HP	1,140,000	1,220,000
NH-FIAT-480 (55-H.P)	367,000-419,000	449,000
NH-FIAT-GHAZI(65 HP)	399,000-459,000	489,000
NH-FIAT-640 (75-H.P)	510,000-550,000	610,000
NH-FIAT-640-S (85)	520,000-599,000	649,000
NH 55-56 (55-HP)	430,000-490,000	530,000
NH 60-56 (65-HP)	460,000-520,000	559,000
UNIVERSAL U-640 (65 HP)	545,000	569,000
UNIVERSAL U-530 (53-HP)	439,000	439,000

Source: Ministry of Food and Agriculture

iv) Plant Protection

Plant protection is very important agriculture input as it effectively contributes in achieving higher production. In this regard, the Department of Plant Protection (DPP) provides facilities such as Locust survey and control, plant quarantine service, Aerial Pest Control and Pesticide Registration and Testing.

1. DPP is conducting desert Locust Survey of Balochistan w.e.f. 1st February, 2009. It is carrying out joint Pak-Iran border survey also by a combined survey team of both countries under auspicious of FAO w.e.f 1st April, 2009.
2. Heavy infestation of grasshoppers in an area of 100 hectares in Nushki was controlled by the department during July

2008. The department carried out regular field crop survey and aerial spray operation on date palms against Dubas bug in Panjgur on an area of 13,000 acres during October, 2008.

3. The department remained in regular coordination with the Provincial Agriculture Extension Department, Baluchistan. A program of aerial spray on an area of 151,000 acres on orchards as well as on date palm is under process.

4. Efforts are underway by the department in order to get the new Pesticide Act passed. This act will help in improving quality control inspection and monitoring in the field with the help of the provincial governments. Environmental safeguards will also be improved with the collaboration of Ministry of Environment at manufacturing and formulation stages.

v) Irrigation

Efficient irrigation system is a pre-requisite for higher agricultural production since it helps increase the crop intensity. Despite the existence of good irrigation canal network in the Pakistan, it still suffers from wastage of a large amount of water in the irrigation process. Position of rainfall during monsoon and winter season is detailed below:-

Table 2.13: Rainfall Recorded During 2008-09 *(In Millimeter)*

	Monsoon Rainfall (Jul-Sep) 2008	Winter Rainfall (Jan-Mar) 2009
Normal	137.5mm	70.5mm
Actual	140.6mm	77.8mm
Shortage (-)/excess (+)	+3.1mm	+7.3mm
% Shortage (-)/excess (+)	+2.3%	+10.3%

Source: Pakistan Meteorological Department

During the monsoon season (July-September, 2008) the normal rainfall is 137.5 mm while the actual rainfall received stood at 140.6 mm, indicating an increase of 2.3 percent. Likewise, during the winter (January to March 2009), the actual rainfall received was 77.8 mm while the normal rainfall during this period has been 70.5 mm, indicating an increase of 10.3 percent over the normal rainfall.

Table 2.14: Canal Head Withdrawals (Below Rim Station) **Million Acre Feet (MAF)**

Provinces	Kharif (Apr-Sep) 2007	Kharif (Apr -Sep) 2008	% Change in Kharif 2008 over 2007	Rabi (Oct-Mar) 2007-08	Rabi (Oct –Mar) 2008-09	% Change in Rabi 2008-09 Over 2007-08
Punjab	37.66	34.23	-9	15.25	13.28	-13
Sindh	30.29	29.51	-3	11.21	10.30	-8
Baluchistan	1.75	2.13	21	0.78	0.61	-22
NWFP	1.08	1.06	-2	0.70	0.74	6
Total	**70.78**	**66.93**	**-5**	**27.93**	**24.94**	**-11**

Source: Indus River System Authority.

The canal head withdrawals in Kharif 2008 (April-September) have decreased by 5 percent and stood at 66.93 Million Acre Feet (MAF), as compared to 70.78 MAF during the same period last year. During the Rabi season 2008-09 (October-March), the canal head withdrawals decreased by 11 percent, as it remained at 24.94 MAF compared to 27.93 MAF during the same period last year. Province-wise details are given in Table 2.14.

The Government has clearly indicated its priority through its nine (9) point development agenda. The agenda seeks agriculture growth, uplift of agro-economy and proper interventions. The water being critical input to agriculture has been provided financial resources amounting to Rs.31.00 billion (during 2008-09) despite the international economic and financial recession and transition economy in Pakistan.

The focus of investments in the water sector was in:

a) Augumentation of water resources

b) Conservation measures and

c) Protection of infrastructure

The strategy was inline with the Medium Term Development framework (MTDF) Programme 2005-2010 and also provide bench mark for moving forward in the next five year programme through construction of dams, lining of canals, efficient water use through high efficiency equipments. Whereas activities related to protection of existing assets through rehabilitation of irrigation network, development of drainage infrastructure for protection against waterlogging & salinity and river training works for flood control continued.

The flagship programmes have been as under:-

- Implementation of 3 mega canals projects namely; Kachhi canal in Balochistan, Rainee canal in Sindh and Greater Thal canal in Punjab for Irrigating 2.864 million acres.
- Substantial completion of Mangla Dam Raising Project for additional storage of 2.9 MAF and additional power of 120 MW.
- Completion of Sabakzai dam.
- Substantial completion of Satpara Dam in Northern Areas for irrigation of 15,536 acres and 15.8 MW power generation.
- Implementation of Gomal Zam Dam Project in Tribal/NWFP area despite of law & order situation.
- Integrated implementation of National Program for improvement of Water Courses in Pakistan. During the current year about 5,000 water courses will be improved.
- Implementation of "Water Conservation through High Efficiency Irrigation System (drip and sprinkler) in Pakistan Project" to upgrade irrigation in 291,000 acres.
- In drainage sector implementation of RBOD-I, II & III Projects to protect and reclaim 4.90 million acres of irrigated land.

Major water sector projects under implementation are given in Table 2.15

Table 2.15: Major Water Sector Projects under Implementation

Projects	Location	Cost (US$M) (Approx)	Total App.cost (Rs. M)	Live Storage (MAF)	Area Under Irrigation (Acres)	Completion Date
Gomal Zam Dam	NWFP	162	12,829	1.14	163,086	Oct. 2010
Greater Thal Canal *	Punjab	381	30,467	-	1534,000	Phase-I, completed
Rainee Canal *	Sindh	236	18,862	-	412,000	June.2009 Phase-I
Kachhi Canal *	Balochistan	390	31,204	-	713,000	June 2010 Phase-I
Raising of Mangla Dam (30 ft)	AJ&K	792	62,553	2.90	All over Pakistan	June, 2009
Satpara Dam Multi- purpose	Skardu	55	4,397	0.05	15,536	Sept, 2009
Kurram Tangi Dam	NWFP	216	17,205	0.83	362,380	Preliminary work in progress. Works on main dam not yet started
RIGHT BANK OUT FALL DRAIN						
• RBOD-I	Sindh	182	14,707			Dec 2010
• RBOD-II	Sindh	358	29,014			June 2010
• RBOD-III	Balochistan	81	6,535			June 2010

Source: Water Resources Section, Planning & Development Division

*** Date of completion for all three canals is for Phase-I, whereas cost is reflected for total project**

vi) Agricultural Credit:

Agriculture Credit plays a pivotal role in agricultural development of a country. Credit requirements of the farming sector have been increasing over the years mainly due to the rise in the use of seed, fertilizer, pesticides as well as for purchase of agricultural machinery etc.In order to cope with the increasing demand for agricultural credit, institutional credit to farmers is being provided through Zarai Taraqiati Bank Limited (ZTBL), Commercial Banks, Punjab Provincial Cooperative Bank Ltd (PPCBL) and Domestic Private Banks. The Government has allocated Rs 250 billion for agriculture credit disbursements for the year 2008-09 which is 25 percent higher than the allocation of the preceding year i.e. Rs 200 billion. Out of the total credit target of Rs 250 billion, Rs 119.5 billion were allocated to commercial banks, Rs 72.0 billion to ZTBL, Rs 6 billion to Punjab Provincial Cooperative Bank Ltd., and Rs 52.5 billion to Domestic Private Commercial Banks. The agricultural loans extended to the farming community during July-March, 2008-09 are discussed below:

a) Production and Development Loans

Agricultural loans amounting to Rs. 151.9 billion were disbursed during (July-March, 2008-09) as against Rs.138.6 billion during the corresponding period last year, thereby registering an increase of 9.6 percent. The share of ZTBL in supply of total agricultural credit by institutions increased and was 29.9 percent during (July–March, 2008-09) However, the share of Commercial Banks has surpassed the share of ZTBL; it was 48.9 percent of the total agricultural credit disbursed during July–March 2008-09. While the share of PPCBL has also decreased as it stood at 2.3 percent in supply of total agricultural credit by institutions. The share of domestic private bank has decreased; as it was 18.9 percent of the total agricultural credit disbursed during July-March, 2008-09. Supply of agricultural credit by various institutions since 2004-05 to 2008–09 (July-March) is given in Table 2.16.

b) Zarkhaiz Scheme (One Window Operation)

ZTBL continued its expeditious delivery of credit to farmers with special reference to subsistence and small farmers through One Window Operations. This programme has established its importance by witnessing tremendous strength in timely channeling of production loans to small farmers, which contributed significantly towards increasing farm production. The programme is conducted by the Bank in coordination with the officials of Provincial Revenue Department and Pakistan Post Office once a week on Monday for Rabi crops during the period from October to January and for Kharif crops from April to September each year. Under “One Window Operation” loans are processed on the spot and sanctioned through the branches within three days.

Table 2.16: Supply of Agricultural Credit by Institutions *(Rs. in million)*

Year	ZTBL	Commercial Banks	PPCBL	Domestic Private Banks	Total	
					Rs. Million	%Change
2004-05	37408.84	51309.78	7607.47	12406.82	108732.91	48.0
2005-06	47594.14	67967.40	5889.49	16023.38	137474.40	26.4
2006-07	56473.05	80393.18	7988.06	23976.16	168830.45	22.8
2007-08	66938.99	94749.29	5931.45	43940.92	211560.66	25.3
2007-08 (Jul-Mar)	39561.17	65124.83	3935.16	29975.57	138596.73	-34.7
2008-09 (Jul-Mar)	45399.87	74364.60	3538.89	28557.24	151860.60	9.6

Source: State Bank of Pakistan.

c) Sada Bahar Scheme/Revolving Finance Scheme:

For providing timely input loans for crops and working capital for dairy, poultry and fisheries, the Bank has launched Sada Bahar Scheme . Assessment for inputs requirements for the whole year is made at the time of first application. The amount so assessed is treated as Revolving Limit. For repeat loan, fresh investigation/appraisal is not necessary. The Managers are authorized to sanction such loan within their loan sanctioning powers and renew the same even if previously it was sanctioned by the higher authority. During July–March 2008-09, an amount of Rs 37 billion was disbursed inclusive of Rs 8.94 billion disbursed under One Window Operations.

d) Crop Maximization Project:

Ministry of Food, Agriculture (MINFA) launched an integrated development programme entitled "Crop Maximization Project (CMP)" in 15 districts of the country. The project aimed at providing inputs for crops through Revolving Fund for the financial assistance of the farmers in the project area. Under an agreement, the MINFA will provide funds to the tune of Rs 299.89 million to ZTBL for onward lending to the project farmers to meet the input requirements for various crops and ZTBL will revolve these funds up till 30th June 2014. During July 2008,the bank provided an amount of Rs 160.11 million to the farmers. Progressive loans disbursed amounted to Rs 655.35 million at the end of the year 2008.An amount of Rs.529.43 million has been recovered since inception of the project.

Green Revolution Schemes

a) Promotion of Mechanized Farming for agriculture productivity in AJ & Kashmir Area

In order to achieve the aim of providing farm machinery and implements to encourage the mechanized farming for the enhancement of agriculture productivity as compared to traditional tillage, system a Memorandum of Understanding between Zarai Taraqiati Bank Lte. and Department of Agriculture AJ&K was signed during April,2008 under title of Green Tractor Scheme. The project shall be implemented in entire area of Azad Jammu & Kashmir through the network of Zari Taraqiati Bank Ltd. and Department of Agriculture, AJ&K.This facility will be widely advertised among farming community through media as well as its extension staff.Printed application forms free of cost will be provided to ZTBL branches and field offices of Department of Agriculture for their onward supply to intending borrowers. It will also collect applications from farmers, evaluate/ scrutinize/ prepare economics of the schemes, register them and recommended to ZTBL concerned branches for financing.

b) Green Tractors Scheme 2008-09

In order to promote farm mechanization, Government of Punjab has decided to launch "Green Tractors Scheme 2008-09" for the farmers of the Punjab Province. Government of Punjab has allocated funds of Rs.2 billion for provisions of subsidy @ Rs.200,000/- per unit for 10,000 tractors. Provincial Government has devised a fool proof system to select the eligible farmers through balloting for granting said subsidy to purchase tractors on cash or against credit by any Bank inclusive of ZTBL. Agricultural/Revenue Departments of Province have already collected the applications from eligible farmers, evaluated /scrutinized the same and arranged the balloting to provide amount of subsidy @ Rs.200,000/- directly to the concerned tractors manufacturers of each successful farmers on receipt of booking of tractor.

III. Forestry

Forestry plays a pivotal role in our economy. Forestry is also essential to improve the quality of life of citizens through sustainable development maintaining sustained supply of wood and wood products. Pakistan is a land of great diversity, which has yielded a variety of vegetation, however, only 5.3 percent of total land area is under forest ranking it under Low Forest Cover Countries. Forests include State-owned forests, communal forests and privately owned forests. Pakistan has declared the year 2009 as "National year of Environment" to bring a visible improvement in the quality of air, water, land, and ecosystem through mitigating the effects of environmental degradation visible on biological diversity, agriculture productivity, water availability, food security and human health.

In this regard, a series of activities have been planned for engaging all stakeholders for their participation in the improvement of the environment. Under Spring Tree Plantation Campaign, 2009, all the government departments, private organizations, defense organizations and NGOs will be involved in planting activities. In this campaign targets include planting 20 million saplings in Punjab, eight million in Sindh, 17 million in NWFP, one million in Balochistan, 10 million in AJK, three million in Northern Areas and eight million in FATA. In addition to this, IUCN would plant 500,000 saplings, Defense Ministry would plant 100,000 saplings, National Highway Authority has a target of 500,000 while 417,000 saplings would be planted under the Rachana Doab Project. Government of Pakistan is also reviving mass afforestation programme in collaboration with the private sector. During the National year of Environment 2009,Forests wing of M/o Environment has devised a strategy for setting a world record by planting 11 million saplings in a single day.

During the year 2008-09 forests have contributed 83 thousand cubic meters of timber and 205 thousand cubic meters of firewood as compared to 94 thousand cubic meters timber and 267 thousand cubic meters firewood in 2007-08. In order to enhance tree cover in the country, tree planting campaigns are held each year. During the tree planting campaign, all the Government Departments, Private Organizations, Defence Organizations and NGOs are involved in planting activities. During spring and monsoon season year 2008, 111.43 million saplings (spring 73.31 million and monsoon 38.12 million) were planted.

IV. Livestock and Poultry

A. Livestock

Livestock plays an important role in the economy of the country. Livestock sector contributed approximately 51.8 percent of the agriculture value added and 11.3 percent to national GDP during 2008-09.Gross value addition of livestock at current cost factor has increased form Rs. 1052 billion (2007-08) to Rs. 1287 billion (2008-09) showing an increase of 22.3 %. The value of livestock is 6.1% more than the combined value of major and minor crops. Government gives high priority to its development and is focused on private sector led development of livestock. Underpinning the importance of livestock, the government has placed livestock on national development agenda. It has formulated “Livestock Development Policy” and “Poultry Development Policy”. Both policies are aimed at private sector led development of livestock with Government providing enabling environment. The policies would provide a frame work for accelerated development of livestock.

To spearhead the development efforts through private sector, fully autonomous private sector-led, “Livestock and Dairy Development Board” and “Pakistan Dairy Development Company” have been established. These companies are serving as plateform for investment in livestock sector. Apart form provincial Government programs, the federal government has substantially increased public-sector investment in livestock sector and has initiated mega projects to the tune of Rs. 7.1 billion for strengthening livestock services for improved disease diagnosis & control; milk and meat production; breed improvement; animal husbandry and management practices in the country. The livestock population for the last three years is given below:

Table 2.17: Livestock Population (Million No.)

Species	2006-07[1]	2007-08[1]	2008-09[1]
Cattle	30.7	31.8	33.0
Buffalo	28.2	29.0	29.9
Sheep	26.8	27.1	27.4
Goat	55.2	56.7	58.3
Camels	0.9	1.0	1.0
Horses	0.3	0.3	0.4
Asses	4.3	4.4	4.5
Mules	0.2	0.2	0.2

[1]: Estimated Figure based on inter census growth rate of Livestock Census 1996 & 2006

The major products of livestock are milk and meat, the production of which for last three years is given below.

Table 2.18: Milk and Meat Production

Species	Units	2006-07[1]	2007-08[1]	2008-09[1]
Milk (Gross Production)	000 tons	40,872	42,191	43,562
Cow	"	13,913	14,437	14,982
Buffalo	"	25,465	26,231	27,028
Sheep[2]	"	35	35	36
Goat	"	682	700	719
Camel[2]	"	777	787	798
Milk (Human Consumption)[3]	000 tons	32,996	34,064	35,160
Cow	"	11,130	11,550	11,985
Buffalo	"	20,372	20,991	21,622
Sheep	"	35	35	36
Goat	"	682	700	719
Camel		777	787	798
Meat[4]	000 tons	2,618	2,727	2,515
Beef	"	1,498	1,549	1,601
Mutton	"	566	578	590
Poultry meat	"	554	601	652

Source: Ministry of Livestock and Diary Development

Note:
1. **The figures for milk and meat production for the years 2006-07, 2007-08 and 2008-09 are calculated by applying production parameters to the projected population of 2006-07, 2007-08 and 2008-09 based on the inter census growth rate of livestock census 1996-2006.**
2. **The figures for the Milk production for the year 2006-07, 2007-08 and 2008-09 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 offals.**

The MTDF target (2013) for milk and meat are 8% & 5% (low road) and 10%, 8.5% (High road) respectively. Keeping in view the current growth trend of livestock, Government focused programs on milk and meat and private sector initiatives to contribute in development of livestock sector indicate that the sector will achieve MTDF (low road) targets and may go even beyond targets. The production of other livestock products for the last three years is given below:

Table 2.19: Livestock Products Production

Species	Units	2006-07[1]	2007-08[2]	2008-09[2]
Eggs	Million No's	10,197	10,711	11,258
Hides	000 No's	11,800	12,199	12,612
Cattle	"	5,813	6,032	6,260
Buffalo	"	5,892	6,070	6,255
Camels	"	95	96	97
Skins	000 No's	44,325	45,325	45,325
Sheep skin	"	10,131	10,251	10,373
Goat skin	"	21,283	21,860	22,452
Fancy skin	"	12,910	13,215	13,526
Lamb skin	"	3,009	3,045	3,081
Kid skin	"	9,901	10,170	10,445
Wool	000 tons	40.57	41.05	41.54
Hair	"	20.85	21.41	21.99
Edible Offal's	"	308	317	325
Blood	"	52.74	54.07	55.43

Table 2.19: Livestock Products Production				
Species	Units	2006-07[1]	2007-08[2]	2008-09[2]
Guts	000 No's	44,777	45,788	46,824
Casings	″	12,565	12,988	13,426
Horns & Hooves	000 tons	44.05	45.35	46.68
Bones	″	652.36	672.08	692.43
Fats	″	209.14	215.25	221.56
Dung	″	921	949	978
Urine	″	285	293	302
Head & Trotters	″	191.63	196.98	202.50
Ducks, Drakes & Ducklings	″	0.67	0.64	0.61

Source: Ministry of Livestock and Diary Development

Note:

1. **The figures for livestock products for the year 2005-06 were calculated using the livestock population reported in livestock census 2006 and by applying production parameters.**
2. **The figures for livestock product for the years 2006-07 and 2007-08 were calculated by applying production parameters to the projected population of 2006-07 and 2007-08**

B. Poultry

Poultry sector is one of the vibrant segments of agriculture industry of Pakistan. This sector generates employment (direct/indirect) and income for about 1.5 million people. Its contribution in agriculture growth is 4.81% and in Livestock growth 9.84%. Poultry meat contributes 19% of the total meat production in the country. The current investment in Poultry Industry is about Rs. 200.00 billion. Poultry sector has shown a robust growth at the rate of 8-10 percent annually which reflects its inherent potential.

The Production of commercial and rural poultry and product for last three years is given in the Table 2.20.

Table 2.20: Domestic/Rural & Commercial Poultry				
Type	**Units**	**2006-07**	**2007-08**	**2008-09**
Domestic Poultry	**Million No's**	74.02	75.11	76.22
Cocks	″	8.84	9.08	9.32
Hens	″	34.84	35.47	36.11
Chicken	″	30.34	30.57	30.79
Eggs	″	3484	3547	3611
Meat	000 Tons	96.54	98.45	100.41
Duck, Drake & Ducking	**Million No's**	0.67	0.64	0.61
Eggs	″	29.85	28.61	27.42
Meat	000 Tons	0.91	0.87	0.83
Commercial Poultry				
Layers	Million No's	24.82	26.56	28.42
Broilers	″	370.70	407.77	448.55
Breeding Stock	″	7.25	7.61	7.99
Day old chicks	″	387.20	425.92	468.51
Eggs	″	6682	7136	7620
Meat	000 Tons	456.95	501.30	550.00
Total Poultry				
Day old chicks	Million No's	418	456	499
Poultry Birds	″	477	518	562
Eggs	″	10197	10711	11258
Poultry Meat	000 Tons	554	601	651

Source: Ministry of Livestock and Diary Development

Notes:

1. ***The figures for the year 2006-07, 2007-08 and 2008-09 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.***

Ministry of Food, Agriculture & Livestock has initiated a mega project titled **"National Program for the Control and Prevention of Avian influenza"** at a total cost Rs. 1180.142 million. The project is of three years duration and will be implemented through out Pakistan including AJK, FATA and FANA. The proposed project objectives include Improve and scale up avian influenza surveillance, reporting and diagnostic at federal and provincial district levels, strengthening disease control, outbreak containment and eradication of Highly Pathogenic Avian Influenza (HPAI), Compensation to farmers, Increase awareness among the framers, consumers, veterinarians and other stake holders regarding AI, vaccine development, improving veterinary services to enforce national animal disease control measures. MLDD is monitoring the Bird flu situation in the country. Pakistan is monitoring bird flu free status since September 2008. This position has been notified to International Animal Health Organization (IAHO).

C. Incentives to Promote Investment in Livestock

1. Allowing import of high yielding animals, semen and embryos for crossbreeding, expansion / improvement and modernization of laboratory facilities to diagnose and treat livestock diseases; introduction of mobile animal health service to provide diagnostic services at the door steps of farmers, duty free import of veterinary dairy and livestock machinery/equipment, not manufactured in the country.
2. Government has allowed import of Incubators, Brooders, Evaporation cooling pads, cooling system, Grain storage silos for poultry, poultry equipments, milk and meat processing machinery/equipment (not manufactured locally), at zero percent custom duty. Private sector has imported milk and meat processing ,machinery /equipment.
3. In order to reduce input costs in poultry production, poultry vaccines, feed additives, coccidiostats, Growth promoters premixes, Vitamin premixes, Fish feed, Zinc sulphate, Copper sulphate used in poultry feed has been zero-rated. Sales tax exemption has been allowed to un-cooked poultry meat; processed milk, yogurt, cheese flavored milk, and butter cream. In addition, poultry, vaccines, feed additives and coccidiostats used in poultry feed manufacturing have been allowed at zero percent custom duty.

D. Mega Development Projects

Following development projects funded under federal PSDP are in operation :-

Strengthening of Livestock Services in Pakistan

This Project is of Seven years duration (2003-2010) and proposed at a total cost of Rs.1992.66 million. The project is aimed to eradicate rudder pest disease from the country, to enhance efficiency and effectiveness of delivery of livestock services, improvement of disease diagnosis, monitoring and reporting system, Vaccine production particularly against newly emerging and trans-boundary Animal Disease and capacity building of veterinary staff.

Livestock Production and Development for Meat Production

This Project is of five years duration (2005-2010) and has total allocation of Rs.1520 million. It is assisting in the establishment of 2590 fattening farms (1040 beef and 1550 mutton), 08 Slaughter houses and 20 butcheries in Private Sector.

Milk Collection Processing and Dairy Production and Development Program

This project is of five years duration (2005-2010) and proposed at a total cost of Rs.1588 million. More than 10,000 rural subsistence dairy farmers are likely to enter into the milk marketing chain due to project interventions. 15000 to 20000 additional breeding animals of better genetic potential for milk production will become available in the project area

Prime Minister's Special Initiative for Livestock

This project is of 05 years duration (2005-2010) and initiated at total cost of Rs.1992 million It is aimed at enhancing the livestock productivity through the provision of livestock production and extension services at farmer's doorsteps, targeting 13 million rural poor in 1963 union councils in 80 districts of the country. Its activities will assist in the production of additional milk and meat to the tune of 12 million liters and 0.2 million tons per annum respectively, after the completion of the project.

Improving reproductive efficiency of cattle and buffaloes in smallholder's production system

This project is of five years during (2007-2012) and has total cost Rs.495.15 million. The project aimed at establishment of Embryo Transfer Technology Center, Semen Production and Processing Centre, Strengthening of Provincial Semen Production Units and Support of semen Production in private sector. The center will produce 5000 embryo per year for farm use and for supplying to others.

Construction of Animal Quarantine Facilities

The Construction of Animal Quarantine Facilities project is of five years duration (2006-2011) with a total cost of Rs.336 million. The project is aimed at improving quarantine facilities and establishing new entry/exit points to facilitate trade of animal and animal products at various places including Northern Areas, Wahga Border Lahore and Khokrapar.

National Program for the Control & Prevention of Avian Influenza

This project is for three years duration (2007-2010) and proposed at a total cost of Rs.1180.142 million. The project is aimed at Development Al Surveillance & Reporting System & Handling Al outbreaks strengthening diagnostic & vaccine quality control.

V. Fisheries

Fisheries as a sub-sector plays a significant role in the national economy and towards the food security of the country, as it reduce the existing pressure on demand for mutton, beef and poultry. It is considered as one of the most important economic activity along the coastline of Sindh and Balochistan. It has been estimated that about 400,000 fishermen and their families are directly dependent upon the fisheries for their livelihood whereas about 600,000 are involved in the ancillary industry. Government of Pakistan is taking a number of steps to improve fisheries sector which include inter alia strengthening of extension services, introduction of new fishing methodologies, increased production through aquaculture, development of value added products, enhancement of per capita consumption of fish, up gradation of socio-economic conditions of the fishermen's community.

Marine Fisheries Department is executing following development projects:

1. The project "Stock assessment survey programme is aimed at chartering a suitable vessel for conducting stock assessment resource surveys in the coastal and offshore waters of Pakistan. The project is also aimed at strengthen Marine Fisheries Department (MFD) by capacity building to conduct resource survey and stock assessment on regular basis and to develop management strategy for the fish exploitation and utilization.
2. .Other projects i.e. "Accreditation of quality control laboratories of Marine Fishers Department and Establishment of an Integrated National Animal and Plant Health Inspection Service (NAPHIS)" (MFD component), are also being implemented to provide improved quality control services to the seafood export industry. These two projects are designed to get the laboratories of the Marine Fisheries Department accredited with international bodies and meet the requirements of ISO 17025. It also aimed to improve the human resources capabilities of the department by inducting trained manpower and also to provide training to existing staff and officers. The project will also enable to meet the requirements of the importing countries especially Europe Union countries.
3. In addition hatchery complex which was established under the auspices of a development project entitled "Establishment of

hatchery complex for production of seeds of fish and shrimps" in 2001 is being rehabilitated and renovated from funds provided by Fisheries Development Board. The renovation work will be completed by August, 2009.

During the period July-March 2008-09 the total marine and inland fish production was estimated 490,000 M. tons out which 167,000 M. tons was marine production and the remaining catch come from inland water. Whereas the Production for the 2007-08 was estimated to be 455,000 M. tons in which 253,000 M. tons were for marine and the remaining was produced by inland fishery sector. Pakistan's major seafood buyers are China, UAE, Thailand, Korea, Malaysia, Indonesia, Hong Kong, Middle East, Sri Lanka, etc.

TABLE 2.1 (A)

INDEX OF AGRICULTURAL PRODUCTION

Fiscal Year	1980-81 Base				1999-2000 Base			
	All major crops	Food crops	Fibre crops	Other crops	All major crops	Food crops	Fibre crops	Other crops
1991-92	143.7	122.5	305.9	120.5	-	-	-	-
1992-93	141.0	124.0	216.0	118.0	-	-	-	-
1993-94	155.0	123.6	191.8	137.5	-	-	-	-
1994-95	165.4	133.1	207.5	146.0	-	-	-	-
1995-96	163.3	137.0	252.8	140.1	-	-	-	-
1996-97	155.3	136.5	223.6	130.3	-	-	-	-
1997-98	186.2	150.2	219.1	164.5	-	-	-	-
1998-99	189.8	147.6	209.7	170.9	-	-	-	-
1999-00	178.4	167.7	268.2	143.7	100	100	100	100
2000-01	165.9	152.8	256.0	135.1	93	91	96	94
2001-02	172.1	142.9	253.2	148.7	97	85	94	104
2002-03	185.4	153.9	243.6	160.9	104	92	91	112
2003-04	190.7	159.6	239.7	165.1	107	95	89	115
2004-05	-	-	-	-	104	106	127	102
2005-06	-	-	-	-	101	107	116	96
2006-07	-	-	-	-	117	115	114	118
2007-08	-	-	-	-	126	108	104	138
2008-09 P	-	-	-	-	114	123	105	108

P: Jul-Mar

Source: Federal Bureau of Statistics.

TABLE 2.1 (B)

BASIC DATA ON AGRICULTURE

Fiscal Year	Cropped Area (million hectares)	Improved seed distribution (000 Tonnes)	Water* Availability (MAF)	Fertilizer off-take (000 N/T)	Credit disbursed (Rs million)
1990-91	21.82	83.27	119.62	1892.90	14,915.29
1991-92	21.72	65.93	122.05	1,884.00	14,479.31
1992-93	22.44	63.93	125.12	2,147.61	16,198.11
1993-94	21.87	63.27	128.01	2,146.50	15,674.05
1994-95	22.14	76.87	129.65	2,183.06	22,373.27
1995-96	22.59	145.10	130.85	2,515.05	19,187.31
1996-97	22.73	137.67	132.05	2,413.01	19,547.67
1997-98	23.04	130.50	122.15	2,646.00	33,392.30
1998-99	23.07	167.38	133.78	2,583.00	42,852.00
1999-00	22.74	194.30	133.28	2,833.50	39,687.60
2000-01	22.04	193.80	134.77	2,966.03	44,790.40
2001-02	22.12	191.57	134.63	2,929.00	52,446.30
2002-03	21.85	172.07	134.48	3,020.00	58,915.27
2003-04	22.94	178.77	134.78	3,222.00	73,445.86
2004-05	22.78	218.12	135.68	3,694.04	108,732.91
2005-06	23.13	226.07	137.78	3,804.19	137,474.31
2006-07	23.56	218.60	137.80	3,672.00	168,830.45
2007-08	23.68	264.67	142.44	3,581.00	211,560.66
2008-09 P	23.68	296.91	142.86	2,691.00	151,860.60

.. not available

(Contd.)

P : Provisional, Jul-Mar

* : At farm gate

TABLE 2.1 (C)

BASIC DATA ON AGRICULTURE

Fiscal Year	Number of Tubewells (a)	Production of Tractors (Nos)	Production of meat (000 Tonnes)	Milk (Human Consumption) (000 Tonnes)	Fish Produc-tion (000 Tonnes)	Total Forest Pro-duction (000 cu.mtr.)
1990-91	339,840	13,841	1,581	15,481	483.0	1,072
1991-92	355,840	10,077	1,685	16,280	518.7	491
1992-93	374,099	16,628	1,872	17,120	553.1	691
1993-94	389,493	15,129	2,000	18,006	621.7	703
1994-95	463,463	17,063	2,114	18,966	558.1	684
1995-96	485,050	16,218	1,841	22,970	541.9	720
1996-97	489,601	10,121	1,908	23,580	555.5	557
1997-98	531,699	14,242	1,841	24,215	589.7	490
1998-99	531,692	26,885	1,906	24,876	597.0	383
1999-00	541,839	35,038	1,957	25,566	654.5	670
2000-01	545,569	32,553	2,015	26,284	629.0	736
2001-02	680,473	24,311	2,072	27,031	654.5	726
2002-03	762,902	27,101	2,132	27,811	562.0	823
2003-04	941,752	36,059	2,188	28,624	567.0	819
2004-05	954,842	42,035	2,271	29,438	574.0	576
2005-06	957,916	44,095	2,515	31,970	599.0	499
2006-07	895,744	54,431	2,618	32,996	578.0	325
2007-08	895,511	53,598	2,727	34,064	455.0	361
2008-09 P	929,153 E	42,220	2,515	35,160	490.0	288

.. not available
P: Provisional (July-March)
(a) Public and private tubewells.
E Estimated

Source: 1. Federal Bureau of Statistics.
2. Ministry of Food and Agriculture

TABLE 2.2

LAND UTILIZATION

(Million hectares)

Fiscal Year	Total Area	Reported Area	Forest Area	Not Available for Cultivation	Cultivated Area: Culturable Waste	Cultivated Area: Current Fallow	Cultivated Area: Net Area Sown	Cultivated Area: Total Area Cultivated (7+8)	Area Sown more than once	Total Cropped Area (8+10)
1	2	3	4	5	6	7	8	9	10	11
1990-91	79.61	57.61	3.46	24.34	8.85	4.85	16.11	20.96	5.71	21.82
1991-92	79.61	57.87	3.47	24.48	8.86	4.87	16.19	21.06	5.53	21.72
1992-93	79.61	58.06	3.48	24.35	8.83	4.95	16.45	21.40	5.99	22.44
1993-94	79.61	58.13	3.45	24.43	8.74	5.29	16.22	21.51	5.65	21.87
1994-95	79.61	58.50	3.60	24.44	8.91	5.42	16.13	21.55	6.01	22.14
1995-96	79.61	58.51	3.61	24.35	8.87	5.18	16.49	21.68	6.10	22.59
1996-97	79.61	59.23	3.58	24.61	9.06	5.48	16.50	21.98	6.23	22.73
1997-98	79.61	59.32	3.60	24.61	9.15	5.48	16.48	21.96	6.56	23.04
1998-99	79.61	59.27	3.60	24.52	9.23	5.35	16.58	21.93	6.28	22.86
1999-00	79.61	59.28	3.78	24.45	9.09	5.67	16.29	21.96	6.45	22.74
2000-01	79.61	59.44	3.77	24.37	9.17	6.73	15.40	22.13	6.64	22.04
2001-02	79.61	59.33	3.80	24.31	8.95	6.60	15.67	22.27	6.45	22.12
2002-03	79.61	59.45	4.04	24.25	8.95	6.61	15.60	22.21	6.25	21.85
2003-04	79.61	59.46	4.01	24.23	9.10	6.23	15.89	22.12	7.05	22.94
2004-05	79.61	59.48	4.02	24.39	8.94	6.86	15.27	22.13	7.51	22.78
2005-06	79.61	57.22	4.03	22.87	8.21	6.72	15.39	22.11	7.74	23.13
2006-07	79.61	57.05	4.19	22.70	8.30	5.72	16.16	21.87	7.40	23.56
2007-08	79.61	57.05	4.22	23.43	8.25	4.92	16.25	21.17	7.43	23.68
2008-09 P	79.61	57.05	4.22	23.43	8.25	4.92	16.25	21.17	7.43	23.68

P: Provisional

Source: Ministry of Food and Agriculture

Note:

TOTAL AREA REPORTED is the total physical area of the villages/deh, tehsils or districts etc.

FOREST AREA is the area of any land administered as forest under any legal enactment dealing with forests. Any cultivated area which may exist within such forest is shown under heading cultivated area.

AREA NOT AVAILABLE FOR CULTIVATION is that uncultivated area of the farm which is under farm home steads, farm roads and other connected purposes and not available for cultivation.

CULTURABLE WASTE is that uncultivated farm area which is fit for cultivation but was not cropped during the year under reference nor in the year before that.

CURRENT FALLOW (ploughed but uncropped) is that area which is vacant during the year under reference but was sown at least once during the previous year

CULTIVATED AREA is that area which was sown at least during the year under reference or during the previous year.

Cultivated Area = Net Area sown + Current Fallow.

NET AREA SOWN is that area which is sown at least once during (Kharif & Rabi) the year under reference.

AREA SOWN MORE THAN ONCE is the difference between the total croped area and the net area sown.

TOTAL CROPPED AREA means the aggregate area of crops raised in a farm during the year under reference including the area under fruit trees.

TABLE 2.3

AREA UNDER IMPORTANT CROPS

(000 hectares)

Fiscal Year	Wheat	Rice	Bajra	Jowar	Maize	Barley	Total Food Grains	Gram	Sugar-cane	Rapeseed and Mustard	Sesa-mum	Cotton	Tobacco
1990-91	7,911	2,113	491	417	845	157	11,934	1,092	884	304	53	2,662	44
1991-92	7,878	2,097	313	383	848	149	11,667	997	896	287	70	2,836	54
1992-93	8,300	1,973	487	403	868	160	12,191	1,008	885	285	82	2,836	58
1993-94	8,034	2,187	303	365	879	151	11,919	1,045	963	269	73	2,805	57
1994-95	8,170	2,125	509	438	890	165	12,297	1,065	1,009	301	80	2,653	47
1995-96	8,376	2,162	407	418	939	171	12,473	1,119	963	320	90	2,997	46
1996-97	8,109	2,251	303	370	928	152	12,113	1,100	965	354	100	3,149	49
1997-98	8,355	2,317	460	390	933	163	12,618	1,102	1,056	340	96	2,960	53
1998-99	8,230	2,424	463	383	962	137	12,599	1,077	1,155	327	71	2,923	57
1999-00	8,463	2,515	313	357	962	124	12,734	972	1,010	321	72	2,983	56
2000-01	8,181	2,377	390	354	944	113	12,359	905	961	273	101	2,927	46
2001-02	8,058	2,114	417	358	942	111	12,000	934	1,000	269	136	3,116	49
2002-03	8,034	2,225	349	338	935	108	11,989	963	1,100	256	88	2,794	47
2003-04	8,216	2,461	539	392	947	102	12,657	982	1,074	259	60	2,989	46
2004-05	8,358	2,519	343	308	982	93	12,603	1,094	966	243	66	3,193	50
2005-06	8,448	2,621	441	254	1,042	90	12,896	1,029	907	217	82	3,103	56
2006-07	8,578	2,581	504	292	1,017	94	13,066	1,052	1,029	256	71	3,075	51
2007-08	8,550	2,515	531	281	1,052	91	13,020	1,107	1,241	224	76	3,054	51
2008-09 P	9,062	2,963	470	263	1,118	86	13,962	1,094	1,029	209	91	2,820	52

Note 1 ha = 2.47 acres
P Provisional (Jul-Mar).

Source: 1. Ministry of Food and Agriculture
2. Federal Bureau of Statistics

TABLE 2.4

PRODUCTION OF IMPORTANT CROPS

(000 tonnes)

Fiscal Year	Wheat	Rice	Bajra	Jowar	Maize	Barley	Total Food Grains	Gram	Sugar-cane	Rapeseed and Mustard	Sesa-mum	Cotton (000 tonnes)	Cotton (000 Bales)	Tob-acco
1990-91	14,565	3,261	196	239	1,185	142	19,588	531	35,989	228	21.4	1,637	9,628	75
1991-92	15,684	3,243	139	225	1,203	140	20,634	513	38,865	220	28.7	2,181	12,822	97
1992-93	16,157	3,116	203	238	1,184	158	21,056	347	38,059	207	34.0	1,540	9,054	102
1993-94	15,213	3,995	138	212	1,213	146	20,917	411	44,427	197	32.3	1,368	8,041	100
1994-95	17,002	3,447	228	263	1,318	164	22,422	559	47,168	229	36.2	1,479	8,697	81
1995-96	16,907	3,966	162	255	1,504	174	22,968	680	45,230	255	39.5	1,802	10,595	80
1996-97	16,651	4,305	146	219	1,491	150	22,962	594	41,998	286	44.9	1,594	9,374	92
1997-98	18,694	4,333	211	231	1,517	174	25,160	767	53,104	292	42.5	1,562	9,184	99
1998-99	17,858	4,674	213	228	1,665	137	24,773	698	55,191	279	32.1	1,495	8,790	109
1999-00	21,079	5,156	156	220	1,652	118	28,380	565	46,333	297	35.4	1,912	11,240	108
2000-01	19,024	4,803	199	219	1,643	99	25,987	397	43,606	230	50.7	1,826	10,732	85
2001-02	18,226	3,882	216	222	1,664	100	24,311	362	48,042	221	69.6	1,805	10,613	94
2002-03	19,183	4,478	189	202	1,737	100	25,889	675	52,056	215	19.3	1,737	10,211	88
2003-04	19,500	4,848	274	238	1,897	98	26,855	611	53,419	221	25.0	1,709	10,048	86
2004-05	21,612	5,025	193	186	2,797	92	29,905	868	47,244	203	30.0	2,426	14,263	101
2005-06	21,277	5,547	221	153	3,110	88	30,396	480	44,666	172	35.0	2,215	13,019	113
2006-07	23,295	5,438	238	180	3,088	94	32,337	838	54,742	212	30.0	2,187	12,856	103
2007-08	20,959	5,563	305	170	3,605	87	31,198	475	63,920	176	33.0	1,982	11,655	108
2008-09 P	23,421	6,952	296	165	4,036	83	34,953	760	50,045	147	41.0	2,010	11,819	113

P: Provisional (Jul-Mar)

Source: 1. Ministry of Food and Agriculture
2. Federal Bureau of Statistics

TABLE 2.5

YIELD PER HECTARE OF MAJOR AGRICULTURAL CROPS

(Kg/Hectare)

Fiscal Year	Wheat	Rice	Sugarcane	Maize	Gram	Cotton
1990-91	1,841	1,543	40,720	1,401	486	615
1991-92	1,990	1,546	43,371	1,419	514	769
1992-93	1,946	1,579	43,024	1,364	344	543
1993-94	1,893	1,826	46,144	1,380	393	488
1994-95	2,081	1,622	46,747	1,481	524	557
1995-96	2,018	1,835	46,968	1,602	607	601
1996-97	2,053	1,912	43,521	1,607	540	506
1997-98	2,238	1,870	50,288	1,626	696	528
1998-99	2,170	1,928	47,784	1,731	648	511
1999-00	2,491	2,050	45,874	1,717	581	641
2000-01	2,325	2,021	45,376	1,741	439	624
2001-02	2,262	1,836	48,042	1,766	388	579
2002-03	2,388	2,013	47,324	1,858	701	622
2003-04	2,375	1,970	49,738	2,003	622	572
2004-05	2,568	1,995	48,906	2,848	793	760
2005-06	2,519	2,116	49,246	2,985	467	714
2006-07	2,716	2,107	53,199	3,036	797	711
2007-08	2,451	2,211	51,507	3,427	429	649
2008-09 P	2,585	2,346	48,634	3,610	695	713

P: Provisional

Source: Ministry of Food and Agriculture
Federal Bureau of Statistics.

TABLE 2.6

PRODUCTION AND EXPORT OF FRUIT

Fiscal Year	Production of Important Fruit (000 tonnes)								Export	
	Citrus	Mango	Apple	Banana	Apricot	Almonds	Grapes	Guava	(000 tonnes)	Value (Mln. Rs)
1990-91	1,609	776	243	202	81	32	33	355	112	935
1991-92	1,630	787	295	44	109	38	36	373	125	966
1992-93	1,665	794	339	52	122	40	38	384	121	1,179
1993-94	1,849	839	442	53	153	45	40	402	127	1,324
1994-95	1,933	884	533	80	178	49	43	420	139	1,256
1995-96	1,960	908	554	82	191	49	72	442	135	1,487
1996-97	2,003	915	568	83	188	49	74	448	219	2,776
1997-98	2,037	917	573	94	189	49	74	455	202	2,793
1998-99	1,861	916	589	95	191	50	76	468	181	2,773
1999-00	1,943	938	377	125	120	32	40	494	240	4,130
2000-01	1,865	990	439	139	126	33	51	526	260	4,586
2001-02	1,830	1,037	367	150	125	26	53	538	290	5,097
2002-03	1,702	1,035	315	143	130	24	52	532	263	4,861
2003-04	1,760	1,056	334	175	211	24	51	550	354	5,912
2004-05	1,843	1,671	352	158	205	23	49	572	281	5,408
2005-06	2,458	1,754	351	164	197	23	49	552	455	7,508
2006-07	1,472	1,719	348	150	177	23	47	555	343	6,894
2007-08	2,294	1,754	442	156	240	27	75	539	414	9,012
2008-09 P	2,299	1,732	442	157	326	31	122	490	367	9,783

P: Provisional (Jul-Mar)

Source: Ministry of Food and Agriculture
Federal Bureau of Statistics

TABLE 2.7

CROPWISE COMPOSITION OF VALUE OF MAJOR AGRICULTURAL CROPS
(AT CONSTANT FACTOR COST 1999-2000)

(%age share)

Fiscal Year/ Crops	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 P
All Major Crops	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Food Crops	63.30	62.32	60.34	62.66	63.52	61.55	63.37	63.85	62.24	66.78
Rice	15.40	15.62	14.54	15.85	16.94	15.28	17.45	15.78	16.63	17.88
Wheat	41.30	40.39	39.48	39.26	38.98	37.58	38.23	39.27	37.12	39.16
Barley	0.20	0.20	0.21	0.19	0.19	0.15	0.15	0.15	0.15	0.13
Jowar	0.40	0.44	0.46	0.39	0.46	0.31	0.27	0.29	0.29	0.26
Bajra	0.30	0.45	0.50	0.41	0.59	0.36	0.42	0.43	0.58	0.53
Maize	2.80	3.10	3.21	3.13	3.32	4.14	4.70	4.42	5.37	5.67
Gram	2.80	2.11	1.95	3.41	3.05	3.73	2.14	3.51	2.10	3.14
Fibre Crops	24.00	24.89	25.26	22.98	22.06	27.21	25.58	23.65	22.67	21.85
Cotton	24.00	24.89	25.26	22.98	22.06	27.21	25.58	23.65	22.67	21.85
Cash Crops	11.00	11.27	12.63	12.95	13.00	9.95	9.75	11.20	13.82	10.20
Sugarcane	11.00	11.27	12.63	12.95	13.00	9.95	9.75	11.20	13.82	10.20
Other Crops	1.60	1.52	1.77	1.41	1.43	1.28	1.31	1.29	1.27	1.18
Sesamum	0.20	0.34	0.47	0.12	0.15	0.16	0.20	0.16	0.18	0.21
Rape Seed & mustard	0.80	0.70	0.75	0.81	0.81	0.65	0.57	0.67	0.58	0.46
Tobacco	0.60	0.84	0.55	0.48	0.46	0.47	0.54	0.46	0.51	0.51

R: Revised

P: Provisional

Source: Federal Bureau of Statistics

TABLE 2.8

CREDIT DISBURSED BY AGENCIES

(Rs million)

Fiscal Year	ZTBL a	Taccavi	Domestic Private Banks	PPCBL b	Commercial Banks	Total
1990-91	8,323.95	56.30		3,017.45	3,517.59	14,915.29
1991-92	6,996.44	56.80		3,247.01	4,179.56	14,479.31
1992-93	8,643.40	50.80		2,978.00	4,525.91	16,198.11
1993-94	8,989.26	..		2,621.49	4,063.30	15,674.05
1994-95	14,575.74	..		3,756.74	4,040.79	22,373.27
1995-96	10,339.27	..		3,803.38	5,044.66	19,187.31
1996-97	11,687.11	..		3,431.13	4,429.43	19,547.67
1997-98	22,353.60	..		4,928.93	6,109.70	33,392.30
1998-99	30,175.96	..		5,439.97	7,236.00	42,852.00
1999-00	24,423.89	..		5,951.23	9,312.50	39,687.60
2000-01	27,610.20	..		5,124.20	12,056.00	44,790.40
2001-02	29,108.01	..	592.82	5,127.54	17,486.12	52,314.49
2002-03	29,270.17	..	1,421.11	5,485.39	22,738.60	58,915.27
2003-04	29,933.07	..	2,701.80	7,563.54	33,247.45	73,445.86
2004-05	37,408.84	..	12,406.82	7,607.47	51,309.78	108,732.91
2005-06	47,594.14	..	16,023.38	5,889.40	67,967.40	137,474.31
2006-07	56,473.05	..	23,976.16	7,988.06	80,393.19	168,830.46
2007-08	66,938.99	..	43,940.92	5,931.45	94,749.29	211,560.66
2008-09 P	45,399.87	..	28,557.24	3,538.89	74,364.60	151,860.60

.. not Available

P: Provisional(Jul-Mar)

b: Punjab Provincial Corperative Bank Ltd.

a: Zarai Taraqiate Bank Limited, formerly Agriculture Development Bank of Pakistan

Source : i) State Bank of Pakistan
ii) Ministry of Food, Agriculture & Livestock

TABLE 2.9

FERTILIZER OFFTAKE AND IMPORTS OF PESTICIDES

Fiscal Year	Fertilizer off-take (000 N/Tonnes) N	P	K	Total	Import of fertilizers 000 N/T	Import of Insecticides Quantity (Tonnes)	Value (Mln Rs)
1990-91	1,471.63	388.50	32.75	1,892.88	685.00	13,030.14	1,489.43
1991-92	1,462.60	398.02	23.30	1,883.92	632.00	15,258.30	1,945.98
1992-93	1,635.34	488.20	24.07	2,147.61	759.10	14,434.80	1,730.60
1993-94	1,659.36	464.24	23.17	2,146.77	903.00	12,100.40	1,706.30
1994-95	1,738.12	428.40	16.54	2,183.06	261.00	21,776.10	2,978.10
1995-96	1,990.90	494.45	29.70	2,515.00	581.00	30,479.00	5,080.70
1996-97	1,985.10	419.51	8.40	2,413.01	878.10	30,855.90	5,272.49
1997-98	2,075.00	551.00	20.00	2,646.00	714.00	29,224.90	4,801.19
1998-99	2,097.00	465.00	21.00	2,583.00	866.00	31,893.40	5,515.12
1999-00	2,217.80	597.16	18.50	2,833.50	662.80	26,123.90	4,691.71
2000-01	2,264.49	676.73	22.75	2,966.03	579.10	21,255.00	3,476.50
2001-02	2,285.30	624.54	18.75	2,928.60	625.70	31,783.20	5,320.49
2002-03	2,349.11	650.17	20.49	3,019.76	766.10	22,241.66	3,440.86
2003-04	2,526.73	673.46	21.79	3,221.98	764.10	41,406.36	7,156.66
2004-05	2,796.42	865.11	32.51	3,694.04	784.71	41,561.41	8,280.64
2005-06	2,926.62	850.53	27.04	3,804.19	1,268.31	33,953.90	6,804.02
2006-07	2,650.00	979.00	43.01	3,672.00	796.00	28,089.45	5,848.44
2007-08	2,924.60	629.70	26.90	3,581.20	876.30	27,714.00	6,353.00
2008-09 P	2,205.00	452.00	23.00	2,691.00	401.00	16,495.00	5,498.00

P Provisional, (Jul-Mar)

Source: 1. Federal Bureau of Statistics.
2. National Fertilizer Development Centre.

TABLE 2.10

AVERAGE RETAIL SALE PRICE OF FERTILIZERS

(Rs per bag of 50 Kgs/110lbs)

Fiscal Year	Urea (46% N)	AN/CAN (26% N)	AS (21% N)	NP (23:23)	SSP(G) (18%)	DAP (18:46)	SOP (50% K)	NPK (10:20:20)
1990-91	195.0	90.0	85.0	173.0	93.0	249.0	150.0	176.0
1991-92	195.0	95.0	90.0	173.0	93.0	272.0	150.0	176.0
1992-93	205.0	109.0	96.0	196.0	93.0	264.0	195.0	247.0
1993-94	210.1	..	125.3	202.6	95.8	269.0	195.0	247.0
1994-95	235.0	150.0	164.0	250.0	150.0	379.0	195.0	247.0
1995-96	267.0	172.0	172.0	320.0	183.0	479.0	331.0	..
1996-97	340.0	209.0	197.0	384.0	211.0	553.0	532.0	..
1997-98	341.0	223.6	232.5	396.6	200.0	564.6	540.0	..
1998-99	346.0	231.0	275.0	457.0	234.0	665.0	541.0	..
1999-00	327.0	231.0	286.0	464.0	298.0	649.0	543.0	..
2000-01	363.0	233.0	300.0	468.0	253.0	670.0	682.0	..
2001-02	394.0	268.0	308.0	519.0	280.0	710.0	765.0	..
2002-03	411.0	282.0	344.0	539.0	287.0	765.0	780.0	..
2003-04	420.0	208.0	373.0	622.0	329.0	913.0	809.0	..
2004-05	468.0	353.0	405.0	704.0	373.0	1,001.0	996.0	..
2005-06	509.0	395.0	744.0	710.0	407.0	1,079.0	1,170.0	..
2006-07	527.0	396.0	779.0	670.0	334.0	993.0	985.0	..
2007-08	581.0	471.0	867.0	1,267.0	572.0	1,934.0	1,497.0	..
2008-09 P	744.0	700.0	1,297.0	1,825.0	918.0	2,787.0	2,222.0	..

.. Not available
P Provisional (Jul-Apr)
AN/CAN Ammonium nitrate/calcium ammonium nitrate.
ASN Ammonium super nitrate.
AS Ammonium sulphate.
NP Nitrophosphate.

Source: Federal Buearu of Statistics.
National Fertilizer Dev. Centre.
SSP: single super phosphate.
DAP: Diammonium phosphate.
SOP: Sulphate of potash.
NPK: Nitrogen phosphate and potash.

TABLE 2.11

AREA IRRIGATED BY DIFFERENT SOURCES

(Million hectares)

Fiscal Year	Canals	Wells	Canal Wells	Tubewells	Canal Tubewells	Others	Total
1990-91	7.89	0.13	0.08	2.56	5.87	0.22	16.75
1991-92	7.85	0.16	0.11	2.59	5.93	0.21	16.85
1992-93	7.91	0.18	0.10	2.67	6.23	0.24	17.33
1993-94	7.73	0.14	0.09	2.78	6.22	0.17	17.13
1994-95	7.51	0.17	0.10	2.83	6.41	0.18	17.20
1995-96	7.60	0.18	0.11	2.89	6.58	0.22	17.58
1996-97	7.81	0.18	0.11	2.88	6.61	0.26	17.85
1997-98	7.79	0.16	0.13	3.00	6.74	0.18	18.00
1998-99	7.67	0.17	0.09	2.98	6.88	0.16	17.95
1999-00	7.56	0.18	0.09	3.11	6.99	0.18	18.11
2000-01	6.98	0.16	0.10	3.19	7.22	0.17	17.82
2001-02	6.81	0.20	0.16	3.45	7.24	0.18	18.04
2002-03	7.06	0.21	0.17	3.37	7.21	0.20	18.22
2003-04	7.22	0.22	0.15	3.48	7.50	0.21	18.78
2004-05	7.00	0.25	0.19	3.46	7.70	0.24	18.84
2005-06	7.06	0.28	0.20	3.58	7.78	0.22	19.12
2006-07	6.68	0.67	0.22	3.89	7.78	0.25	19.59
2007-08	6.91	0.31	0.17	3.82	7.79	0.27	19.27
2008-09 P	6.91	0.31	0.17	3.82	7.79	0.27	19.27

P: Provisional

Source: Ministry of Food and Agriculture

TABLE 2.12(A)

PROCUREMENT/SUPPORT PRICES OF AGRICULTURAL COMMODITES

(Rs per 40 kg)

Fiscal Year	Wheat	Rice Basmati 385	Rice Irri-6 (F.A.Q)	Paddy Basmati 385	Paddy Irri-6 (F.A.Q)	Sugarcane NWFP	Sugarcane Punjab	Sugarcane Sind	Sugarcane Baluch-istan
1990-91	112	283.00	127.00	143.50	73.00	15.25	15.25	15.75	..
1991-92	124	308.00	140.00	155.00	78.00	16.75	16.75	17.75	17.00
1992-93	130	340.00	150.00	175.00	85.00	17.50	17.50	17.50	14.75
1993-94	160	360.00	157.00	185.00	90.00	18.00	18.00	18.25	18.25
1994-95	160	389.00	170.00	210.90	102.60	20.50	20.50	20.75	20.75
1995-96	173	419.80	183.00	222.00	112.00	21.50	21.50	21.75	21.75
1996-97**	240	461.78	210.45	255.30	128.80	24.00	24.00	24.50	24.50
1997-98	240	..	..	310.00	153.00	35.00	35.00	36.00	36.00
1998-99	240	..	..	330.00	175.00	35.00	35.00	36.00	36.00
1999-00	300	..	..	350.00	185.00	35.00	35.00	36.00	36.00
2000-01	300	..	..	385.00	205.00	35.00	36.00	36.00	36.00
2001-02	300	..	..	385.00	205.00	42.00	42.00	43.00	43.00
2002-03	300	..	..	385.00	205.00	42.00	40.00	43.00	43.00
2003-04	350	..	..	400.00	215.00	42.00	40.00	41.00	..
2004-05	400	..	..	415.00	230.00	42.00	40.00	43.00	43.00
2005-06	415	..	..	460.00	300.00	48.00	45.00	60.00	..
2006-07	425	..	..	..	310.00	48.00	45.00	67.00	..
2007-08	625	..	..	..	..	65.00	60.00	63.00	..
2008-09 P	950	..	..	1,250.00 @	700.00	80.00	80.00	81.00	..

FAQ Fair Average Quality

@ Price of Basmati Super (Paddy) Rs. 1500/40kg

.. Not applicable

** Rs.240/- w.e.f. April 3, 1997.

(Contd.)

TABLE 2.12(B)

PROCUREMENT/SUPPORT PRICES OF AGRICULTURAL COMMODITES

(..Contd.) (Rs per 40 Kg)

Fiscal Year	Cotton Lint					Seed Cotton (Phutti)						
	Desi	AC-134, NT	B-557 149-F		Sarmast Qallan-dri Delta-pine MS-39-40	Desi	AC-134, NT	B-557 F-149 Niab-78		Sarmast Qallan-dri Delta-pine MS-39-40	Potato	Onion
1990-91	550	615	645		690	220	235	245		260	55	52
1991-92	662	685	715		745	255	270	280		290	65	60
1992-93	695	..	770	*	800	275	..	300	*	310	67	65
1993-94	726	..	801	*	831	290	..	315	*	325	77	78
1994-95	795	..	986	*	1055	340	..	400	*	423	84	78
1995-96	795	..	986	*	1055	340	..	400	*	423	84	85
1996-97	..	..	..		..	440	..	500	*	540	115	100
1997-98	..	..	..		..	440	..	500	*	620	145	112
1998-99	..	..	..		..	..	..	825	*	..	145	140
1999-00	..	..	..		..	..	..	725	*	..	145	..
2000-01	..	..	..		..	..	..	725	*	..	145	..
2001-02	..	..	..		..	..	..	780		..	..	..
2002-03	..	..	..		..	..	..	800		..	..	..
2003-04	..	..	..		..	..	..	850		..	..	..
2004-05	..	..	..		..	..	..	925		..	..	..
2005-06	..	..	..		..	..	..	976		..	..	..
2006-07	..	..	..		..	..	..	1,025		..	..	..
2007-08	..	..	..		..	..	..	..		..	..	..
2008-09 P	..	..	..		..	..	..	1,465		..	..	..

P: Provisional

.. Not applicable

* Niab-78, CIM

Source: Ministry of Food and Agriculture (APCOM)

TABLE 2.13

PROCUREMENT, RELEASES AND STOCKS OF WHEAT AND RICE

(000 tonnes)

Fiscal Year	Wheat(May-April)			Rice Procured		Stocks Balance (on 1st July)	
	Procure-ment	Releases	Stocks (on 1st May)	Basmati	Others	Basmati	Others
1990-91	3,159.0	5,608.0	1,508.0	142.7	673.8	719.3	117.5
1991-92	3,249.0	5,431.0	1,000.0	121.6	370.3	486.8	314.7
1992-93	4,120.0	5,143.0	505.0	500.5	454.0	285.2	540.5
1993-94	3,644.0	5,982.0	1,007.0	144.9	681.4	224.8	541.2
1994-95	3,740.0	5,999.0	776.0	284.0	..	236.4	848.5
1995-96	3,448.0	5,139.0	385.0	50.8	154.6	494.3	117.7
1996-97	2,725.0	5,987.0	456.0	..	..	159.4	187.9
1997-98	3,984.0	5,794.0	902.0	..	..	..	..
1998-99	4,070.0	6,165.0	981.0	..	..	..	..
1999-00	8,582.0	6,131.0	702.0	..	..	..	..
2000-01	4,081.0	5,537.0	3,552.0	..	..	..	..
2001-02	4,045.0	3,376.0	3,683.0	..	..	..	..
2002-03	3,514.0	5,130.0	992.0	..	..	..	..
2003-04	3,456.0	4,104.0	161.0	..	..	..	..
2004-05	3,939.0	4,500.0	350.0	..	..	..	..
2005-06	4,514.0	2,088.0	2,107.0	..	..	..	..
2006-07	4,422.0	5,985.4	499.1	..	..	..	..
2007-08	3,917.0	6,357.9	136.9	..	..	..	..
2008-09 P	4,199.6 @	5,784.4	821.9 *	..	..	..	..

.. not available P: Provisional Source: Ministry of Food and Agriculture

* as on 1st May, 2009

@ upto 1st May 2009 (2008-09 Crop)

TABLE 2.14

LIVESTOCK POPULATION

(million numbers)

Fiscal Year	Buffaloes	Cattle	Goats	Sheep	Poultry	Camels	Asses	Horses	Mules
1990-91	17.8	17.7	37.0	26.3	146.9	1.1	3.5	0.4	0.1
1991-92	18.3	17.7	38.7	27.4	156.2	1.1	3.8	0.5	0.1
1992-93	18.7	17.8	40.2	27.7	182.6	1.1	3.8	0.4	0.1
1993-94	19.2	17.8	42.0	28.3	250.0	1.1	3.9	0.4	0.1
1994-95	19.7	17.8	43.8	29.1	318.8	1.1	4.0	0.4	0.1
1995-96	20.3	20.4	41.2	23.5	350.0	0.8	3.6	0.3	0.1
1996-97	20.8	20.8	42.6	23.7	382.0	0.8	3.6	0.3	0.1
1997-98	21.4	21.2	44.2	23.8	276.0	0.8	3.2	0.3	0.1
1998-99	22.0	21.6	45.8	23.9	278.0	0.8	3.8	0.3	0.1
1999-00	22.7	22.0	47.4	24.1	282.0	0.8	3.8	0.3	0.2
2000-01	23.3	22.4	49.1	24.2	292.4	0.8	3.9	0.3	0.2
2001-02	24.0	22.8	50.9	24.4	330.0	0.8	3.9	0.3	0.2
2002-03	24.8	23.3	52.8	24.6	346.1	0.8	4.1	0.3	0.2
2003-04	25.5	23.8	54.7	24.7	352.6	0.7	4.1	0.3	0.2
2004-05	26.3	24.2	56.7	24.9	372.0	0.7	4.2	0.3	0.3
2005-06 *	27.3	29.6	53.8	26.5	433.8	0.9	4.3	0.3	0.2
2006-07 @	28.2	30.7	55.2	26.8	477.0	0.9	4.3	0.3	0.2
2007-08 @	29.0	31.8	56.7	27.1	518.0	1.0	4.4	0.3	0.2
2008-09 P	29.9	33.0	58.3	27.4	562.0	1.0	4.5	0.4	0.2

Source: Ministry of Livestock & Dairy Development.

* : Population figures are actual figures of Livestock Census 2006.

@ : Estimated figures based on Inter census grwoth rate of livestock census 1996 & 2006

TABLE 2.15

LIVESTOCK PRODUCTS

(000 tonnes)

Fiscal Year	Milk #	Beef	Mutton	Poultry Meat	Wool	Hair	Bones	Fat	Blood	Eggs (Mln.Nos.)	Hides (Mln.Nos.)	Skins (Mln.Nos.)
1990-91	15,481	765	665	151	48.1	7.9	259.0	101.8	40.1	4,490	5.9	32.7
1991-92	16,280	803	713	169	49.3	8.3	265.0	104.5	42.5	4,914	6.0	33.9
1992-93	17,120	844	763	265	50.5	8.1	271.0	107.2	45.1	5,164	6.1	36.0
1993-94	18,006	887	817	296	51.7	9.0	277.0	110.0	47.3	5,740	6.2	37.8
1994-95	18,986	931	875	308	53.1	9.4	283.0	113.0	50.7	5,927	6.3	39.3
1995-96	22,970	898	587	355	38.1	15.6	295.7	110.1	32.0	5,757	7.0	32.7
1996-97	23,580	919	602	387	38.3	16.2	302.3	112.6	32.8	6,015	7.1	34.5
1997-98	24,215	940	617	284	38.5	16.7	309.2	115.2	33.6	5,737	7.3	35.3
1998-99	24,876	963	633	310	38.7	17.3	316.3	117.8	34.4	8,261	7.5	36.3
1999-00	25,566	986	649	322	38.9	17.9	324.0	120.6	40.9	7,321	7.6	37.2
2000-01	26,284	1,010	666	339	39.2	18.6	331.4	123.5	41.8	7,505	7.8	38.2
2001-02	27,031	1,034	683	355	39.4	19.3	339.4	126.5	42.9	7,679	7.9	39.2
2002-03	27,811	1,060	702	370	39.7	19.9	347.6	129.7	44.0	7,860	8.2	40.3
2003-04	28,624	1,087	720	378	39.9	20.7	356.2	132.9	45.2	8,102	8.4	42.4
2004-05	29,438	1,115	739	384	40.0	20.7	365.1	136.3	45.2	8,529	8.4	42.6
2005-06 *	31,970	1,449	554	512	40.1	20.3	633.5	203.3	51.4	9,712	11.4	43.3
2006-07 @	32,996	1,498	566	554	40.6	20.8	652.5	209.2	52.7	10,197	11.8	44.3
2007-08 @	34,064	1,549	578	601	41.0	21.4	672.2	215.3	54.1	10,711	12.2	45.3
2008-09 P	35,160	1,601	590	652	41.5	22.0	692.4	221.6	55.4	11,258	12.6	45.3

Source: Ministry of Livestock & Dairy Development.

* : Population figures are actual figures of Livestock Census 2006.

#: Human Consumption

@ : Estimated figures based on Inter census grwoth rate of livestock census 1996 & 2006

Chapter No. 3

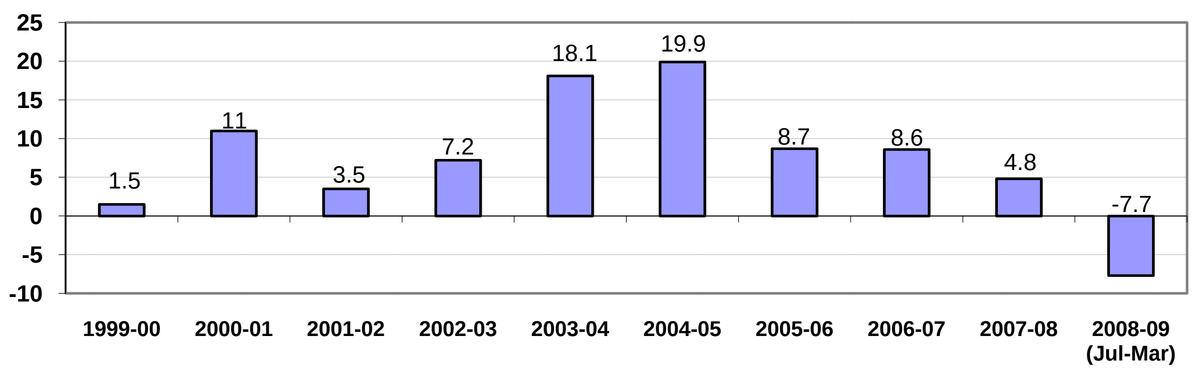
Manufacturing

3.1 Introduction

The manufacturing being the second largest sector of the economy bears significant importance antibates 18.4 percent contribution to GDP. Overall manufacturing sector posted a negative growth rate of 3.3 percent during the current fiscal year against the target of 6.1 percent and 4.8 percent of last year. However, production in large-scale manufacturing during July-Mar 2008-09 witnessed a broad-based decline of 7.7 percent against the revised growth target of negative 5.0 percent. The sluggish growth in large-scale manufacturing during the current fiscal year is mainly caused by the impact of severe energy shortages, deterioration in domestic law and order situation, sharp depreciation in rupee vis-à-vis US dollar and most importantly, weak external demand on the back of global recession coupled with slowdown in domestic demand. Despite these visible problems, it is noteworthy that almost all of the negative growth is attributed to industries catering to domestic consumer demand for durable goods. Because slower income growth and high inflation impaired consumer's ability to spare funds for purchasing durable goods.

Figure 3.1 shows the variations in growth of Large Scale Manufacturing (LSM) since 1999-00 to July-Mar, 2008-09. It is evident that growth rate was as high as 19.9 percent in 2004-05 and as low as negative 7.7 in the ongoing fiscal year i.e. 2008-09.

Fig-3.1: Large-Scale Manufacturing Growth (%) 1999-00 till 2008-09 (July-March)



3.1.1 Group-wise performance

The group-wise analysis (Table-3.1) indicates that most of groups of the large-scale manufacturing (LSM) experienced negative growth during the first nine months of current fiscal year. The groups exhibiting substantial decrease include Automobile group (39.0 %) followed by Electrical (31.3%), Petroleum (9.2%), Food, Beverage and Tobacco (10.5%), Steel products (5.62%), Tyres and Tubes (4.0%) and Textile (0.73%). Main reasons of the negative trend in automobile group are imposition of additional taxes on the Industry, depreciation of Pak-rupee against major currencies, imposition of 35 percent cash margin on import letters of credits, continued import of used vehicles, increase in the rate of sales tax, stringent regulatory measures high mark-up rates for financing of vehicles, decline in disposable income of the consumer due to significant rise in inflation and rise in the costs of materials.

Electronics industry performed below its potential, principally due to severe shortages of electricity, increased cost of financing and government revised upward duties on hundreds of items. Tyre and tubes recorded negative growth rate of 4.0 percent. Production of Rubber and Tubes products depicted a decrease of 2.9 percent over the same period of last year. It declined due to decrease in production of motor tyre, cycle tyres & tubes. Import of crude rubber and rubber tyres & tubes also declined during the current financial year. Likewise, Food, beverages & tobacco group (weight: 14.35%) declined by 10.5 percent. Production of beverages (weight; 0.28%) declined by 3.7 percent as the prices of sugar, one of the key inputs in beverages, sharply rose in recent months. Production of cigarettes (weight: 3.06%) increased by 11.37 percent, whereas tobacco exports increased by 37.30 percent. Production of vegetable ghee (weight: 4.24%) and cooking oil (weight: 1.32%) declined by 8.17 percent and 3.52 percent respectively, while import of palm oil, main ingredient in ghee and cooking oil, decreased by 4.96 percent during July-March 2008-09.

Petroleum products group another sub-sector of LSM recorded a decline of 9.2 percent, in production due to circular debt being the main financial constraint of refineries. Pakistan State Oil (PSO) owes about Rs.38 billion to different refineries, and it has receivables of about Rs.85 billion against Independent Power Producer (IPPs), thus increasing the severity of the problem. In addition, due to relatively high prices of POL and overall slowdown in economic activities, sales of POL dropped during current financial year. Steel product group posted 5.6 percent decline during the period under review. This industry is suffering from the lagged impact of (high past) international commodity prices besides sluggishness in domestic construction activity amid lower public sector spending under PSDP. Capital flight towards once lucrative Middle East real estate as well as increased cost of construction due to high inflation also led to decline in domestic construction activities. Textile sector being an export oriented industry of Pakistan and more prone to international demand shocks, is under severe stress amid a global recession, however, textile production has declined slightly, by 0.7 percent over the same period last year. Textile sector was badly hit by power shortages and weak external demand. Both cotton yarn and cotton cloth industries, which has the largest shares in the textile sector, posted negative growth of 0.3 percent and 0.3 percent respectively during the first nine months of current financial year.

Table-3.1 Group-Wise Production of Large-Scale Manufacturing (%)

S.No.	Groups	Weights	2006-07	2007-08	July-March	
					2007-08	2008-09
1.	Food, Beverage & Tobacco	14.352	7.8	8.3	11.5	-10.5
2.	Textile & Apparel	26.408	9.1	1.8	2.6	-0.7
3.	Leather Products	2.272	8.6	4.8	3.5	2.9
4.	Paper & Paper Board	0.600	-2.5	-2.5	-3.4	2.9
5.	Pharmaceutical	5.030	10.7	25.1	31.1	0.9
6.	Chemicals	2.884	4.4	4.9	5.1	3.8
7.	Fertilizers	3.383	-7.7	-2.5	-16.8	21.5
8.	Petroleum Groups	5.232	-1.8	6.0	8.7	-9.2
9.	Tyres & Tubes	0.303	-31.5	-7.1	-3.4	-4.0
10.	Non-Metallic Minerals Products	4.192	23.1	17.4	17.4	4.8
11.	Steel Products	3.504	29.3	-9.5	-7.6	-5.6
12.	Engineering Products	0.446	21.5	11.6	19.9	0.8
13.	Electrical	2.485	9.5	-4.0	-4.6	-31.3
14.	Automobile	3.955	6.0	-3.1	-0.9	-39.0
	All Groups	**75.045**	**8.6**	**4.0**	**5.4**	**-7.7**

Source: Federal Bureau of Statistic

The production of a few groups depicted increase like Fertilizer (21.5 %), followed by Non-metallic Minerals Product group (4.8%), Chemicals (3.8%), Leather products (2.9%), Paper and Paper Board (2.9%), Pharmaceutical (0.9%), Engineering (0.8%). Fertilizer the only industry, having considerable weight in LSM (3.4 %), has registered a double digit growth of 21.53 percent during first nine month of current financial year owing to strong demand and low base effect due to last year's closure of a phosphatic fertilizer plant for BMR and expansion purposes. Among non-metallic mineral products, production of glass sheet (weight: 0.05%) and cement (weight: 4.14%) grew by 13.2 percent and 4.7 percent, respectively. The sustained growth in recent years in cement industry is an outcome of increase in production capacity and exploitation of export markets. Cement exports increased by 48.78 percent. Chemical group's output (weight: 2.88%) increased by 3.85 percent. Major increase in this group was witnessed in production of paints & varnishes (S) 19.18 percent, paint and varnishes (L) 13.25 percent, hydrochloric acid 10.27 percent, soaps and detergent 7.55 percent and starch products 5.87 percent. Output of upper leather, sole leather and footwear, having 2.27% weight as a whole increased by 2.90 percent. Overall footwear exports grew by 11.3 percent, whereas, leather footwear exports increased by 15.6 percent. Paper & Paper Board witnessed increase of 2.9 percent. Output of pharmaceutical depicted an increase of 0.9 percent due to an increase in import by 4.9 percent. However, their export declined by 5.4 percent.

Engineering products (weight 0.45%) witnessed increase in output by 0.8 percent during current financial year. Prime contributors towards engineering products growth were wheat thrashers (147.1%), safety razor blades (10.14%) and diesel engines (0.18%). Production of sugarcane machines, power looms, bicycles, and chaff cutters, however, declined by (36.86 %), (26.86 %), (30.42 %) and (3.37 %) respectively.

Table-3.2: PRODUCTION OF SELECTED INDUSTRIAL ITEMS OF LARGE SCALE

S.No.	Items	Unit	Weight	(Jul-Feb) 2007-08	(Jul-Feb) 2008-09	% Change
1	Vegetable Ghee	(000 tones)	4.242	861.6	791.2	-8.2
2	Cooking oil	(000 tones)	1.319	203.6	196.4	-3.5
3	Sugar	(000 tones)	4.15	4351.2	3205.9	-26.3
4	Tea Blended	(000 tones)	0.319	51.1	50.9	-0.5
5	Cigarettes	(Billion Nos)	3.055	49.9	55.6	11.4
6	Cotton Yarn	(Million. Kg.)	13.066	2203.5	2197.6	-0.3
7	Cotton Cloth	(Million. sq.m.)	7.549	763.4	760.9	-0.3
8	Cotton (Ginned)	(000 tones)	3.368	1487	1508	1.4
9	Upper Leather	(000 sq .m.)	1.117	15760	14565	-7.6
10	Tablets	(Million Nos.)	2.575	14164.5	14165.4	0.01
11	Liquids/Syrups	(Million Liters.)	1.525	51.4	52.3	1.7
12	Nitrogenous fertilizer	(000 N.tones)	1.498	1825.2	1810.2	-0.8
13	Phosphatic fertilizer	(000 N.tones)	1.885	241.9	322.5	33.3
14	Petroleum products	(Million Liters.)	5.323	10280.2	9335.4	-9.2
15	Cement	(000 tones)	4.141	19364	20277	4.7
16	Coke	(000 tones)	1.441	217.4	329.7	51.7
17	Pig iron	(000 tones)	1.613	731.3	640.9	-12.4
18	Refrigerator	(000 Nos.)	0.589	689.9	605.3	-12.2
19	Deep Freezers	(000 Nos.)	0.399	113.5	93.4	-17.7
20	Jeep & Cars	(Nos.)	2.534	123107	63984	-48.0

Source: Federal Bureau of Statistics

A review of production of selected items of large scale manufacturing having a total weight of 61 percent out of 75 percent is unsatisfactory. In the food category there was a decline in production of vegetable ghee (8.2%), cooking oil (3.5%), and sugar (26.3%) over the same period last year.

Cotton yarn (0.3%) and cotton cloth (0.3%) recorded slight negative growth while petroleum products also witnessed 9.2 percent decrease. Similarly other items like jeeps & cars (48.0%), deep freezer (17.7%), refrigerator (12.2%), pig iron (12.4%), upper leather (7.6%), nitrogenous fertilizer (0.8%), and tea blended (0.5%) have also witnessed negative growth.

However, production of a few items depicted increase in their production such as cigarettes (11.4%), cotton (ginned) (1.4%), liquids/syrups (1.7%), phosphatic fertilizer (33.3%), cement (4.7%) and coke (51.7%) See Table-3.2.

3.2 Textile Industry

Pakistan is the 4th largest cotton producer and 3rd largest cotton consumer. The textile and clothing industry has been the main driver of the export based industry for the last 50 years in terms of foreign currency earnings and jobs creation. Textile industry nourished under official patronage, but lost its euphoria in the post-quota regime. Its share in exports had declined from 66 percent in 2004 to 53.7 percent in current financial year. The Textile Industry in Pakistan has not been able to reap all the benefits of post quota regime as compared to other regional competitors. China, India and Bangladesh are posing tough challenge by virtue of their competitiveness. Some sub-sectors of Textile Industry have been impacted from the new trade development, viz, cotton yarn cotton cloth; bed-wear, garment and knitwear sectors remained under pressure. Textile industry is a pre-dominantly export oriented industry and about 75 percent to 80 percent of total Produce of Cotton and Synthetic Textiles are exported in the from of Yarn, Fabric, Readymade Garments, Bed Wear & Made Ups. Product wise detail of export is appended in Table-3.3.

The year 2008-09 was a dismal period in a way since the industry was confronted with a host of problems. The recent global economic crisis has impacted trade badly. The impact of globalization is apparent on both demand and supply sides of the trade equation. However, global supply capacities have exceeded more than demand in recent years. Domestically, the increase in cost of utilities, (Power, Gas, Transport, and Petrol) has impacted the viability thus forcing the industry to make distress sales. Resultantly all competing countries are making distress sales to sustain their market share. This has also affected Pakistani Textile Industry.

Table-3.3: Export Performance of Textile Industry

			Quantity		%	$ Million		%
			2007-08	2008-09	Change	2007-08	2008-09	Change
Grand Total						**7,783,672**	**7,193,588**	**-7.6**
1	Raw cotton	MT	38,509	75,815	96.9	46,090	80,000	73.6
2	Cotton Yarn	MT	419,528	384,410	-8.4	974,202	823,036	-15.5
3	Cotton Cloth	TH.SQM	1,437,467	1,496,780	4.1	1,437,583	1,488,344	3.5
4	Cotton Crded or Combed	MT	12,207	8,808	-27.8	11,887	11,219	-5.6
5	Yarn Other than Cotton Yarn	MT	15,366	7,040	-54.2	38,366	17,884	-53.4
6	Knitwear	TH.DOZ	73,913	74,804	1.2	1,384,341	1,317,915	-4.8
7	Bed Wear	MT	247,898	238,103	-4.0	1,425,663	1,259,148	-11.7
8	Towels	MT	106,680	129,026	20.9	438,297	468,976	7.0
9	Tents, Canvas & Tarpulin	MT	17,714	16,390	-7.5	54,991	44,385	-19.3
10	Readymade Garments	TH.DOZ	28,250	22,777	-19.4	1,057,781	919,222	-13.1
11	Art, Silk & Synth. Textile	TH.SQM	362,351	255,243	-29.6	330,764	223,255	-32.5
12	Madeup Articles	-	-	-	-	380,558	370,308	-2.7
13	Other Textile Materials	-	-	-	-	203,149	169,896	-16.4

Source: Federal Bureau of Statistics

Textile Industry has made an investment of about 7.5 billion US$ during the last ten years (1999-2009). The total investment to be divided in various sub sector of textile industry, indicates that 50.2 percent in spinning sector followed by 17 percent in textile processing, 15 percent in weaving while the investment and other sectors namely like knit and wear, made ups and synthetic textile at respective rate of 7.02 percent, 4.71 percent and 5.76 percent. This investment includes both investment through bank loan as well as own sources. This investment has been made in the form of Balancing Modernization Replacement (BMR) expansion and new capacity. Textile Machinery worth US$ 0.4 billion has been imported during the current financial year. Imports of textile machinery during 2004-05 to July-March 2008-09 are given in table 3.4.

As evident in table: 3.4, the textile machinery has been showing decreasing trend in a row since 2004-05. During the current financial year textile machinery as per previous trend posted a negative growth of 46 percent against the same period last year.

Table-3.4: Import of Textile Machinery

2004-05	2005-06	2006-07	2007-08	July – March		% Change
				2007-08	2008-09	
928.6	817.240	502.89	438.27	318.1	171.5	-46.1

Source: Federal Bureau of Statistics

The industry has however, to be facilitated to exploit its full potentials. The current scenario posses challenges firstly to sustain its global positioning & secondly to increase its market share. This value can be increased only through marked improvement in quality, market tie-ups, image building and change in business philosophy. This requires up gradation of human skills both in manufacturing and marketing. Focus should be for development of large scale units, through mergers acquisitions, concentrating on Research & Development (R&D), technical innovation, product development on one hand and brand & market development on other.

3.2.1 Ancillary Textile Industry:

This segment includes cotton ginning, 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 unorganized cottage/small & medium units. The performance of these various ancillary textile industries is evaluated below:-

i) Cotton Ginning Sector

Ginning is the first mechanical process involved in the processing of cotton. In this mechanical process lint is separated from seed. The ginning industry has mushroomed in the cotton growing areas of Pakistan informally and without adequate regulation. There are 1221 ginning factories in the country. Ginning industry has installed capacity of more than one million bales on a single shift basis and a total capacity of around 20 million bales on three shift basis, part of which lies unutilized.

ii) Cotton Spinning Sector:

The Spinning Sector is the most important segment in the hierarchy of textile production. At present, it is comprised of 521 textile units (50 composite units and 471 spinning units) with 10.1 million spindles and 114 thousand rotors in operation with capacity utilization of 89 percent and 60 percent respectively, during July-March 2008-09.

iii) Cloth sector:

The pattern of Cloth Production is different than spinning 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 and this trend is likely to intensify further. The Power Loom Sector have modernized and registered a phenomenal growth over the last two decades. This growth in power loom sector is due to favorable Government policies as well as market forces. This sector is producing comparatively low value added grey cloth mostly of inferior quality. Problems of the power loom sector revolve mainly around the poor technology, scarcity of quality yarn and lack of institutional financing for its development from unorganized sector to an organized one.

Table-3.5: Production of Cloth			
Production (M.SQ.Mtrs.)	**July-Mar 2007-08**	**July-Mar 2008-09**	**% Age Change**
Mill Sector	763.44	763.38	-0.01
Non Mill Sector	5963.86	5966.05	0.04
Total	**6727.30**	**6729.44**	**0.03**

Source: Textile Commissioner's Organization

iv) Textile Made-up Sector:

This is the most dynamic segment of Textile Industry. The major product groups are Towels, Tents & Canvas, Cotton Bags, Bed-Wear, Hosiery, Knitwear & Readymade Garments including Fashion Apparels. Table.3.3 compares export performance of made-up sector during the period July-Feb 2007-08 and July-Feb 2008-09 .

a) Hosiery Industry

There are about 12,000 Knitting Machines in this industry. The capacity utilization is about 70 percent. 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 its capacity based on exports is being developed.

b) Readymade Garment Industry.

The Garment Industry provides highest value addition in textile Sector. The Industry is distributing in small, medium and large scale units most of them having 50 machines and below. Large units are presently coming up in the organized sector of the industry. The industry enjoys the facilities of duty free import of machinery and income tax exemption. This sector has shown tremendous export performance in the past.

c) Towel Industry

There are about 7500 Towel Looms in the country in both organized and unorganized sector. This Industry is dominantly export based and its growth is all the time depended on export outlets. The existing towels manufacturing factories are required to be up-graded to produce higher value towels.

d) Canvas

This is the highest raw Cotton Consuming sector. Its production capacity is more than 100 million Sq. Meters. This value-added sector has also great potential for export. The 60 percent of its production is exported while 40 percent is consumed locally by Armed Forces and Food Department. Pakistan is the cheapest source for supply of Tents and Canvas.

v) Synthetic Fiber Manufacturing Sector:

This sector has made progress in line with demand of the Textile Industry. Presently there are Five (5) Polyester Fiber Units with production Capacity of 640000 Tons per year; one acrylic fiber unit (M/s. Dewan Salman) has started its commercial production in December 1999, with rated capacity of 25,000 Tons per annum. Two Unit of Viscose Fiber with a capacity of 10,000 Tons and 72000 tons per annum respectively have also gone into production. Besides import of Man Made (M.M). Fibers is permissible to supplement the local production.

vi) Filament yarn Manufacturing Industry:

The Synthetic filament yarn manufacturing industry picked up momentum way back during 5th Five Year Plan when demand hiked and hence imports increased and private sector was permitted to make feasible investment for strengthening market. Presently, following two kinds of filament yarn are being manufactured locally:

Table-3.6: Capacity of Synthetic Filament Yarn

	Type of Yarn	No of Units	Production of Capacity
1.	Accetate Rayon Yarn	1	3000 (M.Tons)
2.	Polyester Filament Yarn	21	95000 (M.Tons)
		Total	**98000 (M.Tons)**

Source: Textile Commissioner's Organization

vii) Art Silk and Synthetic Weaving Industry

Art Silk and Synthetic Weaving Industry had developed over the time on cottage based Power Looms Units comprising of 08-10 looms spreading all over the country. There are approximately 90,000 looms in operation of which 30,000 looms are working on blended yarn and 60,000 looms on filament yarn. Besides there are some mobile looms which become operational on market demand. The major concentration of the industry is in Karachi, Faisalabad, Gujranwala, Jalalpur Jattan as well as in the un-settled areas (Bara, Sawat, Khyber Agency and Wazirstan).

viii) Woolen Industry

The main products manufactured by the Woolen Industry have been Woolen Yarn of 6.864 M. Kgs., Acrylic yarn 6.960 M.kgs, Fabrics 3,445 (M.sq.meter), Shawls 13.353 million, Blanket 657,235 and Carpet 3.5 (M.Sq.meter).

ix) 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 production of the jute goods for the period of July-March 2007-08 and July-March 2008-09 was 92666 metric tones and 98753 metric tones, respectively, exhibiting an increase of 6.6 percent.

3.3 Other Industries

Although Pakistan is a large exporter of cotton and textile related products in the world market. However this is not the only part of manufacturing in the country which is growing. During the last couple of years Pakistan has made huge strides in other industries as well. Some of these are documented below:

3.3.1 Engineering Sector

Engineering sector accounts for around 63 percent share in world trade. Achieving any significant share of this market will require concerted efforts by Pakistan in gearing up our universities, poly-techniques and factories for the kind of manufacturing prowess and design capabilities required by the world market. In this context an important step has been taken by the restructuring of the *Engineering Development Board (EDB).*

Engineering Development Board has been assigned the task of strengthening the engineering sector and integrating it with the world market to make it the driving force for economic growth. As part of EDB's engineering goods export promotion strategy to integrate ambitious and capable engineering companies with the global supply chain, EDB has so far facilitated 100 Pakistani engineering companies to participate in world's leading technology fairs either as exhibitors or as members of business delegations. EBD has also embarked upon a detailed sector development program of various engineering sub-sectors with the objective to become part of international supply chain and to determine the indigenous capabilities/capacities and assess export potential of these sectors in the international market.

Automotive Industry

Except in case of Farm Tractors where the production has gone up by 12 percent the cumulative production of all other automotive vehicles in the country namely; passenger cars, jeeps, buses, trucks, light commercial vehicles and two/three wheelers have suffered a massive downturn by 30.57 percent i.e. from 616,964 to

428,335 units, during (July-March 2008-09) as compared with the corresponding period of last year. A host of reasons are responsible for this downturn. i) Imposition of corrective measures on the car industry in Budget 2008-09. ii) Substantial depreciation of Pak rupee against major currencies. iii) Imposition of 35 percent cash margin on import letters of credits. iv) Continued import of used vehicles-passenger cars and heavy commercial vehicles. v) Increase in the rate of Sales Tax. vi) Stringent regulatory measures and high mark up rates for financing of vehicles. vii) Decline in disposable income of the consumer due to significant rise in inflation, rise in the costs of materials and general economic conditions. The government did intervene to remove the irritants in its bid to give a boost to the sales but those measures will take a little longer to yield positively.

There has been a massive fall of 48.12 percent in production of passenger cars. Only 63,273 units of cars were produced during July-March 2008-09 against 121,958 units produced in the same period last year. Similarly, 14,366 units of light commercial vehicles (LCVs) and jeeps were produced against 16,801 units in last financial year. The production of buses also fell substantially by 51.31 percent from 838 units to 408 units and similarly the production of trucks declined by 34.6 percent. However, the production of the farm tractors grew by 11.9 percent with 41,661 units. Two three wheelers have registered a significant decrease of 26.6 percent. Table 3.7 shows comparative position at a glance.

Table 3.7 Installed & Operational Capacity of Automotive Industry (Number)

Category	Installed Capacity	No. of Units produced			
		2007-08	2007-08 (Jul-Mar)	2008-09 (Jul-Mar)	% Age Change in 2008-09 over 2007-08
Cars	275,000	164,710	121,958	63,273	-48.12%
LCVs/Jeeps	40,000	22,934	16,801	14,366	-14.49%
Buses	5,000	1143	838	408	-51.31%
Trucks	28,500	4,993	3,317	2,169	-34.61%
Tractors	65,000	53,256	37,226	41,661	11.91%
Two/Three Wheelers	1,700,000	641,031	474,049	348,119	-26.56%

Source : Pakistan Automotive Manufacturers Association

Ease in inflationary pressures and subsequent monetary easing will partly help in revival of automobile sector. However, to achieve earlier momentum of production and to grow further, availability of institutional credit for consumer durables, appropriate pricing of domestic automobiles and waiving off of full advance and own money are some per-requisites. Auto-Industry has to increase its productivity to be competitive and realize the dream of exporting Made in Pakistan cars in near future.

The industry is fully poised to serve with the expansion of installed capacity of the Car/LCVs Jeeps, Heavy Commercial Vehicles (HCVs), Two/Three Wheelers and Farm Tractors plants which now exceeds the demand particularly for HCVs and Two/Three wheelers. More investment which is likely to increase from present Rs. 25 billion to Rs. 53 billion for the next five years, necessitates adoption of strict measures against import and smuggling of second hand vehicles.

3.3.2 Fertilizer Industry

Pakistan fertilizer industry comprises of nine urea plants, having a total production capacity of 5886 thousand product tones per annum. Recently few plants of Single Super Phosphate (SSP) fertilizer with low grade has also been installed and production has started. There are five major private sector fertilizer producers operating in the country namely (i) Fauji Fertilizer (ii) Engro Chemical Pakistan Limited

(iii) Dawood Corporation Limited (iv) Fatima Fertilizer and (v) Azgard Nine.

Urea plants are running at 100 percent plus capacity utilization levels but the fertilizer industry is still facing shortfall in urea supply. On account of existing supply shortfall problem in fertilizer, the country has to depend on imports to meet the national requirement. During the current fiscal year 2008-09 (July-March), the fertilizer imports remained at 401 thousand nutrient tones against 818 thousand nutrient tones for same period last year.

Domestic fertilizer industry witnessed positive trend in production during 2008-09 (July March). The production in nutrient terms increased from 2076 thousand tones during 2007-08 to 2150 thousand tones during 2008-09 (July-March) showing an increase of 3.6 percent. Nitrogen production was 1870 thousand tones during 2008-09(July March) and recorded an increase of 0.6 percent (87.0 percent share in total nutrient production), phosphate 270 thousand tones (12.6 percent share in total nutrient production), depicting an increase of 31.9 percent. This increase in phosphate production is attributed to production capacity enhancement in Fauji Bin Qasim DAP plant from 450 thousand tones to 660 thousand tones per annum. Potash blends production was about 11 thousand tones which is less by 20 percent (0.5 percent share in total nutrient production).

To achieve the objective of balanced fertilizer use, the Government of Pakistan had allocated an amount of Rs. 32 billion in terms of granting fertilizer subsidy in the budget of 2008-09. From July 2008, the rate of subsidy per bag (50 kg) of DAP increased from Rs. 470 to Rs. 2200, while the price of DAP fertilizer was capped at Rs. 3050 per bag (ex-Karachi). The increase in rate of subsidy was due to rapid price hike of DAP fertilizer in international market which resulted into landed cost at Rs. 5250 per bag (ex-Karachi). Increase in the urea prices in the domestic market during 2008-09 was due to delayed import which pushed up the prices of urea in domestic market.

Fertilizer sector is the second largest consumer of gas after power sector. Natural gas is used as feedstock as well as fuel in the manufacturing of nitrogen fertilizer. Three companies namely Sui Northern Gas Pipeline Limited, Sui Southern Gas Company Limited and Mari Gas Company Limited are providing gas to fertilizer sector. The consumption of gas during 2007-08 was 200,061 mmcft out of this 80 percent was used as feed stock and 20.0 percent as fuel.

To enhance the fertilizer production in the country new investment in this sector is underway. Expansion/BMR of Fauji Fertilizer Bin Qasim Limited (FFBL) for 220 thousand tones of DAP has been completed and started to yield production from April 2008. A new project of Fatima Fertilizer Company with a capacity of 400 thousands tones of urea, 450 tones of CAN, 400 thousands tones of NP and 300 thousands tones of NPK is under construction. Which will start production by 2010. Engro Chemical is installing a new urea plant with annul capacity of 1300 thousand tones. The plant will be operationalized by 2010-11. Suraj Fertilizer Industries has set up a new plant of SSP (18 percent) at Harappa (Sahiwal) with production capacity of 150 thousand tones annually which will start production in May/June 2009. The Pak American Fertilizer Company owned by Azgard Nine Group has purchased Hazara Phosphate plant of SSP fertilizer, the last fertilizer unit working in public sector. In addition, few companies have started production of SSP with the annual production capacity of around 20 thousand tones at small scale level.

3.4 Public Sector Industry

This is a review of Public Sector corporations namely: NFC, PACO, SEC and Pakistan Steel. Performance as per key indicators during July-March 2008-09 documented in Table-3.8

Production value of all operating units under three corporations (NFC, PACO and SEC) decreased by 32.90 percent against the same period last year. SEC experienced an increase of 37.80 percent, while PACO showed decline of 31.96 percent. Net Sales (excluding Pakistan Steel) increased to an estimated amount of Rs. 14,061 million for July-June, 2008-09 as compared to Rs. 4,753 million during the corresponding period last year. NFC and SEC have shown an increasing trend in Net Sales of 418.64 percent and 39.00 percent respectively, while PACO has shown decline of 52.94 percent. During July-June 2008-09 the three corporations earned an aggregate profit of Rs. 315 million as compared to Rs. 256 million in the last financial year. SEC showed decrease in loss by Rs. 45 million, while PACO earned profit of Rs. 82 million during current year as compared to loss of Rs. 22 million during the same period last year.

Table-3.8: Performance of Public Sector Industries (Excluding Pak Steel) (July-June)

(Rs in million)

	2007-2008	2008-2009 (Expected Actual)	Inc/(Dec) % Change
Production Value*	1,380	1,834	32.90
Net Sales	4,753	14,061	195.83
Pre-tax Profit	256	315	23.05
Taxes and duties	298	503	68.79
No of employees **	2,198	2,138	-2.73

Source: Ministry of Industries & Production

****   Production Value at constant prices of 1999-2000 and 1992-93.***
***** Including daily wages and holding corporations.***

3.4.1 Pakistan Steel

The Steel Mill is producing coke, pig iron, billets, hot rolled coils/sheets, cold rolled coils/sheets, galvanized sheets etc. The production value slided down from Rs. 11133 million in 2007-08 to Rs. 9971 million in the current financial year. Witnessing a decrease of 10.44 percent. The net sale of the mill depicted a decrease of 10.5 percent. The pre-tax profits decreased significantly during the current financial year. However, taxes and duties posted 15.8 percent increase. Major performance indicators of Pakistan Steel during the period July-June 2007-08 & 2008-09 are summarized in Table-3.9 below:-

Table-3.9: Performance of Pak Steel ***(Rs. In million)***

	2007-08 (July-June)	2008-09 (July-June) (Expected Actual)	Inc/(Dec) % Change
Production Value*	1,1133	9,971	-10.44
Net Sales	40,853	36,537	-10.56
Pre-tax profit	3,544	-10,012	-382.51
Taxes and duties	7,988	9,255	15.86
No of employees**	16,468	17,273	4.89

Source: Ministry of Industry & Production

***At constant prices of 1999-2000.**
****Including daily wages/Contract**

3.4.2 Cement Industry

Pakistan's cement sector presently is one of those sectors that have managed to thrive in adverse conditions being faced by business across the board in 2008-09. The country at present has 29 cement plants with an installed capacity of producing around 39 million tones of cement mainly Pak-land cement. The cement sector posted a growth rate of 4.71 percent during July-March 2008-09. Pakistan is not only meeting its domestic needs but also exporting the surplus. Salient features of production and consumption are in Table-3.10 below:-

Table- 3.10: Demand/Supply/Production of Cement	
	Million tonnes
Installed Capacity	39
No of Units	29
Local Demand (2007-08)	22.6
Production 2008-09 (July-Feb)	19.2
Projected capacity 2010-11	48
Source: Ministry of Industry & Production	

Pakistan Cement Industry produces exportable surplus of cement which is exported mainly to Afghanistan, India, Africa and the Middle East. The average capacity utilization, production and export of cement in the past three years have been given in box.

S.No.	Year	Exports	Value
1.		Million Tonnes	US $
2.	2006-07	3.2	185 million
3.	2007-08	7.7	450 million
4.	2008-09	8.9	534 million
	(Up to Apr- 09)		
Source: Ministry of Industry & Production			

Presently, export of cement is exempted from the Sales Tax and Federal Excise Duty (FED). However, the domestic consumption is being charged 16% Sales Tax and Federal Excise Duty (Rs.900 per ton).The import of cement and coal used as fuel for the cement plants is allowed at zero rated customs duty and 16 percent sales tax. As per investment policy of the government the import of plant, machinery & equipment for manufacturing sector is allowed at 5 percent customs duty.

3.5 Privatization Program

Over the last few decades, there has been a widespread change of opinion regarding the role of state and private enterprises in promoting economic growth. An opinion has emerged that the achievement of more dynamic economic growth requires a greater role for the private sector with the belief that resources will be used more efficiently if SOEs are transferred to the private sector. Therefore, a key element of this market orthodoxy has been the privatization of SOEs.

In Pakistan, the concept of privatization is not new; since way back in 50s, Pakistan Industrial Development Corporation (PIDC) was established to boost up the industrial development in the country. PIDC transferred 50 industrial units to private sector for successful operation and management. The privatization of SOEs became an important instrument of economic policy of the government in late 80s. However, it was during 1991 that the privatization process in Pakistan gained sufficient momentum. From January 1991 to December 2008 Government of Pakistan has privatized around 167 units at Rs. 476.420 billion (approx US $ 9 billion) Table-3.11.

Table-3.11: Number of Privatized Transactions *(Rupees in Million)*

Sector	From 1991 to Jun 06		From Jul 06 to Jun 07		From Jul 07 to Nov 08		Cumu-lative No	Total Amount
	No	Amount	No	Amount	No	Amount		
Banking	7	41,023					7	41,023
Capital Market Transaction	18	32,190	3	83,614	1	17,320	22	133,124
Energy	14	51,756					14	51,756
Telecom	4	187,360					4	187,360
Automobile	7	1,102					7	1,102
Cement	16	11,862	1	4,316			17	16,178
Chemical/Fertilizer	20	24,353	2	16,229	1	1,340	23	41922
Engineering	7	183					7	183
Ghee Mills	24	843					24	843
Rice/Roti Plants	23	324					23	324

Table-3.11: Number of Privatized Transactions								*(Rupees in Million)*
Sector	From 1991 to Jun 06		From Jul 06 to Jun 07		From Jul 07 to Nov 08		Cumu-lative No	Total Amount
	No	Amount	No	Amount	No	Amount		
Textile	3	215	1	156			4	371
Newspapers	5	271					5	271
Tourism	4	1,805					4	1,805
Others	6	159					6	159
Total	**158**	**353,446**	**7**	**104,315**	**2**	**18,640**	**167**	**476,421**

Source: Privatization Commission

Privatization During 2008-2009 (Hazara Phosphate Fertilizers Limited)

Incorporated as a private limited company in 1985 under National Fertilizer Corporation of Pakistan (Private) Limited (NFC), HPFL has installed capacity to produce 90,000 metric tons per annum of Granular Single Super Phosphate (GSSP) and 30,000 metric tons per annum of Sulphuric Acid required for the production of GSSP.

Table 3.12: Assets Privatized during 2008-09 *(Rs. Billion)*	
Assets	**Value**
Hazara Phosphate Fertilizers Limited (Rs.70/Share)	1340.02
Total	1340.02

Source: Privatization Commission

The Board of the Privatisation Commission in its meeting held on September 29, 2008 recommended (HPFL) for the approval of Cabinet Committee of Privatisation (CCOP) the Highest Bid of Rs. 70 per share and Rs. 1,340,024,490 for 100% shares was offered by Pak American Fertilizers Limited and hence the same was declared the Successful Bidder for issuance of Letter of Acceptance (LOA). The Whole process endorsed by CCOP.

Current Privatisation Programme and Future Vision.

The current privatization programme targets the oil, gas and power, engineering sectors and banking and insurance. On the directions of the government, a policy is presently being formulated to carry out privatization on a Public Private Partnership (PPP) Model. The various contours of the policy are under active deliberations. The Government is also opting for General Drawing Rights (GDRs) for some entities e.g. Pakistan Petroleum Limited (PPL), Kote Addu Power Company (KAPCO), Habib Bank Limited (HBL) etc. In the long-term the program aims at the privatization of financial, insurance, and utilities sectors. Privatization of infrastructure and transportation sectors like railways, airlines, airports and national highways would also be considered for privatization. These transactions would be more complex and innovative as compared to strategic sales, straight sell-offs and capital market transactions and would involve exploring other forms of public private collaboration. Another innovation being hammered out is to empower the employees of selected SOEs through transferring respective.

Private sector has emerged as a major player in most of the economic sectors as a result of the privatization program. The Government has already divested its major stakes in the banking sector where 80% deposits are currently in the private banks as compared to 20% before privatization. The Government has successfully completed privatization of all units of chemical, textile, cement, rice, roti and light engineering while 98% automobile industry, 96% ghee mills 83% units of phosphate fertilizer and units of nitrogen fertilizer have been privatized. The remaining entities are also being privatized.

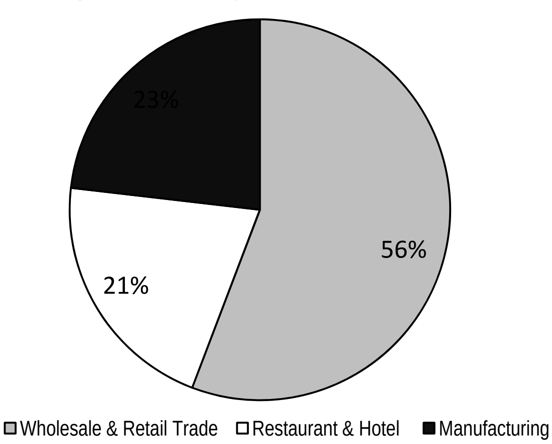
Since a substantial part of the utilities have been privatized, the Government is obliged to strengthen the regulatory regime for protection of consumer interests as well as investor confidence. The State Bank of Pakistan and the Securities and Exchange

Commission has been made independent. The Competition Commission has been established and independent regulatory authorities have been established for various sectors like telecommunication, electricity, electronic media, oil and gas etc. This regime is gradually replacing the Government's dual role of provider and regulation.

3.6 Small & Medium Enterprise Development Authority

The utmost importance of Small and Medium Enterprises in economic development can_not be under estimated. This sector has emerged as a lifeline of Pakistan's economy constituting nearly 99.06 percent of all economic establishment, out of which , 53 percent of the establishment belong to Wholesale & Retail Trade and Restaurant & Hotel sectors, 20 percent are part of Manufacturing sector and 22 percent fall in the Community, Social and Personnel Services sector. These establishments jointly contribute 30 percent to GDP employing 80 percent of the non-agricultural labor force, 25 percent to total export and 35 percent to manufacturing value addition.

Fig- 3.3 Small & Medium Enterprise Development Authority



National SME Policy 2007 was developed to turn SME into an effective tool for economic growth and development. In order to ensure the transparent implementation of SME Policy 2007, a Policy & Project Implementation, Monitoring & Evaluation Unit (PPMIU) is being established in SMEDA Head Office to oversee the implementation of the SME Policy and demonstrated projects and common facility centers being implemented by SMEDA.

During 2008-09, SMEDA continued working on a series of demonstration projects/CFCs in major SME clusters, to enhance the productivity and competitiveness of SME sector. As many as 16 projects amounting to Rs.1680 million have been approved for implementation by SMEDA. These include projects in sports, agro based industry, leather, foundry, glass products and light engineering sectors besides display facilities for SMEs through Gujranwala Business Center, Sialkot Business and commerce Centre and Women Business Incubation Centers. A couple of pilot projects focusing initiatives included in SME Policy implementation plan such as, SME Sub-contracting Exchange and Policy Implementation Unit have also been approved to be implemented during 2008-09.

3.7 Mining and Quarrying

Mineral potential of Pakistan though recognized to be excellent is inadequately developed as its contribution to GNP at present stands at 2.4 percent. Many efforts have been made and are under way in developing geological products, institutional, academic and Research and Development (R&D) infrastructure but still more remains to be done to enable the sector to take full advantage of its endowment. As a result of these toils, resources of several exportable minerals have been discovered over the last many decades, including world class resources of lignite coal deposits at Sindh (Thar), porphyry copper gold in Chagai and lead-zinc deposits in Lasbella, Balochistan. There are also many other mineral projects in progress for implementation from grassroots levels through exploration, evaluation to development and utilization stages.

The mineral resources contribute in economic and industrial growth of a country. Keeping in view favorable geological environment and large number of mineral resources in the country, the Government is full committed to making the mineral sector one of the most prolific for the country. During the current fiscal year (July-Mar 2008-09), the mining and quarrying sector has registered almost flat growth rate i.e. 1.3 percent as against a target of 4.5 percent and 4.4 percent of last year. The growth rate of this sector declined sharply due to substantial diminishing trend in the production of Magnesite (51.3%), Sluphere (10.3%) and Dolomite (4.6%). Detailed in Table 13.13

Following factors are mainly responsible for this decline in the production of minerals.

i) Uncertainties in the law and order situation in certain mineral potential areas presently being addressed through political process. **ii)** Insufficient detailed surveying and geological/geographical mapping (only 37% of the country's area is geologically mapped to a scale of 1:50,000) while geophysical surveys have even less coverage, at 21% of the total area. **iii)** Lack of vision in taking advantages of advancement in geological knowledge, exploration techniques, mining and processing technologies and changing commodity prices. **iv)** Inadequate skill levels in the industry, with little opportunity for training, skill development, career planning because of outdated administration structure and finally. **v)** The private sector has shown little interest in moving up the value addition chain, and has relied on low cost and in same cases adopted primitive methods of extraction.

Table 3.13: EXTRACTION OF PRINCIPAL MINERALS

Minerals	Unit of Quantity	2006-07	2007-08	July-March		%
				2007-08	2008-09	
Coal	Million Tonnes	3.7	4.1	2.9	3.0	3.4
Natural Gas	Min.Cu.M	40.0	41.2	30.8	30.9	0.3
Crude Oil	Min. Barrels	24.6	25.6	19.2	19.3	0.5
Chromite	000 Tonnes	104.0	114.8	69.0	81.0	18.1
Dolomite	000 Tonnes	342.4	359.9	258.5	246.5	-4.6
Gypsum	000 Tonnes	624.0	660.4	495.0	532.0	6.5
Limestone	000 Tonnes	25.5	31.8	24.1	24.5	1.6
Magnesite	000 Tonnes	3.4	3.9	3.7	1.8	-51.3
Rock Salt	000 Tonnes	1873.0	1849.2	1377.0	1380.0	0.2
Sulphur	000 Tonnes	27.7	29.5	22.2	19.9	-10.3
Baryte	000 Tonnes	47.0	49.9	37.0	46.0	24.3

Source: Federal Bureau of Statistic

Mineral Production in Balochistan 2004-05 to 2007-08.

More than 50 metallic and non metallic minerals have been discovered in the province up to 2007-08. Metallic minerals are Chromate, Copper, Iron, Lead, Zinc, Manganese, Antimony and Gold whereas the non metallic include Barite, Fluorite, Calcite, Magnesite, Coal and Dimension stone such as Marble Both Onyx & Ordinary, Granite, Gabbro Basalt and Dunite etc. About 1344 Nos of Mineral Concessions i.e, Prospecting Licenses & Mining leases have been granted upto 31-12-2008 to different private/public sector for small scale mining for various minerals.

Exploration activities are in progress with the collaboration of foreign investors. About 79 Mineral Titles i.e, Reconnaissance Licenses, Exploration licenses & Mining leases have also been granted under large scale mining in the province.

Performance evaluation of various ongoing core projects is reported below

Chamalong Coal Field

A long outstanding dispute between Marri and Luni tribes has been successfully settled by the Government. Production from Chamalong Coal Field has commenced since April 2007. This mining activity in the area has given thirty thousand (30000) jobs to the people which will improve the socio-economic conditions of the remote residents of the area.

Saindak Metals (Pvt) Limited/Cooper Project District Chagai.

Saindak Metals Limited (SML), formerly Resource Development Corporation (RDC) was established in 1974. Saindak ore will yield average annual production of 15810 tones blister copper, 1.47 tones gold and 2.76 tones silver. On 2nd October 2002 Saindak Project assets were transferred to MCC/MRDL (Chinese Company) for a period of ten years. The Plant started production of blister Copper in 2003. Copper Gold Project owned by the Federal Government is being operated by MCC China. During (July-Nov. 2008), a sum of Rs. 150.0 million has collected on account of rent & royalty.

Lead Zinc Project at Duddar.

Pakistan Mineral Development Corporation granted at Duddar in District Lasbella a Mining area of 1500 acres to M/s MCC Resource Development Company (Pvt) Limited (MRDL) till 2003. The project is at advance stage of development. Enhancement of the mineral activity has not only provided socio-economic uplift of the remote areas of the province, creation of job opportunities for the locals, as well as increase in the revenue to Government exchequer (Rent & royalty). Collect revenues on account of rent & royality since 2004-05 to Feb: 2009 are as in Table 3.14.

Table 3.14 Revenue Receipts *Rs. Millions*

S.No.	Period	Revenue Receipts
1.	2004-05	208.72
2.	2005-06	252.76
3.	2006-07	380.928
4.	2007-08	53.768
5.	July 2008 to Feb. 2009	35.008

Source: Mines & Mineral Department Govt. Balochistan

TABLE 3.1

RESERVES AND EXTRACTION OF PRINCIPAL MINERALS

(000 tonnes)

Reserves/ Years	Anti- mony (tonnes)	Argonite/ Marble	China Clay	Celestite (tonnes)	Chromite	Coal	Dolomite (tonnes)	Fire Clay	Fullers Earth	Gypsum Anhydrite	Lime Stone
		Very large Deposits	4.9 million tons	..	fairly large Deposits	185 billion tonnes	Very large Deposits	Over 100 million tons	fairly large Deposits	350 million tons	Very large Deposits
1990-91	128	281	44	1773	24	3054	154591	120	23	468	9009
1991-92	-	321	42	1069	28	3627	180987	139	21	471	8528
1992-93	5	388	37	1682	23	3256	220241	132	23	533	9015
1993-94	3	460	48	4398	11	3534	228090	116	17	666	9125
1994-95	-	467	31	1403	13	3043	227079	152	15	620	9682
1995-96	-	458	43	762	27	3465	185115	112	18	420	9740
1996-97	-	459	66	812	35	3496	215556	110	12	522	9491
1997-98	-	345	68	961	35	3145	116046	94	18	307	11166
1998-99	-	403	67	642	18	3378	198831	153	16	242	9467
1999-00	-	579	63	802	26	3164	347583	139	19	355	9589
2000-01	95	620	47	807	22	3285	352689	164	13	364	10870
2001-02	37	685	54	382	24	3512	312886	171	16	402	10820
2002-03	-	1066	40	402	31	3609	340864	117	15	424	11880
2003-04	-	994	25	570	29	3325	297419	193	14	467	13150
2004-05	5	1280	38	1855	46	3367	199653	254	17	552	14857
2005-06	91	1835	53	3160	52	3854	183952	333	16	601	18427
2006-07	119	1980	31	1530	104	3702	342463	347	11	624	25512
2007-08	245	1537	32	1310	115	4066	359994	330	11	660	31789
July-March											
2007-08	165	1122	25	1010	69	2948	258496	247	9	495	24135
2008-09 P	60	980	23	670	81	2960	246489	259	8	532	24540

\- Nil or Insignificant

P Provisional

(Contd.)

TABLE 3.1

RESERVES AND EXTRACTION OF PRINCIPAL MINERALS

(000 tonnes)

	Magne-site (tonnes)	Rock Salt	Silica Sand	Ochre (tonnes)	Sulphur (tonnes)	Soap Stone	Baryte	Bauxite/ Laterite (tonnes)	Iron Ore (tonnes)	Crude Oil (m. barrels)	Natural Gas (000 m.cu.mtr.)
Reserves/ Years		Over 100 million tons	Very large deposits	..	0.8 million tons	0.6 million tons	5 million tons	Over 74 million tons	Over 430 million tons	184 million US barrels	492 billion cu. metre
1990-91	4,242	736	143	1,285	295	32	26	24,644	318	23.49	14.66
1991-92	6,333	833	132	1,001	215	37	30	21,818	937	22.47	15.57
1992-93	5,047	895	158	1,000	510	48	26	18,682	1,922	21.90	16.50
1993-94	7,000	916	169	745	715	44	18	34,984	3,792	20.68	17.65
1994-95	5,227	890	152	4,623	510	34	20	32,214	8,103	19.86	17.77
1995-96	14,981	958	184	8,081	20	40	14	19,554	6,046	21.05	18.85
1996-97	6,679	1,066	154	2,047	640	45	30	33,583	4,575	21.27	19.76
1997-98	3,397	971	135	3,147	22,458	49	30	28,366	5,500	20.54	19.82
1998-99	3,455	1,190	158	4,080	19,103	61	18	41,362	38,151	19.95	20.92
1999-00	4,513	1,358	167	4,793	22,812	48	26	48,237	45,980	20.40	23.17
2000-01	4,645	1,394	155	4,691	17,428	47	28	35,114	24,765	21.08	24.78
2001-02	4,637	1,423	157	5,064	22,580	39	21	37,182	4,942	23.19	26.16
2002-03	2,645	1,426	185	6,733	19,402	66	41	67,536	11,483	23.46	28.11
2003-04	6,074	1,640	259	7,861	23,873	52	44	88,044	84,946	22.62	34.06
2004-05	3,029	1,648	309	18,686	24,158	21	42	78,288	104,278	24.12	38.08
2005-06	2,446	1,859	411	34,320	24,730	21	52	60,370	131,259	23.94	39.65
2006-07	3,445	1,873	402	61,665	27,710	45	47	150,796	125,879	24.62	40.03
2007-08	3,940	1,849	403	46,215	29,485	38	50	174,223	286,255	25.60	41.18
July-March											
2007-08	3,665	1,377	304	29,782	22,205	33	37	144,296	220,233	19.16	30.86
2008-09 P	1,864	1,380	280	44,566	19,907	26	46	135,745	240,920	19.26	30.96

Source : Federal Bureau of Statistics.

TABLE 3.2

PRODUCTION INDEX OF MINING AND MANUFACTURING

Year	Mining			Manufacturing
	1969-70=100	1975-76=100	1980-81=100	1980-81=100
1990-91	468	410.3	275.2	202.5
1991-92	472.1	412.8	277.8	218.5
1992-93	478	420.6	278.4	227.5
1993-94	483.4	427.1	275.2	237.2
1994-95	461.8	417.6	270.8	240.8
1995-96	504.8	445.3	296.7	248.4
1996-97	520.1	456.3	305.6	243.1
1997-98	512.3	449.5	302.5	261.6
1998-99	509.1	448.7	283.1	270.8
			1999-2000=100	
1999-00	545.6	468.8	100.0	100.0
2000-01	576.7	497.6	105.6	101.0
2001-02	611.3	532.8	112.5	114.8
2002-03	656.7	572.4	119.6	123.1
2003-04	709.8	597.2	134.8	146.4
2004-05	..	..	148.7	173.0
2005-06	..	..	155.4	188.8
2006-07	..	..	158.6	205.1
2007-08	..	..		
July-March			162.8	213.1
2007-08	..	..	163.9	210.6
2008-09 P	..	..	164.3	194.5

.. Not available

P Provisonal

Source: Federal Bureau of Statistics

TABLE 3.3

COTTON TEXTILES STATISTICS

Year	No. of Mills	Installed Capacity No. of Spindles (000)	Installed Capacity No. of Looms (000)	Working at the end of the period No. of Spindles (000)	Working at the end of the period No. of Looms (000)	Spindle Hours Worked (Million)	Loom Hours Worked (Million)	Consumption of Cotton (mln kg)	Total Yarn Produced (mln.kg)	Surplus Yarn (mln. kg)	Total Production of Cloth (mln. sq mtr.)
1990-91	247	5,493	15	4,754	8	39,542	60.2	1,197.5	1,041.2	1,001.0	292.9
1991-92	271	6,141	15	5,260	8	43,606	58.8	1,342.8	1,170.7	1,134.7	307.9
1992-93	284	6,768	14	5,433	6	46,364	55.5	1,427.0	1,219.0	1,148.6	325.4
1993-94	320	8,182	14	5,886	6	47,221	44.0	1,483.4	1,309.6	1,272.8	314.9
1994-95	334	8,307	14	5,991	5	49,734	41.8	1,558.9	1,369.7	1,340.6	321.8
1995-96	349	8,493	13	6,356	5	52,239	37.1	1,661.9	1,495.1	1,434.7	327.0
1996-97	357	8,137	10	6,465	5	53,625	36.4	1,670.1	1,520.8	1,473.9	333.5
1997-98	353	8,274	10	6,556	4	55,005	37.7	1,751.0	1,532.3	1,478.9	340.3
1998-99	348	8,298	10	6,594	5	55,802	35.2	1,839.6	1,540.3	1,482.4	384.6
1999-00	351	8,383	10	6,750	4	57,205	34.3	1,961.6	1,669.9	1,604.4	437.2
2000-01	353	8,594	10	7,105	4	59,219	34.1	2,070.1	1,721.0	1,652.7	490.2
2001-02	354	8,967	10	7,078	5	61,267	36.3	2,155.2	1,808.6	1,731.2	568.4
2002-03	363	9,216	10	7,623	5	64,274	38.7	2,371.3	1,934.9	1,855.4	576.6
2003-04	363	9,592	11	8,009	4	70,214	32.6	2,407.6	1,938.9	1,845.8	683.4
2004-05	423	10,906	9	8,817	5	72,255	30.3	2,622.8	2,280.6	2,175.2	920.7
2005-06	516	11,292	9	9,754	4	74,884	24.8	2,932.6	2,556.3	2,460.5	915.3
2006-07	521	11,266	8	10,057	4	76,892	21.7	3,143.5	2,727.6	2,623.2	1,012.9
2007-08	521	11,834	8	9,960	4	76,000	21.5	3,159.2	2,809.4	2,764.4	1,016.4
2008-09 P	521	11,834	8	9,968	4	56,300	18.0	2,573.9	2,218.9	2,129.0	763.4

P: Provisional

Source: Federal Bureau of Statistics
Textile Commissioner Organization

TABLE 3.4

PRODUCTION OF FERTILIZERS, VEGETABLE GHEE, SUGAR AND CEMENT

(000 tonnes)

Year	Fertilizers					Vegetable Ghee	Sugar	Cement
	Urea	Super Phos-phate	Ammo-nium Nitrate	Ammo-nium Sulphate	Nitro Phos-phate			
1990-91	2050.3	175.1	318.8	92.3	321.0	656	1934	7762
1991-92	1898.0	194.0	300.0	92.9	309.8	639	2322	8321
1992-93	2306.1	205.0	302.2	92.9	297.3	725	2384	8558
1993-94	3103.8	195.1	242.7	82.0	251.4	671	2841	8100
1994-95	3000.2	147.0	313.9	79.6	285.0	711	2964	7913
1995-96	3260.1	103.7	383.5	83.7	336.5	733	2426	9567
1996-97	3258.7	0.1	330.2	80.9	350.3	714	2383	9536
1997-98	3284.2	0.0	316.3	-	293.2	719	3555	9364
1998-99	3521.7	21.6	338.8	-	285.0	773	3542	9635
1999-00	3785.0	145.8	386.5	-	261.3	695	2429	9314
2000-01	4005.1	159.6	374.4	-	282.5	835	2956	9674
2001-02	4259.6	161.0	329.4	-	305.7	797	3247	9935
2002-03	4401.9	147.2	335.3	-	304.9	772	3686	10845
2003-04	4431.6	167.7	350.4	-	363.5	888	4021	12862
2004-05	4606.4	163.1	329.9	-	338.9	1048	3116	16353
2005-06	4806.4	160.8	327.9	-	356.6	1152	2960	18564
2006-07	4732.5	148.9	330.8	-	325.8	1180	3527	22739
2007-08	4924.9	157.6	343.7	-	329.7	1131	4733	26751
July-March								
2007-08	3660.5	114.8	246.0	-	239.6	862	4351	19364
2008-09 P	3652.4	143.2	245.7	-	218.4	791	3206	20277

\- Nil

P : Provisional

Source: Federal Bureau of Statistics

TABLE 3.5

PRODUCTION OF SELECTED INDUSTRIAL ITEMS

Year	Food and Tobacco: Beverages (000 doz. bottles)	Food and Tobacco: Cigarettes (Million Nos)	Jute Tex-tiles (000 tonnes)	Rubber: Motor Tyres (000 Nos)	Rubber: Motor Tubes (000 Nos)	Rubber: Cycle Tyres (000 Nos)	Rubber: Cycle Tubes (000 Nos)
1990-91	67,607	29,887	96.9	952	646	3,828	5,468
1991-92	85,266	29,673	100.9	784	618	3,751	5,757
1992-93	139,823	29,947	97.5	712	550	3,826	5,612
1993-94	113,704	35,895	76.4	783	706	3,872	6,191
1994-95	143,019	32,747	68.5	912	833	3,523	5,146
1995-96	131,114	45,506	70.6	1003	909	3,988	5,594
1996-97	115,817	46,101	68.7	525	643	4,112	5,205
1997-98	149,848	48,215	95.4	767	665	1,415	4,978
1998-99	185,014	51,578	85.5	845	586	3,665	5,529
1999-00	194,336	46,976	85.5	856	490	3,767	5,937
2000-01	211,798	58,259	89.4	884	520	4,051	5,891
2001-02	207,646	55,108	81.7	908	557	4,569	6,938
2002-03	190,742	49,365	93.8	1082	616	5,330	8,942
2003-04	224,238	55,399	102.0	1302	587	4,894	8,004
2004-05	285,326	61,097	104.8	5336	6278	4,900	9,612
2005-06	384,969	64,137	104.5	5942	7164	5,287	10,204
2006-07	517,110	65,980	118.1	7027	10277	5,182	10,420
2007-08	613,127	67,250	129.0	6990	9627	4,243	9,224
July-March							
2007-08	440,074	49,948	92.7	5,165	6,679	3,321	6,987
2008-09 P	423,736	55,625	98.8	4953	9793	2,165	5,047

P Provisional

(Contd.)

TABLE 3.5

PRODUCTION OF SELECTED SELECTED ITEMS

Year	Chemicals						Transport, Machinery & Electrical Appliances		
	Soda Ash (000 tonnes)	Sulphuric Acid (000 tonnes)	Caustic Soda (000 tonnes)	Chlorine Gas (000 tonnes)	Paints & Varnishes (tonnes)	Polishes & Creams for Footwear (mln. grams)	Bicycles (000 Nos.)	Sewing Machines (000 Nos.)	Total TV Sets (000 Nos.)
1990-91	147.2	93.5	78.5	6.7	14,308	651.1	428.8	81.3	181.7
1991-92	185.9	97.6	82.0	6.1	18,950	682.5	478.4	85.1	145.5
1992-93	196.2	99.8	81.5	5.9	16,626	638.1	588.6	72.3	162.2
1993-94	197.0	102.3	89.0	5.8	9,373	602.8	563.7	76.7	112.5
1994-95	196.1	80.4	92.7	7.8	6,865	719.5	473.4	68.1	101.1
1995-96	221.2	69.2	109.0	9.1	8,030	836.8	545.1	84.1	277.6
1996-97	247.0	30.8	118.2	9.4	8,005	861.1	432.4	61.1	185.6
1997-98	240.3	28.1	115.7	9.7	5,917	869.7	452.1	36.2	107.4
1998-99	239.4	27.0	120.4	11.3	6,500	888.8	504.0	29.7	128.3
1999-00	245.7	57.7	141.3	14.2	7,347	897.7	534.1	27.6	121.3
2000-01	217.9	57.1	145.5	14.5	10,922	906.7	569.6	26.9	97.4
2001-02	215.2	59.4	150.3	15.1	10,341	920.9	553.4	24.0	450.0
2002-03	281.5	56.0	164.4	15.9	3,899	935.3	629.7	30.6	764.6
2003-04	286.5	64.6	187.5	17.2	5,406	950.1	664.1	35.0	843.1
2004-05	297.3	91.3	206.7	19.1	15,023	959.6	587.9	36.1	908.8
2005-06	318.7	94.4	219.3	18.3	17,147	969.2	589.6	39.1	935.1
2006-07	330.6	96.3	242.2	17.2	23,936	978.8	486.3	52.2	608.6
2007-08	364.9	102.8	248.3	18.2	26,309	988.6	535.5	57.3	716.1
July-March									
2007-08	271.1	79.1	181.1	13.3	18,957	708.3	410.0	43.3	525.5
2008-09 P	267.7	74.5	176.8	12.4	22,589	715.4	285.3	38.6	321.5

Contd.

TABLE 3.5

PRODUCTION OF SELECTED INDUSTRIAL ITEMS

Year	Electrical Appliances		Papers & Board		Steel Products		
	Electric Bulbs (Mln.Nos)	Electric Tubes (000 metres)	Paper Board (000 tonnes)	Paper (All Types) (000 tonnes)	Coke (000 tonnes)	Pig Iron (000 tonnes)	Billets (000 tonnes)
1990-91	49.3	7,728	88.6	64.2	723.6	1073.9	330.0
1991-92	43.2	4,460	111.0	66.0	737.2	1048.1	306.7
1992-93	41.3	4,205	154.8	109.0	716.4	1098.2	338.4
1993-94	42.7	5,307	133.2	129.3	771.6	1252.7	403.9
1994-95	41.6	5,352	106.2	208.4	701.5	1044.7	343.5
1995-96	45.8	5,417	110.0	193.4	685.6	1002.2	332.7
1996-97	56.4	7,598	197.6	149.0	663.0	1068.6	378.5
1997-98	62.5	8,354	166.5	178.3	667.7	1015.8	350.1
1998-99	66.8	7,991	173.6	186.8	588.7	989.3	276.1
1999-00	63.2	7,137	228.0	206.2	675.5	1106.6	345.2
2000-01	55.2	10,542	246.3	284.8	717.3	1071.2	414.7
2001-02	54.6	10,441	187.6	137.9	694.6	1042.9	412.0
2002-03	58.3	10,844	228.2	148.0	775.2	1140.2	408.4
2003-04	139.4	14,614	247.9	156.8	785.5	1180	429.2
2004-05	146.7	19,819	420.6	163.7	772.8	1137.2	271.4
2005-06	143.6	19,992	476.7	167.7	182.3	767.2	230.6
2006-07	144.8	21,400	464.7	161.7	326.3	1008.8	341.8
2007-08	128.9	19,524	452.9	196.8	290.9	993.4	279.1
July-March							
2007-08	100.6	14,963	336.6	142.4	217.4	731.4	204.8
2008-09 P	71.259	10,261	339.3	187.5	329.7	640.9	196.8

P Provisional

Source: Federal Bureau of Statistics
Ministry of Industries

TABLE 3.6

PERCENT GROWTH OF SELECTED INDUSTRIAL ITEMS

	Cotton Yarn	Cotton Cloth	Jute Goods	Veg.Ghee	Cigarettes	Fertilizers	Cement	Soda Ash	Caustic Soda	Sugar
1990-91	14.22	(0.65)	1.15	(3.93)	(7.41)	(2.66)	3.66	1.53	6.01	4.15
1991-92	12.44	5.12	4.13	(2.59)	(0.72)	(5.52)	7.20	26.29	4.49	20.06
1992-93	4.13	5.68	(3.37)	13.46	(0.92)	14.65	2.84	5.54	(0.61)	2.67
1993-94	7.43	(3.23)	(21.64)	(7.45)	19.86	20.96	(5.35)	(0.41)	9.20	19.17
1994-95	4.59	2.19	(10.34)	5.96	(8.77)	(1.27)	(2.31)	(0.46)	4.16	4.33
1995-96	9.16	1.62	3.07	3.09	38.96	8.89	20.90	12.80	17.58	(18.15)
1996-97	1.72	1.99	(2.69)	(2.59)	1.31	(3.53)	(0.32)	11.66	8.44	(1.77)
1997-98	0.76	2.04	38.86	0.70	4.54	(3.15)	(1.80)	(2.71)	(2.12)	49.18
1998-99	0.52	13.02	(10.38)	7.95	6.98	6.67	2.30	(0.37)	4.06	(0.48)
1999-00	8.41	13.73	(1.87)	(9.65)	(8.92)	4.62	(3.33)	2.63	17.36	(31.41)
2000-01	3.06	12.12	4.56	19.59	24.02	9.21	3.87	(11.30)	2.97	21.70
2001-02	5.09	20.09	(8.61)	7.24	(5.05)	(0.38)	2.70	(1.23)	3.85	9.84
2002-03	6.18	1.66	14.03	(6.75)	(10.42)	12.11	12.11	10.09	9.34	13.48
2003-04	0.73	17.39	8.87	15.10	12.22	7.80	18.60	2.22	14.11	9.09
2004-05	18.22	35.31	0.80	18.04	10.29	25.73	27.14	3.77	10.21	(22.51)
2005-06	11.66	(2.26)	(0.27)	9.86	4.98	5.03	13.52	7.19	6.11	(5.01)
2006-07	11.73	8.18	12.97	2.45	2.87	(7.75)	22.49	3.74	10.45	19.16
2007-08	2.44	3.95	9.29	(4.16)	1.92	(2.48)	17.64	10.37	2.50	34.20
<u>July-March</u>										
2007-08	3.32	4.89	8.46	(2.83)	5.11	(16.89)	17.95	13.51	1.44	33.98
2008-09	(0.27)	(0.33)	6.57	(8.17)	11.37	21.55	4.71	(1.25)	(2.38)	(26.32)

* July-March

Source: Federal Bureau of Statistics

Note: Figures in parenthesis represent negative growth.

Chapter No. 4

Fiscal Development

4.1 Introduction

The severity of the macroeconomic imbalances in the last fiscal year once again reinforces the importance of fiscal prudence for sustainable economic growth. The hangover from 2007-08 continued to haunt adjustment efforts. The fiscal consolidation efforts faced headwinds such as the deteriorating security environment and the domestic political uncertainties along with the deepening of the global financial crisis and the overall depressed macroeconomic environment. The unanticipated persistence of inflationary pressures on the economy kept fiscal policy options under check. Shrinking revenues constricted the government's ability to pursue counter cyclical policy. However, macroeconomic stability crucially hinges upon sustainable level of fiscal deficit. It is due to this that the government has placed fiscal consolidation at the top of macroeconomic stabilizing agenda for 2008-09. This fiscal consolidation includes; substantial reduction in overall fiscal deficit from 7.6 percent of GDP in 2007-08 to 4.3 percent of GDP in 2008-09 and attainment of net zero government budgetary borrowings from SBP at the end of each quarter.

It is evident that one year of fiscal indiscipline has led to severe macroeconomic imbalances in terms of sharp deceleration of economic growth, rise in unemployment and poverty, widening of fiscal and current account deficit, a loss of foreign exchange reserves, rise in public and external debt burden, above all high inflation and associated rise in interest rates. The government has taken several budgetary measures to restore the fiscal balance, e.g. oil subsidies have already been removed while government is committed to remove power subsidies by June 2009. In the future unproductive subsidies will be avoided and this instrument will only be used to provide social safety nets.

There has been significant improvement in fiscal performance during 2008-09 due to the policy shift, with the overall fiscal deficit estimated to have dropped to 4.3 percent of the annual GDP. The resource constraint is constricted by revenue slippages on the back of a massive growth slowdown in large scale manufacturing and imports (the combined stake of both is more than three-fourth of the revenue base). The fiscal improvement in 2008-09 has been largely based on reduction of oil subsidies and a slash on development spending. Going forward, Pakistan needs a substantial increase in its resource base to augment its development efforts. Fiscal consolidation efforts have to come from an enhanced revenue base because we have already exhausted options for expenditure cuts. Pakistan's future economic development crucially hinges upon additional resource mobilization and for this end extending the tax base to unexplored sectors is crucial.

4.2 Fiscal Policy Development

The main objective of Pakistan's fiscal policy is sustained economic growth in unison with declining debt services, poverty alleviation, the creation of job opportunities and investment in physical and human infrastructure. It is unfortunate that fiscal space available during the last seven years (2000-07) was not used to provide support to structural reform; instead, painful structural reforms were delayed. The fiscal comfort level available during the period of 2000-07 was not used aptly for initiating crucial structural reforms which placed policy making in a fix during 2008-09. The government's all-out efforts for introducing a wide range of structural reforms which are crucial for future prospects of the economy are likely to face numerous challenges.

The overall fiscal balance has recovered from a sizeable slippage of 2007-08 amidst substantial decline in revenues and elimination of some subsidies like those on petroleum products. However, major contribution should come from additional resource mobilization.

Table 4.1: Fiscal Indicators as Percent of GDP

Year	Real GDP Growth	Overall Fiscal Deficit	Expenditure			Revenue		
			Total	Current	Development	Total Rev.	Tax	Non-Tax
FY91	5.4	9.5	25.6	19.2	6.4	16.9	12.7	4.2
FY92	7.6	8.7	26.5	19	7.5	19.2	13.7	5.5
FY93	2.1	8.1	26.2	20.5	5.7	18.1	13.4	4.7
FY94	4.4	5.9	23.4	18.8	4.6	17.5	13.4	4.1
FY95	5.1	5.6	22.9	18.5	4.4	17.3	13.8	3.5
FY96	6.6	6.5	24.4	20	4.4	17.9	14.4	3.5
FY97	1.7	6.4†	22.3	18.8	3.5	15.8	13.4	2.4
FY98	3.5	7.7	23.7	19.8	3.9	16	13.2	2.8
FY99	4.2	5	22	18.6	3.3	15.9	13.3	2.7
FY00	3.9	5.4	18.9	16.4	2.5	13.4	10.6	2.8
FY01	1.8	4.3†	17.4	15.3	2.1	13.1	10.5	2.6
FY02	3.1	4.3†	18.5	15.7	2.8	14	10.7	3.3
FY03	4.7	3.7	18.8	16.2	2.6	14.8	11.4	3.4
FY04	7.5	2.3	16.5	13.7	2.8	14.2	11	3.2
FY05	9	3.3†	16.8	13.3	3.5	13.8	10.1	3.7
FY06	5.8	4.3*†	18.4	13.6	4.8	14.1	10.5	3.6
FY07	6.8	4.3*†	20.8	15.8	5	14.9	10.2	4.7
2007-08	5.8	7.4	22.1	18	4.4	14.6	10.3	4
2008-09P	2	4.3	18.6	15.8	2.8	14.6	11.3	3.8

Note 1: The base of Pakistan's GDP has been changed from 1980-81 to 1999-2000, therefore, wherever GDP appears in denominator the numbers prior to 1999-2000 are not comparable.
† Statistical discrepancy (both positive and negative) has been adjusted in arriving at overall fiscal deficit numbers.
**** Include earthquake related expenditure worth 0.8 and 0.5 percent of GDP for 2005-06 and 2006-07 respectively.***

Notwithstanding all lackluster and half hearted attempts to reform tax administration and procedures, the tax to GDP ratio fluctuated in a narrow band of 10 to 11 percent for almost one decade. In the current fiscal year there is a potential risk of a tax-to-GDP ratio below 10 percent of GDP for the first time in the last two decades.

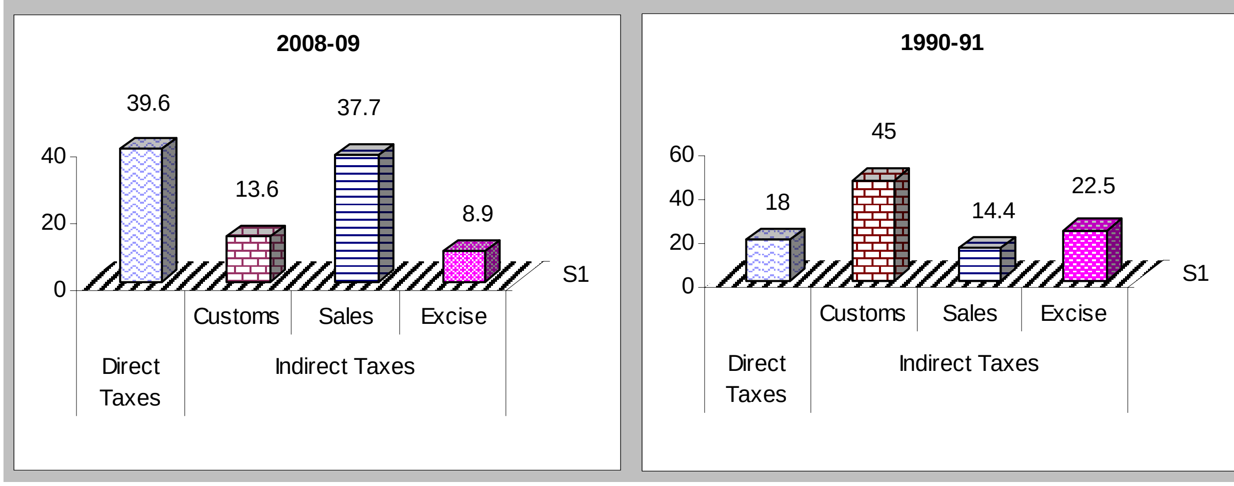
A brief look at table 4.1 shows a change in patterns of revenue and expenditure over the last 18 years. On the revenue side, tax-to-GDP and hence, revenue-to-GDP ratios either remained stagnant or showed secular decline, owing mainly to structural deficiencies in the tax system and administration, both at the federal and provincial government level. The expenditure of the government in relation to GDP exhibited a similar pattern, with total expenditures showing an overall decline since the beginning of the 1990s. The decline in total expenditure (4 percentage points of GDP) is shared by current expenditure (1.5 percentage points) and development expenditure (2.1 percentage points) during the last 18 years. However, in 2008-09 total revenue as percentage of GDP recovered slightly due to a marginal improvement in non-tax revenues as a percentage of GDP. Total revenue is expected to reach Rs. 1910 billion, as compared to Rs. 1499.5 billion during 2007-08.

Fiscal deficit as a percentage of GDP has recovered from the exceptional spikes of 1990s in 2000-07. The overall fiscal deficit witnessed a sharp decline until 2006-07, except for 2007-08 when the pendulum swung to other extreme. This declining trend in fiscal deficit was due to falling expenditures rather than rising revenues in the past. However, since 1999-2000, fiscal deficit has been contained partly due to improvement in total revenues and partly due to the rationalization of expenditures. The shifting of expenditure from current expenditure to development expenditure while leaving total expenditures stagnant mostly at around 18percent of GDP has helped to improve the fiscal position. While the reduction in fiscal deficit in 2008-09 occurred mainly through a drastic cut in development expenditures, revenues fell short of the target.

4.3 Outcomes of Reforms: 2008-09

The fact that taxation is an important source of resources and distribution plays a significant role in shaping economic development in developing countries. Taxation systems are used as a principal policy instrument to allocate resources among various segments of society and provide incentives for industrial development. Structural patterns of taxation are instrumental for incentivizing economic activity. As far as Pakistan's structure of taxation is concerned, it has changed considerably as a result of a number of tax and tariff reforms that were started in the 1990s though much of the scope of these reforms remained unexplored. The composition of tax collections has been modernized with a gradual decrease in the dependence on foreign trade taxes and a concurrent increase in GST and direct tax collections. This section reviews the performance of revenue and expenditure during the fiscal year 2008-09.

STRUCTURE OF TAXES



The gradual decline in excise duty is attributed to the removal of its incidence on selected items. With excise comprising of 9 percent of total FBR revenues, Pakistan's tax revenue-to-GDP stood at around 9 percent of GDP during 2008-09. It remained stagnant at around 10 to 11 percent over many years primarily due to several structural weaknesses in Pakistan's tax system. In tax regime, indirect tax in general and sales tax in particular depicted a relatively high share within the overall tax revenues. The indirect tax-to-GDP ratio stood at around 5 percent, and direct tax-to-GDP ratio at around 4 percent during 2008-09. This indicates that substantial tax policy measures are still needed to broaden the tax base and strengthen tax administration. To achieve a tax-to-GDP ratio of around 15 percent, it is important to extend coverage of the tax net to under-taxed and un-taxed sectors of the economy in order to promote judicious distribution of the tax burden among the various sectors.

The average growth of FBR tax collections was calculated at around 16 percent during the period 2000-09 as compared to the growth rate of 12 percent during the preceding decade of the 1990s. If we see this increase in isolation of the nominal GDP growth rate, the growth rate from 12 to 16 percent shows the positive impact of tax reforms. However, the falling tax-to-GDP ratio implies that nominal GDP grew at a faster pace than tax growth. The FBR taxes in relation to GDP need serious review and efforts must be made to extend the tax base to unexplored areas. The current fiscal year is yet another reflection of the dismal performance of the FBR. The target of Rs.1250 billion was consistent with a nominal GDP growth rate of 17.5 percent. However, notwithstanding nominal a GDP growth rate of around 24 percent, the FBR revenue grew by just 19 percent thus leading to substantial downward adjustment of FBR tax revenue-to-GDP.

Table 4.2: Structure of Federal Tax Revenue ***(Rs. Billion)***

Year	Total (FBR)	Tax Rev as percent of GDP	Direct Taxes	Indirect Taxes			
				Customs	Sales	Excise	Total
1990-91	111	11	20	50	16	25	91
			[18.0]*	(54.9)^	(17.6)^	(27.5)^	[82.0]*
1996-97	282	12	85	86	56	55	197
			[30.1]	{43.6}	{28.4}	{27.9}	[69.9]
1997-98	293.7	11	103.3	74.5	53.9	62	190.4
			[35.0]	{39.1}	{28.3}	{32.6}	[65.0]
1998-99	308.5	10	110.4	65	72	60.8	198.1
			[35.8]	{33}	{36.3}	{30.7}	[64.2]
1999-00	346.6	9.1	112.6	61.6	116.7	55.6	234
			[32.5]	{26.4}	[49.9}	{23.7}	[67.5]
2000-01	392.3	9.4	124.6	65	153.6	49.1	267.7
			[31.8]	{24.3}	{57.4}	{18.3}	[68.2]
2001-02	403.9	9.2	142.5	47.8	166.6	47.2	261.6
			[35.3]	{18.3}	{63.7}	{18}	[64.7]
2002-03	460.6	9.6	148.5	59	205.7	47.5	312.2
			[32.2]	{18.9}	{65.9}	{15.2}	[67.8]
2003-04	518.8	9.2	165.3	89.9	219.1	44.6	353.6
			[31.9]	{25.4}	{62}	{12.6}	[68.1]
2004-05	588.4	8.9	176.9	117	235.5	58.7	411.4
			[30.1]	{28.5}	{57.2}	{14.3}	[68.9]
2005-06	713.4	9.4	224.6	138	294.6	55	487.9
			[31.5]	{28.3}	{60.4}	{11.3}	[68.5]
2006-07	847.2	9.7	333.7	132.3	309.4	71.8	513.5
			[39.4]	{25.8}	{60.3}	{13.9}	[60.6]
2007-08 (R.E)	1025	10.0	408.2	154	375	91	622.3
			[39.6]	{24.7}	{60.3}	{14.6}	[60.4]
2008-09P	1250	9.5	496	170	472	112	755.5
			[39.6]	{22.5}	{62.5}	{14.8}	[60.4]

****as percent of total taxes***
^ as percent of indirect taxes
Source: Federal Board of Revenue

The share of direct taxes in federal tax receipts has increased from 18 percent in the early 1990s to 32 percent in 2000-01[Table 4.2]. The share further increased to 39.6 percent in 2008-09. However, direct tax-to-GDP accounts for only 4 percent in comparison with 7 percent for other developing countries at the same level of development. The indirect taxes currently account for 60 percent of total revenues, but in terms of percent of GDP, they compare poorly with peer countries. General sales tax accounts for more than 60 percent of the indirect taxes, which makes it the second major source of federal tax revenues after direct taxes accounts for 38 percent of total tax collections. This indicates that there is enormous potential for GST to convert it to full value added tax.

On the other hand customs collection reduced sharply over the past decade, mostly induced by trade liberalization. It increased sharply from 2002-03 as a result of tremendous surge in imports owing to spike in aggregate demand. Customs collection as a percentage of GDP declined from 3.4 percent in 1993-94 to 1.2 percent in 2008-09.

Custom duties accounted for 22.5 percent of the total indirect taxes as compared to 25 percent last year. The current year has unique distinction as it witnessed massive fall in imports in response to demand compression measures as well as a fall in international oil and commodity prices.

4.4 Trends in Expenditure

Fiscal year 2008-09 has been a difficult year for Pakistan's economy due to many unexpected events on both the domestic and external fronts. Notwithstanding, difficulties being faced by the economy during the current fiscal year (2008-09), better fiscal discipline and improving expenditure management can lead to substantial improvement in the fiscal outlook. Total expenditure has fluctuated between 17 to 20 percent of GDP during the last six years. Total expenditure as a percentage of GDP stood at 18.6 percent as compared to 22.1 percent last year. The spike in 2007-08 was mainly due to huge unprecedented expenditures incurred on account of subsidies and political expediency on the part of the outgoing government. The current year witnessed correction on this count and expenditure control measures brought significant downward adjustment in expenditure. Total expenditure increased to Rs.1085.0 billion during the first half of 2008-09 which is higher by 10.5 percent in the comparable period of last year. Interest payments declined from as high as 6.8 percent of GDP or Rs262 billion in 1999-000 to 4.8 percent of GDP or Rs 624 billion for 2008-09. The intensification of war on terror in some parts of Pakistan has placed a burden on security related expenditure.

Growth in total expenditure witnessed significant decline at the expense of a substantial fall in development spending to the extent of 15.1 percent. Elimination of oil subsidies and a decline in development spending led to a significant reduction in public expenditure growth during the first half of 2008-09. As a share of GDP, development expenditures dropped to 1percent in the first half of 2008-09 which is the lowest level of development spending in the last 5 years. Current expenditure grew by 18.3 percent as compared to 33.3 percent increase in the same period of last year. However, the first half current expenditure growth is still high and it needs to be brought down for sustained fiscal consolidation. The main reason for this rise is a tremendous rise in security related expenditure. Table 4.3 (a+b) describe that both development and non-interest-non-defense spending have gone up since 2000-01. It shows that the government must keep the budget deficit at a lower level to provide more fiscal space for investment in physical infrastructure and human development for a sustainable growth and poverty reduction. The narrowing of this gap is likely to come from additional resource mobilization rather than expenditure curtailment. At this critical juncture, the economy needs fiscal stimulus and compression of the revenue-expenditure gap at the expense of growth enhancing expenditure could prove counterproductive.

The share of current expenditure in total expenditure has declined from 88 percent in 1999-000 to 81.4 percent in 2007-08, mainly because of an enormous fall in interest related expenditure (current expenditures for the fiscal year 2008-09 are budgeted at 85 percent). In absolute terms, current expenditure stood at Rs 1858 billion in 2007-08 and are budgeted at Rs 2066 billion for 2008-09 [See Table 4.3 a +b].

On the other hand development expenditures rose from 13.5 percent to 19.8 percent during the same period. During the last nine years, development expenditure increased from 2.1 percent of GDP or Rs.89.8 billion in 2000-01 to 4.4 percent of GDP or Rs. 452.4 billion in 2007-08. In 2008-09 development expenditures are budgeted at 2.8 percent of GDP or Rs 365 billion.

Defence, the second largest component of the current expenditure, remained stagnant at around 3 percent of GDP during the last six years. In 2008-09 it stood at Rs. 313 billion or 2.4 percent of GDP. Non-defense-non-interest expenditure has improved from 8 percent of GDP or Rs 337.4 billion in 2000-01 to 11.4 percent or Rs.1494 billion in 2008-09. Although in relative terms (percent of GDP), non-interest expenditure is lower than 2007-08, in absolute terms it is still high.

Table 4.3 a): Trends in Components of Expenditure (As percent of GDP)

Year	Total Expenditure	Current Expenditure	Interest Payments	Defence	Develop-ment Expenditure	Non Interest Non-Defence Exp	Fiscal Deficit	Revenue Deficit/ Surplus	Primary deficit
1980-81	22.9	13.6	2.1	5.5	9.3	15.3	-6	3.3	-3.9
1984-85	24.7	17.7	3.5	6.7	7	14.5	-8.3	-1.3	-4.8
1988-89	26.1	19.9	5	6.6	6.3	14.5	-8.1	-1.8	-3.1
1989-90	25.9	19.3	5.5	6.9	6.5	13.6	-7.3	-0.8	-1.9
1990-91	25.6	19.2	4.9	6.3	6.4	14.3	-9.5	-3.1	-4.6
1991-92	26.5	19	5.2	6.3	7.5	15.1	-8.7	-1.1	-3.5
1998-99	20.9	18.6	7.5	4.9	3.3	8.6	-5	-2.7	2.5
1999-2000	18.5	16.4	6.8	3.9	2.5	7.7	-5.4	-3	1.7
2000-01	17	15.3	5.9	3.1	2.1	8	-4.3	-2.2	2
2001-02	18.5	15.7	6.1	3.3	2.8	9	-4.3	-1.7	1.6
2002-03	18.4	16.2	4.8	3.3	2.6	10	-3.7	-1.4	1.2
2003-04	16.9	13.7	4	3.3	2.8	9.7	-2.3	0.3	1.1
2004-05	17.2	13.3	3.4	3.2	3.5	10.5	-3.3	0.5	0.04
2005-06	18.4	13.6	3.4	3.2	4.8	11.8	-4.3	0.5	-0.8
2006-07	20.6	15.8	4.4	2.9	5	13.3	-4.3	-0.9	-1.3
2007-08	22.1	18	4.8	2.7	4.4	14.7	-7.4	-3.4	-2.8
2008-09 P	18.6	15.8	4.8	2.4	2.8	11.4	-4.3	-1.2	0.8

P: Projected
Note: The GDP was rebased w.e.f 1999-2000, so figures thereafter may not be comparable with earlier years

Table 4.3a and 4.4b illustrate a major progression in expenditure patterns over the last three decades. The salient features suggest that the rising trend in current expenditure has been arrested, mainly on account of declining trends in interest payments and to some extent in defence spending until 2005-06. However, it bounced back since then owing to a substantial surge in interest payments. However, the current fiscal year 2008-09 has witnessed a decline in current expenditure from 18 percent in 2007-08 to 15.8 percent. Interest payments have declined from a peak level of 7.5 percent of GDP in 1998-99 to 4.8 percent of GDP during 2007-08 and remained intact at this level in 2008-09. On the other hand, defense spending was at a very high level in 1989-90 at 6.9 percent of GDP, but gradually it declined to less than 3 percent today. Consequently, the government now has more fiscal space for directing expenditures towards the development side.

Table 4.3 b): Trends in Components of Expenditure (Rs Billion)

Year	Total Expenditure	Current Expenditure	Interest Payments	Defence	Development Expenditure	Non Interest Non-Defence Exp	Fiscal Deficit	Revenue Deficit/ Surplus	Primary deficit
1980-81	63.6	37.8	5.9	15.3	25.8	42.4	-16.6	9.2	-10.7
1984-85	116.8	83.7	16.5	31.8	33.1	68.5	-39.4	-6.4	-22.9
1988-89	201.2	153.1	38.1	51.1	48.1	112	-62.1	-14	-23.9
1989-90	221.6	165.6	46.7	58.7	56.1	116.2	-62.8	-6.8	-16.1
1990-91	260.9	195.7	50	64.6	65.3	146.3	-97.1	-31.8	-47.1
1991-92	321.5	230.1	62.4	75.7	91.3	183.4	-104.9	-13.6	-42.5
1998-99	647.8	547.3	220.1	143.5	98.3	284.2	-179.2	-78.7	40.9
1999-00	709.1	626.4	262.2	150.4	95.6	296.5	-206.3	-114	65.6
2000-01	717.9	645.7	249.3	131.2	89.8	337.4	-179.7	-92.7	84.4
2001-02	826.3	700.2	273.9	149.3	126.2	403.1	-190.4	-76.1	71.7
2002-03	898.2	791.7	235.3	159.7	129.2	503.2	-180.6	-70.9	57.9
2003-04	956	775	226.2	184.9	161	544.9	-130	19	64.2
2004-05	1117	864.5	219.7	211.7	228	685.6	-217	35.5	2.7
2005-06	1401.8	1034.7	260	241.1	365.1	900.7	-325.3	41.9	-65.2
2006-07	1800	1375.3	387.1	249.9	433.6	1163	-377.5	-77.3	-114.9
2007-08	2279	1858	489.7	277	452.4	1509.3	-777.2	-354	-286.8
2008-09 P	2431	2066	624	313	365	1494	-562	-156	103

P Projected

4.5 Trends in Real Expenditure

The nominal monetary value of expenditure is a direct charge on the budget but the composition of expenditure in real terms (adjusted for inflation) provides a comprehensive analysis in real expenditure growth patterns. Total real expenditure grew at a brisk pace of 7.7 percent per annum on average in the 1980s owing to sharp acceleration of 10.5 percent in real current expenditure (Table 4.4). Development expenditure grew by a modest 2.7 percent on average in real terms but interest payments grew by 18.1 percent, reflecting the tremendous pace of accumulation of public debt. Interestingly real defense spending followed a higher growth path and grew by 8.9 percent on average. This level of fiscal indiscipline in the past forced Pakistan to undergo a painful period of structural adjustment in the 1990s.

Table 4.4: Trends in Real Expenditure(1999-2000=100) (percentGrowth)

Period	Total Expenditure	Current Expenditure	Development Expenditure	Interest payment	Defense	Non-Defense Non-Interest Expenditure
1980's	7.7	10.5	2.7	18.1	8.9	4.9
1990's	2.8	4.5	-2.6	8.9	0.4	0.9
1990-I	2.4	3.9	-1.7	4.2	0.7	3
1990-II	3.1	5	-3.5	13.7	0.1	-1.2
2000-04	2.2	0.1	9.4	-8.3	0.4	10.5
2004-08	12.8	13.1	16.6	15	0.9	15.3
2008-09*	-13.1	-9.3	-29.6	2.8	-5.7	-19.6

** Quick estimate for 2008-09* *Source: EA Wing, Finance Division*

The pace of growth slowed down in the first half of the 1990s but at the expense of development expenditures, which declined by 1.7 percent on average and thus contributed to a decline in real expenditure growth in the period to 2.4 percent. However, current expenditure grew by 3.9 percent thanks to a marginal increase of 0.7 percent in defense spending and a relatively slower growth of 4.2 percent witnessed in interest payments. Non-defense-non-interest expenditure also grew by 3 percent in real terms. Even the sharp fall in real development expenditure which contracted sharply by 3.5 percent in the second half of the 1990s could not restrict current expenditure to grow at a faster pace of 5.0 percent, mainly because of a massive 13.7 percent on average growth in interest payments. Consequently, total expenditure grew by 3.1 percent per annum in the period; however, non-interest non-defense expenditure contracted by 1.2 percent per annum. The second major item, defense spending, inched up marginally by 0.1 percent per annum.

During the first four years (2000-04) of the current decade, total expenditure grew by 2.2 percent, but expenditure grew at a much faster pace of 12.8 percent in the last four years (2004-08). The current year is likely to witness massive contraction in real incidence of expenditure to the extent of 13.1 percent contributed equally to by a 9.3 percent fall in current expenditure and a massive contraction of 29.6 percent in development expenditure. A high inflation rate has benefited the government to lower real incidence of expenditure. Interestingly, interest payments are likely to post a positive growth of 2.8 percent; however, non-interest and non-defence spending is likely to depict a 19.6 percent contraction.

4.6 Fiscal Performance: 2008-09.

FBR revenue collection for the fiscal year 2008-09 was targeted at Rs.1250 billion at the time of presentation of the Federal Budget 2008-09. Tax collection during the first ten months (July-April) of the current fiscal year amounted to Rs.898.6 billion, which is 17.7 percent higher than the net collection of Rs.763.6 billion in the corresponding period of last year. Net and gross collections have increased by 17.7 and 17.1 percent respectively (Table 4.6). The overall refund/rebate payments during first ten months of the current fiscal year have been Rs.61.3 billion as compared to Rs.55.8 billion paid back during the corresponding period of the last fiscal year.

Table 4.6 Fiscal Performance					
Change	2007-08 (Actual)	2008-09 (R.E)	July-April		Percent Change Over2007-08
			2007-08	2008-09	
A. DIRECT TAXES					
Gross			277.9	333.5	20.0
Refund/Rebate			20.3	27.4	35
Net	408.2	496	284.5	332.5	16.9
B. INDIRECT TAXES					
Gross			452.6	533.7	17.9
Refund/Rebate			30	26	-13.3
Net	622.3	755.5	479	566.1	18.2
B.1 SALES TAX					
Gross			279.5	340.7	21.9
Refund/Rebate			20.6	19.2	-6.8
Net	375	472	293.6	358.9	22.2
B.2 FEDERAL EXCISE					
Gross			61.8	80.6	30.4
Refund/Rebate			0.026	0.024	-7.7
Net	91	112	70.6	90	27.5
B.3 CUSTOM					
Gross			111.2	112.3	1.0
Refund/Rebate			8.4	6.3	-25
Net	154	170	114.8	117.2	2.1
TOTAL TAX COLLECTION					
Gross			730.4	867.2	18.7
Refund/Rebate			50.5	53.6	6.1
Net	**1025**	**1250**	763.6	898.64	**17.7**

Tax collection performance felt the heat of the slowing economy and falling imports. Customs duty collection deviated from its recent past track record of high growth mainly because of the fact that dutiable imports have undergone negative growth. Notwithstanding its meager share even in indirect taxes, federal excise duty collections registered a vibrant growth of 27.6 percent. Sales tax collections also rely heavily on imports and the sales tax at import stage witnessed marginal growth. On the other hand a 47 percent growth in sales tax on domestic economic activity has helped it to grow overall by 22.2 percent. When viewed in the backdrop of a 23 percent growth in national income, the growth of 16.9 percent in direct tax looks dismal. The overall FBR tax collection remained less than satisfactory and actually witnessed deceleration in real terms. Consequently, the FBR tax collection to GDP ratio is likely to deteriorate around 9 percent of GDP against the target of bringing it in to the vicinity of 10 percent of GDP. Apart from FBR revenue, total tax revenue growth also lagged behind growth in nominal GDP; it exhibits a decline in tax-GDP ratio from 10.3 percent in 2007-08 to around 10 percent in 2008-09.

4.6.i Direct Taxes

Direct tax as a major source of FBR tax revenues for the last two years has contributed 37 percent of total FBR receipts during Jul-April 2008-09. Net collection was estimated at Rs. 332.5 billion against the target of Rs 496 billion. Hence, gross and net collection has registered a growth of 19.3 percent and 16.9 percent during Jul-April 2008-09. The current fiscal year has witnessed a shortfall in collection of direct taxes for the second consecutive year. The entire shortfall will be difficult to replenish in the remaining months of 2008-09 due to a likely fall in corporate earnings, on account of a realization of impairment losses arising from a decline in the value of financial assets. Improved tax efforts and effective implementation of tax policy and tax administrative reforms have resulted in higher tax collection over the years. The share of direct taxes in federal tax receipts has increased from 15 percent in the early 1990's to around 37 percent in 2008-09.

4.6.ii Indirect Taxes

Indirect taxes grew by 18.2 percent during Jul-April 2008-09 and accounted for 62 percent of the stake in overall tax revenue. Within indirect taxes, sales tax has increased by 22.2 percent. The gross and net collection of sales tax stood at Rs.380.0 billion and Rs.358.9 billion, respectively. Sales tax on domestic production and sales contributes to 54.2 percent of net collection, while the rest originates from imports. Within net domestic sales tax collection major contribution has come from POL products, telecom services, natural gas, sugar and cigarettes. On the other hand, POL products, edible oil, plastic resins, vehicles, iron and steel and machinery and mechanical appliances have major contribution at the import stage collection of sales tax.

Custom duties on a net basis have increased only by 2.1 percent during Jul-April 2008-09, thereby aligning with a negative import growth in dollar terms. Net collection has inched up from Rs.114.9 billion in 2007-08 to Rs.117.2 billion in 2008-09, while gross collection has decreased from Rs 125.9 billion in 2007-08 to Rs 124.5 billion in 2008-09. Refund payment has declined by 34 percent. Major sources of revenue have been the POL, automobiles, edible oil, machinery, iron and steel products etc. These sectors have contributed around 76 percent of the gross custom collection.

The net collection of federal excise stood at Rs 90.0 billion during Jul-April 2008-09 against Rs 70.6 billion in the corresponding period of last year, thereby, showing a higher collection of Rs 19.4 billion in absolute terms in this period. This growth in FED has been generated by six commodity groups that contributed around 80 percent of FED receipts. These are cigarettes, cement, beverages, natural gas, POL product and services. So far FBR has collected Rs. 898.6 billion or 72 percent of the tax target (Rs.1250 billion) set for the current fiscal year and the remaining Rs.351.4 billion or 28 percent of the target has to be collected during the remaining two months of the current fiscal year which implies a likely shortfall in the revenue collections.

4.7 Review of Public Expenditure: 2008-09

The budgeted total expenditure for the fiscal year 2008-09 was Rs.2391 billion, which is 4.9 percent higher than last year's revised estimate. On the other hand current expenditure was envisaged to remain more or less stagnant at Rs.1876 billion. The stake of the federal government in the current expenditure was up to Rs.1359 billion and the remaining Rs. 517 billion were earmarked for provincial governments. Development expenditure (after adjusting for net lending) was targeted at Rs.396 billion in 2008-09 which is up by 7 percent compared to last year. On the basis of revenue and expenditure projections, the overall fiscal deficit is estimated at Rs.562 billion or 4.3 percent of GDP as against 7.4 percent last year.

Interest payments surpassed their budgeted level by a significant margin. A sum of Rs.557 billion was budgeted for interest payments in 2008-09. The year is likely to end with interest payments of Rs.618 billion which are Rs.61 billion over the budgeted amount.

The current expenditure over-run has become the norm because of the intensification of the war on terror and a spike in security related expenditure in the last two years. This is feeding into a significant gap between what is budgeted and the estimates in current expenditure. The current year has witnessed some deceleration in non-interest, non-defence expenditure, however, to follow fiscal deficit religiously, the government has to go the extra mile by cutting back on development expenditure. Notwithstanding this downturn, the growth in current expenditure remained strong. Pakistan's fiscal adjustment experience over the years suggests a downward rigidity in current expenditure and much of the effort has to come from either additional revenue mobilization or development expenditure cutbacks. In the case that there is a revenue shortfall, development expenditure is the prospective candidate to bear the brunt of the adjustment.

Table 4.7: Consolidated Revenue & Expenditure of the Government

	Prov. Actual 2006-07	Prov. Actual 2007-08	Budget 2008-09	Q.E 2008-09*
A. Total Revenue	**1298**	**1499.5**	**1809**	**1910**
a) Tax Revenue	**890**	**1050.7**	**1318**	**1372**
FBR Revenue	847.2	1009.9	1250	1179
Provincial Tax Revenue	37	41	66	51
b) Non-Tax Revenue	**408**	**448.7**	**491**	**538**
B. Total Expenditure	**1800**	**2276.5**	**2391**	**2431**
a) Current Expenditure	**1375**	**1853.1**	**1876**	**2066**
i) Federal	**973**	**1416**	**1359**	**1554**
- Interest	387.1	522.7	557	624
- Defense	250	285.1	296.1	313
- Others	354	653.7	505.9	930
ii) Provincial	**402**	**437.1**	**517**	**513**
b) Development Expenditure & Net Lending	**425**	**423.4**	**515.6**	**365**
PSDP	434	452	516.6	363
Net Lending	-9	-28	0.97	2
c) Statistical Discrepency	**-125**			
C. Overall Fiscal Deficit	**377**	**777.2**	**582**	**562**
As percent of GDP	4.3	7.4	4.3	4.3
Financing of Fiscal Deficit	**377**	**777.2**	**582**	**562**
i) External Sources	147	151.3	165.2	158
ii) Domestic	**230**	**626**	**417**	**375**
- Bank	102	520	149	201
- Non-Bank	57	104	243	174
- Privatization Proceeds	71	0	25.1	0
GDP at Market Prices	8723	10282	12280	13095

4.8 Provincial Budget

The total outlay of the four provincial budgets for 2008-09 stood at Rs.630 billion, which is 25 percent higher than the outlay of Rs.504.1 billion for the last year. NWFP witnessed the highest increase of 15.4 percent in budgetary outlay followed by the Sindh (14.2 percent). Punjab posted an increase of 12.6 percent while Baluchistan has witnessed a decline of 8 percent in its expenditures in the last year. The over-all provincial revenue receipts for 2008-09 are estimated at Rs.738.6 billion, which is up by 21 percent compared to last year. Tax revenue accounting for 8.5 percent of overall revenue receipts amounted to Rs.564.9 billion which is 24.5 percent higher than last year and non-tax revenue is estimated at Rs 53.1 billion which is 10.9 percent lower than the last year. The total budget outlay of Rs.847.4 billion is shared in the ratio of 65.2 and 34.8 percent between current and development expenditures, respectively. Compared to last year, the allocations for development expenditure are higher by 12.5 percent and for current expenditure, by 11.1 percent. The main components of the provincial budgets 2008-09 in comparison with revised estimates from last year are presented in Table 4.8.

Table 4.8: Overview of Provincial Budgets *(Rs Billion)*

Items	Punjab		Sindh		NWFP		Baluchistan		Total	
	07-08	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08	08-09
	RE	BE	RE	BE	RE	BE	RE	BE	RE	BE
A. Total Tax Revenue	256.4	329.9	158	188.7	59.1	76.2	30.7	35.2	504.1	630
Provincial Taxes	30.6	40.4	16.4	19.8	2.4	3.9	0.9	1	50.3	65.1
Share in Federal Taxes	225.8	289.6	141.6	168.9	56.7	72.2	29.8	34.2	453.8	564.9
B. Non-Tax Revenue	42.2	36.6	12.1	10.5	3.1	3.5	2.3	2.5	59.6	53.1
C. All Others	6.2	7.3	8.7	12.8	17.5	20.7	15.8	14.8	48.2	55.5
Total Revenues (A+B+C)	304.7	373.8	178.7	211.9	79.7	100.4	48.8	52.5	611.9	738.6
a) Current Expenditure	232.2	257	163.9	181	61.5	67.3	40	47.5	497.5	552.8
b) Development Expenditure	138	160	62.3	77.3	32.9	41.6	28.8	15.7	262	294.7
i) Rev. Account	79.2	81.1	14.4	35.8	5.5	8	0	0	99.1	124.9
ii) Cap. Acount	58.8	78.9	47.9	41.5	27.4	33.6	28.8	15.7	162.9	169.8
Total Exp (a+b)	370.2	417	226.2	258.3	94.4	108.9	68.8	63.3	759.5	847.4

Source: Provincial Finance Wing, Ministry of Finance

Table 4.9: Transfers to Provinces (NET) *(Rs. Billion)*

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09(B)
Divisible Pool	176.4	204.8	244.6	320.6	391.3	505.7
Straight Transfer	38.5	40.5	56.8	70.3	65.9	62.6
Special Grants/ Subventions	32.8	35.3	63.5	29.3	33.3	38.2
Project Aid	12.9	15.5	17.5	16.8	19.1	25.5
Agriculture Sector Loan-II	12	1.4	2.8	2.6	1.1	0
Japanese Grant	0.1	0.1	0.1	0.1	0.04	0.1
Total Transfer to Province	**264.7**	**297.6**	**385.2**	**439.7**	**510.8**	**632.1**
Interest Payment	26.9	24.3	21.6	18	19.9	17
Loan Repayment	11.8	28.7	14.7	40.2	25.4	16.2
Transfer to Province(Net)	**226**	**244.6**	**348.9**	**381.5**	**465.6**	**598.9**

Source: Budget in Brief, 2007-08

4.9 Allocation of Revenue between the Federal Government and Provinces

The Constitution governs the relationship between the Government and the provinces with respect to the distribution of a divisible pool of taxes. According to the Constitution, every five years, the President forms a National Finance Commission (NFC) consisting of the Minister for Finance of the Federal Government, the Minister of Finance of each of the Provincial governments and other presidential appointees in consultation with the Governors of the provinces. The NFC then recommends to the President the distribution to be made between the Federal Government and the provinces with respect to the divisible pool of taxes consisting of income tax, sales tax, export duties on cotton, customs duties, excise duties (excluding excise duty on natural gas) and any other tax that may be specified by the President. Soon after receipt of the recommendations of the NFC, the President implements these through a Presidential order specifying the share of the net proceeds of the taxes to be allocated to the provinces and the federal government. [The recommendations of the NFC together with an explanatory memorandum of action taken thereon are required to be sent to both Houses of the Parliament and Provincial Assemblies]. Under the Constitution, the President has the power to amend or modify the distribution of revenues as may be necessary or expedient. Since 1997, the share of the Federal Government in the divisible pool was fixed at 62.5percent while the share of the provincial governments has been fixed at 37.5 percent. Beginning 2006-07, the share of the provincial governments in the divisible pool will rise annually to 41.5 percent, 42.5 percent, 43.75 percent, 45.0 percent and 46.25 percent thereafter in coming years. An account of transfer to provinces is given in Table-4.9.

The transfer to provinces on a net basis registered a decline of Rs 26.2 billion in the revised estimates of 2007-08, mainly due to pre-payment of federal loans by the provinces during the year. However, these are placed at Rs 598.9 billion in budget estimates 2008-09 (i.e. an increase of 28.6 percent over the revised estimates 2007-08).

TABLE 4.1

FEDERAL GOVERNMENT OVERALL BUDGETARY POSITION

(Rs Million)

Fiscal Year/ Item				2007-08 (R.E)	2008-09 (B.E)
A. REVENUE					
1.	Direct Taxes			405,000	405,000
2.	Indirect Taxes			619,636	754,000
	i.	Customs		150,545	170,000
	ii.	Sales Tax		385,497	472,000
	iii.	Federal Excise		83,594	112,000
3.	Total Tax Revenue			1,024,636	1,159,000
	(1+2)			1,059,814	1,212,000
4.	Surcharges (Gas & Oil)			35,178	53,000
5.	Non-Tax Revenue			370,698	410,776
6.	Total Revenue Receipts Gross (3+4+5)			1,430,512	1,622,776
B. EXPENDITURE					
9.	Current Expenditure*			1,437,166	1,377,153
	i.	Defence		277,300	296,077
	ii.	Interest		489,681	523,172
	iii.	Grants		87,000	87,000
	iv.	Economic Services	@	78,900	78,900
	v.	Subsidies		407,485	295,204
	vi.	Other		96,800	96,800
10.	Development Expenditure(PSDP)			238,000	247,000
11.	Total Expenditure (9+10)			1,675,166	1,624,153

RE- Revised Estimate

Source: Budget Wing, Finance Division, Islamabad

Q.E.- Quick Estimates

@ : Include Law and Order, Social, Economic and Community Services

* Current expenditure here includes earthquake related spendings

TABLE 4.2

SUMMARY OF PUBLIC FINANCE (CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS)

(Rs Million)

Fiscal Year/ Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R.E.	2008-09 (B.E)	% Change 2008-09/ 2007-08
Total Revenues (I+ii)	*553,000*	*624,100*	*720,800*	*794,000*	*900,014*	*1,076,600*	*1,297,957*	*1,499,380*	*1,809,240*	*20.7*
Federal	514,000	584,000	673,600	741,000	842,900	992,200	1,215,730	1,380,599	1,662,238	*20.4*
Provinical	39,000	40,100	47,200	53,000	57,114	84,400	82,227	118,781	147,002	*23.8*
I) Tax Revenues	441,600	478,100	555,800	611,000	659,410	803,700	889,685	1,050,696	1,317,857	*25.4*
Federal	422,500	459,300	534,000	583,000	624,700	766,900	852,866	1,009,902	1,251,462	*23.9*
Provinical	19,100	18,800	21,800	28,000	34,710	36,800	36,819	40,794	66,395	*62.8*
ii) Non-Tax Revenues	111,400	146,000	165,000	183,000	240,604	272,900	408,272	448,684	491,383	*9.5*
Federal	91,500	124,700	139,600	158,000	218,200	225,300	362,864	370,697	410,776	*10.8*
Provinical	19,900	21,300	25,400	25,000	22,404	47,600	45,408	77,987	80,607	*3.4*
Total Expenditures (a+b+c)	*717,900*	*826,250*	*898,200*	*956,000*	*1,116,981*	*1,401,900*	*1,799,968*	*2,276,549*	*2,391,491*	*5.0*
a) Current	645,700	700,200	791,700	775,000	864,500	1,034,700	1,375,345	1,853,147	1,875,832	*1.2*
Federal	479,000	524,600	599,800	557,000	664,200	789,100	973,130	1,416,015	1,358,832	*-4.0*
Provinical	166,700	175,600	191,900	218,000	200,300	245,600	402,215	437,132	517,000	*18.3*
b) Development(PSDP)	89,800	126,250	129,200	161,000	227,718	365,100	433,658	451,896	516,629	*14.3*
c) Net Lending to PSE's	-17,600	-200	-22,700	20,000	24,763	2,100	-9,035	-28,494	-970	-
d) Statistical Discripency	14,800	-11,700	3,200	-32,000	0	-86,307	-124,510	0	0	-
Overall Deficit	-179,700	-190,450	-180,600	-130,000	-216,967	-325,300	-377,501	-777,169	-582,251	-
Financing (net)	179,700	190,450	180,600	130,000	216,988	325,200	377,501	777,169	582,251	-
External (Net)	120,700	83,100	113,000	-5,900	120,432	148,900	147,150	151,311	165,216	-
Domestic (i+ii)	59,000	107,350	67,600	135,900	96,556	176,300	230,351	625,858	417,035	-
i) Non-Bank	*92,000*	85,000	119,500	61,000	8,050	8,100	56,905	104,302	242,922	-
ii) Bank	-33,000	14,000	-55,600	63,690	60,179	70,900	101,982	519,906	149,007	-
iii) Privatization Proceeds	-	8,350	3,700	11,210	28,327	97,300	71,464	1,650	25,106	-
Memorandum Item										
GDP (mp) in Rs. Billion	4,210	4,453	4,876	5,641	6,500	7,623	8,673	10,284	13,095	*27.3*
	(As Percent of GDP at Market Price)£									
Total Revenue	13.1	14.0	14.8	14.1	13.8	14.1	15.0	14.6	13.8	
Tax Revenue	10.5	10.7	11.4	10.8	10.1	10.5	10.3	10.2	10.1	
Non-Tax Revenue	2.6	3.3	3.4	3.2	3.7	3.6	4.7	4.4	3.8	
Expenditure	17.4	18.3	18.5	16.9	17.2	18.4	20.8	22.1	18.3	
Current	15.3	15.7	16.2	13.7	13.3	13.6	15.9	18.0	14.3	
Development	2.1	2.8	2.2	3.2	3.9	4.8	4.9	4.1	3.9	
Overall Deficit Incl. E.quake Exp.	4.3	4.3	3.7	2.3	3.3	4.3	4.4	7.6	4.4	

B.E Budget Estimate

R.E. Revised Estimates.

Source: Budget Wing, Finance Division, Islamabad

£ Beginning from 1999-2000, Pakistan's GDP was rebased at 1999-2000 Prices from two decades old base of 1980-81
Therefore, wherever, GDP appears in denominator the number of prior to 1999-2000 are not comparable.

TABLE 4.3

CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS REVENUES

(Rs Million)

Fiscal Year/ Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (R.E)	2008-09 (B.E)	% change 2008-09/ 2007-08
Total Revenue (I+II)	553,000	624,100	720,800	793,700	900,014	1,076,600	1,297,957	1,499,381	1,809,240	20.7
Federal	514,000	584,000	673,600	743,600	842,900	992,200	1,215,730	1,380,600	1,662,238	20.4
Provincial	39,000	40,100	47,200	50,100	57,114	84,400	82,227	118,781	147,002	23.8
I. Tax Revenues (A+B)	441,600	479,335	555,800	611,000	659,410	803,700	889,685	1,050,696	1,317,857	25.4
Federal	422,500	460,224	534,000	583,000	624,700	766,900	852,866	1,009,902	1,251,462	23.9
Provincial	19,100	19,111	21,800	28,000	34,710	36,800	36,819	40,794	66,395	62.8
A. Direct Taxes (1+2)	128,556	147,403	157,886	171,188	186,473	224,147	337,639	391,350	504,650	29.0
Federal	124,585	142,649	151,976	164,497	176,930	215,000	334,168	387,563	496,000	28.0
Provincial	3,971	4,754	5,910	6,691	9,543	9,147	3,471	3,787	8,650	128.4
B. Indirect Taxes (3+4+5+6+7)	313,044	331,932	397,914	439,812	472,937	579,553	552,046	659,346	813,207	23.3
3. Excise Duty	50,325	48,572	45,437	47,538	60,813	58,702	74,026	86,549	115,290	33.2
Federal	49,000	47,189	44,002	45,823	58,670	55,000	71,575	83,594	112,000	34.0
Provincial	1,325	1,383	1,435	1,715	2,143	3,702	2,451	2,955	3,290	11.3
4. Sales Tax*	153,500	166,618	195,138	220,607	235,533	294,600	309,228	385,497	472,000	22.4
5. Taxes on International Trade	65,000	47,817	68,835	90,940	117,243	138,200	132,200	150,545	170,000	12.9
6. Surcharges*	30,200	54,854	68,230	61,381	26,769	50,800	64,546	35,178	53,000	50.7
6.1 Gas	12,300	18,867	21,358	16,770	16,165	26,300	34,888	20,708	53,000	155.9
6.2 Petroleum	17,900	35,987	46,872	44,611	10,604	24,500	29,658	14,470	0	
7. Other Taxes **	14,019	14,071	20,274	80,727	59,348	88,051	36,592	36,755	55,917	52.1
7.1 Stamp Duties	5,230	5,721	6,631	10,329	10,573	10,211	10,268	11,123	16,918	52.1
7.2 Motor Vehicle Taxes	3,121	3,195	3,893	4,722	5,749	7,107	7,719	4,975	9,832	97.6
7.3 Foreign Travel Tax*	1,048	1,097	4,054	4,751	2,050	3,593	3,681	356	3,713	943.0
7.4 Others	4,620	4,058	5,696	60,925	40,976	67,140	14,924	20,301	25,454	25.4
II. Non-Tax Revenues	111,400	146,000	165,000	182,700	240,604	272,900	408,272	448,685	491,383	9.5
Federal	91,500	124,700	139,600	160,600	218,200	225,300	362,864	370,698	410,776	10.8
Provincial	19,900	21,300	25,400	22,100	22,404	47,600	45,408	77,987	80,607	3

* Revenues under these heads are exclusively Federal.

** Mainly include Provincial Revenues.

B.E Budget Estimate

R.E. Revised Estimates.

Source: Budget Wing, Finance Division, Islamabad

TABLE 4.4

CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS EXPENDITURES

(Rs million)

Fiscal Year/ Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 RE	2008-09 (B.E)
Current Expenditure	*645,700*	*700,200*	*791,700*	*775,000*	*864,500*	*1,034,700*	*1,375,345*	*1,853,147*	*1,875,832*
Federal	479,000	524,600	599,800	557,000	664,200	789,100	973,130	1,416,015	1,358,832
Provincial	166,700	175,600	191,900	218,000	200,300	245,600	402,215	437,132	517,000
Defence	131,200	149,254	159,700	184,904	211,717	241,063	249,858	277,300	296,077
Interest	249,252	273,894	235,304	226,256	219,744	260,021	387,119	522,698	557,596
Federal	234,500	245,300	209,700	202,500	210,196	237,119	369,000	489,681	523,172
Provincial	14,752	28,594	25,604	23,756	9,548	22,902	18,119	33,017	34,424
Current Subsidies	29,028	29,221	57,114	67,920	66,673	101,238	76,039	423,685	299,995
Federal	19,900	25,488	50,000	62,500	57,800	86,300	74,010	407,485	295,204
Provincial	9,128	3,733	7,114	5,420	8,873	14,938	2,029	16,200	4,791
Gen. Administration*	100,981	91,024	100,210	120,023	130,531	163,263	225,120	368,159	368,159
Federal	70,700	56,300	60,900	75,500	81,400	103,100	146,017	175,700	175,700
Provincial	30,281	34,724	39,310	44,523	49,131	60,163	79,103	192,459	192,459
All Others**	135,239	156,807	239,372	175,897	235,835	269,115	437,209	261,305	354,005
Development Expenditure	*89,800*	*126,250*	*129,200*	*161,000*	*227,718*	*365,100*	*433,658*	*451,896*	*516,629*
Net Lending to PSEs	-17,600	*-200*	*-22,700*	*20,000*	*24,763*	*2,100*	*-9,035*	*-28,494*	*-970*
Total Expenditure	*717,900*	*826,250*	*898,200*	*956,000*	*1,116,981*	*1,401,900*	*1,799,968*	*2,276,549*	*2,391,491*
Memorandum Items:	(Percent Growth over Preceeding period)								
Current Expenditure	3.1	8.4	13.1	-2.1	11.5	19.7	32.9	34.7	1.2
Defense	-12.8	13.8	7.0	15.8	14.5	13.9	3.6	11.0	6.8
Interest	-5.0	9.9	-14.1	-3.8	-2.9	18.3	48.9	35.0	6.7
Current Subsidies	24.9	0.7	95.5	18.9	-1.8	51.8	-24.9	457.2	-29.2
General Administration	9.6	-9.9	10.1	19.8	8.8	25.1	37.9	63.5	0.0
All Others	37.4	15.9	52.7	-26.5	34.1	14.1	62.5	-40.2	35.5
Development Expenditure	-6.1	40.6	2.3	24.6	41.4	60.3	18.8	4.2	14.3
Total Expenditure	1.2	15.1	8.7	6.4	16.8	25.5	28.4	26.5	5.0
	As % of Total Expenditure								
Current Expenditure	89.9	84.7	88.1	81.1	77.4	73.8	76.4	81.4	78.4
Defense	18.3	18.1	17.8	19.3	19.0	17.2	13.9	12.2	12.4
Interest	34.7	33.1	26.2	23.7	19.7	18.5	21.5	23.0	23.3
Current Subsidies	4.0	3.5	6.4	7.1	6.0	7.2	4.2	18.6	12.5
General Administration	14.1	11.0	11.2	12.6	11.7	11.6	12.5	16.2	15.4
All Others	18.8	19.0	26.7	18.4	21.1	19.2	24.3	11.5	14.8
Development Expenditure@	10.1	15.3	11.9	18.9	22.6	26.2	23.6	18.6	21.6
Total Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Budget Wing, Finance Division

* Also include law & order, social, Economic and Community Services.

** Include mainly Provincial Expenditures.

@ Include net lending

Note: Variation in figures of interest payments of table 4.4 and 4.5 is on account of different methodology and sources of data collection used by Budget Resource Section and Debt Management Section of Finance Division.

B.E Budget Estimate

R.E. Revised Estimates.

TABLE 4.5

DEBT SERVICING

(Rs million)

Fiscal Year/ Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 QE	%Change 2008-09/ 2007-08
A. Interest Payments	254,234	278,671	241,678	236,849	250,611	276,565	358,780	527,849	650,280	23.2
A.: Federal	239,482	250,077	216,074	202,940	216,042	244,648	335,880	502,470	624,000	24.2
Interest on Domestic Debt	188,482	189,477	166,874	161,540	176,342	202,548	287,463	443,117	551,000	24.3
Interest on Foreign Debt	51,000	60,600	49,200	41,400	39,700	42,100	48,417	59,353	73,000	23.0
Foreign Loans	40,355	68,134	45,571	111,258	35,030	63,603	50,651	53,251	54,379	2.1
IMF Drawings	2,909	2,483	0.0	1,295	423	0	0	0	0	-
Food Credit/ Short Term Borrowings	4,187	2,483	1,840	288	445	814	1,213	385	0	-100.0
Euro Bonds	4,690	4,812	3,609	2,242	4,720	5,774	7,762	9,365	11,823	26.2
$ Denomination Bonds	-		429	265	198	264	265	265	265	0.0
A.: Provincial	14,752	28,594	25,604	33,909	34,569	31,917	22,900	25,379	26,280	3.6
B. Repayments/Amortization of Foreign Debt.	96,160	164,905	64,234	69,765	55,724	85,411	67,304	88,383	96,574	9.3
Foreign Loans	74,623	68,134	46,207	45,978	54,258	63,603	54,040	61,686	96,185	55.9
Food Credits	21,537	96,771	18,027	23,787	1,466	21,809	13,264	26,697	389	-98.5
C. Total Debt Servicing (A+B)	350,394	443,576	305,912	306,614	306,335	361,976	426,084	616,232	746,854	21.2
MEMORANDUM ITEMS	(As Percent of GDP)									
Interest on Domestic Debt (Federal)	4.5	4.3	3.4	2.9	2.7	2.7	3.3	4.3	4.2	
Interest on Foreign Debt	1.2	1.4	1.0	0.7	0.6	0.6	0.6	0.6	0.6	
Repayment of Foreign Debt	2.3	3.7	1.3	1.2	0.9	1.1	0.8	0.9	0.7	
Total Debt Servicing	8.3	10.0	6.3	5.4	4.7	4.7	4.9	6.0	5.7	

\- nil

Source: D.M. Section, Finance Division,Islamabad

Q.E Quick Estimate

Note: Variation in figures of interest payments of table 4.4 and 4.5 is on account of different methodology and sources of data collection used by Budget Resource Section and Debt Management Section of Finance Division.

TABLE 4.6

INTERNAL DEBT OUTSTANDING (AT END OF PERIOD)

(Rs million)

Fiscal Year/ Type of Debt	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 Q.E.	% Change 2008-09/ 2007-08
Permanent Debt	349,212	424,767	468,768	570,009	526,179	514,879	562,540	616,766	682,554	10.7
Floating Debt	737,776	557,807	516,268	542,943	778,163	940,233	1,107,655	1,589,587	2,033,489	27.9
Un-funded Debt	712,010	792,137	909,500	914,597	873,248	881,706	940,007	1,020,378	1,213,032	18.9
Total	1,798,998	1,774,711	1,894,536	2,027,549	2,177,590	2,336,818	2,610,202	3,226,731	3,929,075	21.8
	(Percent Share in Total Debt)									
Memorandum Items:										
Permanent Debt	19.4	23.9	24.7	28.1	24.2	22.0	21.6	19.1	17.4	
Floating Debt	41.0	31.4	27.3	26.8	35.7	40.2	42.4	49.3	51.8	
Un-funded Debt	39.6	44.6	48.0	45.1	40.1	37.7	36.0	31.6	30.9	
Total Debt as % of GDP (mp)	42.7	39.9	38.9	35.9	33.5	30.7	30.1	31.4	30.0	

Q.E Quick Estimate

Source: D.M. Section, Finance Division,Islamabad

Chapter No. 5

Money and Credit

Functioning of the financial markets, monetary stability and economic growth are closely related, due to the fact that monetary policy transmission signals work through the channels of financial markets and bank-based intermediation. Therefore an efficient financial system is a pre-requisite for stronger economic growth. For a successful financial system, financial intermediaries play a significant role, since they are critical for the successful allocation of capital among lenders and borrowers. In carrying out their functions, financial intermediaries reduce the exposure to potential risks by sharing the risks among various investors and consequently enhance the risk diversification. Furthermore, these intermediaries resolve an information asymmetry problem as it affects the sense of balance that any market needs to remain in a stable situation and reduce the transaction cost substantially. Thus it is evident that a strong financial system plays a vital role in improving the performance of the economy.

The global economy, after witnessing a benign macroeconomic environment for an extended period, has experienced a significant financial meltdown since August 2007 that started with emergence of the sub-prime mortgage loan portfolio, and badly shook the confidence in the financial markets around the world. The magnitude and the impact of the global crisis vary across regions and countries, depending on their domestic macroeconomic situation and extent of global integration. Advanced countries are facing severe liquidity crisis while some large Asian countries have been able to recover on the back of their strong reserve positions.

Notwithstanding precarious operating environment in the financial sector caused by confluence of factors emanating from both the domestic and international economic and financial developments, Pakistan's banking sector has shown remarkable resilience to global worsening. There has been a significant enhancement of capital and risk-weighted capital adequacy, supported by high provisioning requirements, which were tightened in 2007. Similarly, aggregate financial indicators presented a healthy picture and continued to exhibit strong performance. Capital adequacy of the banking system is strong at 12.1 percent at end-June 2008.

5.1 Monetary Policy Stance

The easy monetary policy stance during the years 2001-03 adopted to instigate a dormant economy in the absence of fiscal stimulus was successful in inducing a massive increase in aggregate demand, leading to increased capacity utilization in the economy, especially in the manufacturing sector, and driving real GDP growth to over 8 percent for the first time since 1984-85. A gradual shift in the monetary policy stance as rising inflation became a source of concern. Although the SBP raised interest rates steadily through the first 9 months of 2004-05, monetary policy largely remained accommodative. The rebirth of inflationary pressure, due to a surge in food prices and hike in oil prices signaled a tightening of the monetary policy.

The same tight monetary policy stance continued despite declines in both core and overall inflation in 2005-06. Notwithstanding the tight monetary policy stance, the SBP continued to strike a balance between promoting growth and containing inflation on the one hand and maintaining a stable exchange rate environment on the other. The tight monetary policy stance continued till April 2009. The increase in interest rates was in conformity with the international rising trends and these measures were also taken to curtail the lending ability of the commercial banks to the private sector. It aimed to curb strong domestic demand that was one of the main driving forces for fueling inflation. Demand pressures persisted during the last five years as reflected by high growth in credit to private sector, rising imports resulting in the widening of the current account deficit and an expansionary fiscal policy. Demand pressures as reflected by widening of fiscal and current account deficits and double-digit food inflation peaked in 2007-08.

During 2007-08, the SBP continued with tight monetary policy stance, thrice raising the discount rate and increased the Cash Reserve requirement (CRR) and Statutory Liquidity Requirement (SLR). In the light of continued inflationary buildup and increasing pressures in the foreign exchange market, the SBP announced a package of monetary measures on May 21, 2008 that included;(i) an increase of 150 bps in discount rate to 12 percent; (ii) an increase of 100 bps in CRR and SLR to 9 percent and 19 percent, respectively for banking institutions (iii) introduction of a margin requirement for the opening of letter of credit for imports (excluding food and oil) of 35 percent, and (iv) establishment of a floor of 5 percent on the rate of return on profit and loss sharing and saving accounts.

The year 2008-09 is characterized by a reduction in CRR by 2 percent in two equal phases to help alleviate the liquidity issues of the banking system. Later on, the SBP announced a 200 bps hike in discount rate to 15 per cent on November 12, 2008 in response to persistent hike in core inflation and current account deficit in a last ditch effort to demand compression. Following a slight reversal in the mounting inflationary and demand pressures, the SBP announced a downward adjustment of policy rate by 100 bps on April 20, 2009. SBP's tight monetary policy and rationalization of fiscal subsidies and expenditure controls are the key factors that contributed a reasonable progress towards macroeconomic stability. The private consumption grew by 5.2 percent in real term during 2008-09 which implies that notwithstanding substantial reduction in the fiscal and current account deficits, demand pressures are still confronting monetary management.

Improved fiscal discipline and falling international oil and commodity prices have started to ease the domestic inflationary pressures to some extent but supply shocks are working in opposite direction. CPI is moderating to some extent after rising to a record high of 25.3 percent in August 2008 to 17.2 percent in April 2009; however, in the global and regional comparison it is still significantly high. During July-March 2008-09 the fiscal deficit hovered around 3.1 percent of the GDP for 2008-09 which implies upon lower financing requirement by the government. The government has reduced its expenditures mainly by reducing the expenditures on subsidizing oil prices by gradually increasing domestic petroleum prices and massive cut in development expenditure. Government borrowing from the central bank has been dampened since November 2008 in line with the zero net borrowing from the SBP at end of each quarter restraint under macroeconomic stabilization program.

5.2 Monetary and Credit Development

Macroeconomic stabilization program has started yielding dividend as demand pressures are easing during the last few months. It is evident from a number of developments in monetary aggregates as credit to private sector drastically compressed and SBP budgetary financing are on lower trajectory.

The YoY growth in broad money (M2) declined sharply to 4.59 percent as on 9th May 2008-09 against 8.96 percent in the corresponding period last year. The money supply was limited to Rs 215.0 billion as the NFA of the banking system recorded a decline of over Rs 227.1 billion during the first ten months of the current fiscal year to May 9th .The slowdown in M2 growth is consistent with projections of fiscal and external current account deficits, expected to be around 8 percent. Net Domestic Credit (NDC) was limited to just Rs 442.1 billion as compared to Rs 655.4 billion in

2007-08. During 2008-09 the slow expansion in private sector credit has led to the slower growth in NDA of the banking system. This is shared both by NDA of SBP and the scheduled banks [See Table 5.1].

On the other hand the NFA of banking sector gradually improved since the first week of December, 2008 due to improved external inflows and reduction in external outflows.

Table-5.1: Profile of Monetary Indicators

	Jul-10May 2007-08	Jul-9May 2008-09
1.Net government sector Borrowing (a+b+c)	**421.4**	**458**
a .Borrowing for budgetary support	360.4	340
b.Commodity operations	60.9	119.8
c.Others	0.1	-1.7
2.Credit to Non-government Sector (d+e+f+g)	**414.4**	**160**
d.Credit to Private Sector	369.8	21.8
e.Credit to Public Sector Enterprises (PSEs)	44.300	138.4
f. PSEs Special Account-Debt repayment with SBP	-0.03	-0.086
g.Other Financial Institutions(SBP credit to NBFIs)	0.24	-0.137
3.Other Items(net)	**-180.4**	**-175.9**
4.Net Domestic assets (NDA)	**655.4**	**442.1**
Growth	***21.28%***	***10.99%***
5.Net Foreign Assets (NFA)	**-290.90**	**-227.10**
6.Monetary Assets(M2)	**364.4**	**215.0**
Growth	***8.96%***	***4.59%***

Source:SBP

Table-5.2 Monetary Indicators (Growth Rates) **(Percent)**

Indicators	FY 05	FY 06	FY 07	2007-08	Jul-10May* 2007-08	Jul-9May* 2008-09
Net Bank Credit to Government Sector	13.9	11.63	11.14	63	45.5	30.3
Bank Credit to Private Sector	34.36	23.47	17.3	16.5	14.9	0.75
Net Domestic Assets(NDA)	22.15	16.05	14.23	30.6	21.3	11
Net Foreign Assets (NFA)	9.22	11.52	38.65	-32.2	-29.5	-34
Money Supply(M2)	19.12	15.07	19.32	15.3	8.96	4.59

Pertains to 9May for 2008-09 and 10 May for 2007-08** ***Source: SBP

5.3 Analysis of Monetary Aggregates

5.3.i Bank credit to government

The net bank credit to the government for financing commodity operations and budgetary support amounted to Rs 458 billion during July-May 2008-09 against Rs 421 billion during the same period last year. Government's budgetary borrowing from the banking system decreased by Rs.339.9 billion during July-May 2008-09 against an increase of Rs 360.4 billion in the corresponding period of 2007-08 [See Table 5.2].

The government's reliance on budgetary borrowings from SBP has declined since the committed implementation of the macroeconomic stabilization program in November 2008. The government has financed its additional borrowing needs from the scheduled banks and non-bank sources. Instead the government has retired some of its stock of obligations to the SBP. Hence, a significant portion of government's budgetary requirements is now financed by scheduled banks. Despite the fact that the government has retired a portion of MRTBs held by SBP, the decline in budgetary borrowing from SBP mainly reflects a rise in deposits at SBP. The rise in government deposits at SBP is mainly due to the receipts of US$500 million from World Bank, and transfer of Rs 63.0 billion SBP profits to the government.

Fig-5.1:Government Budgetary Borrowings

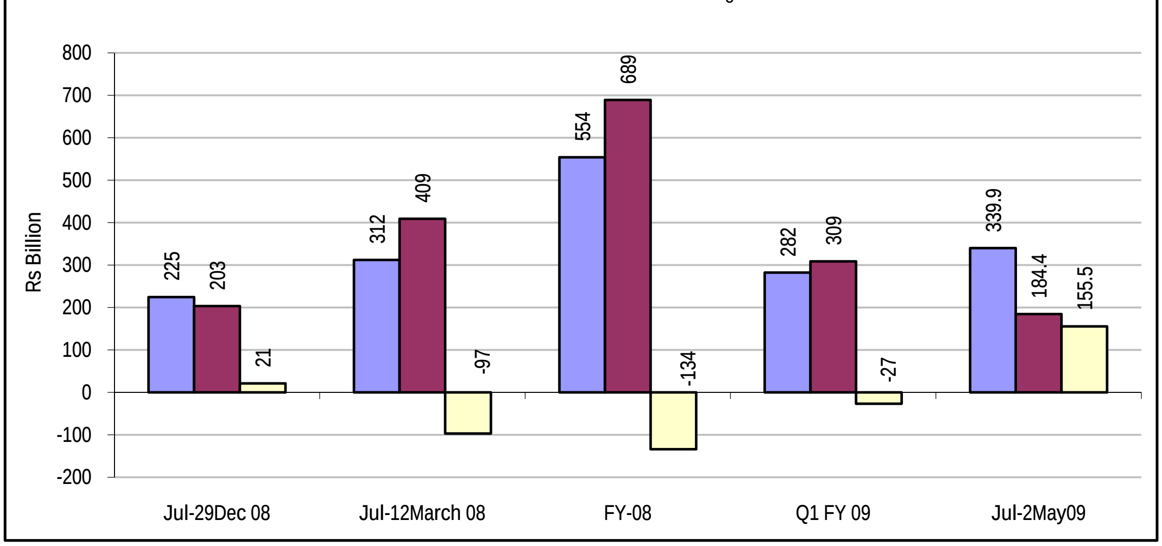
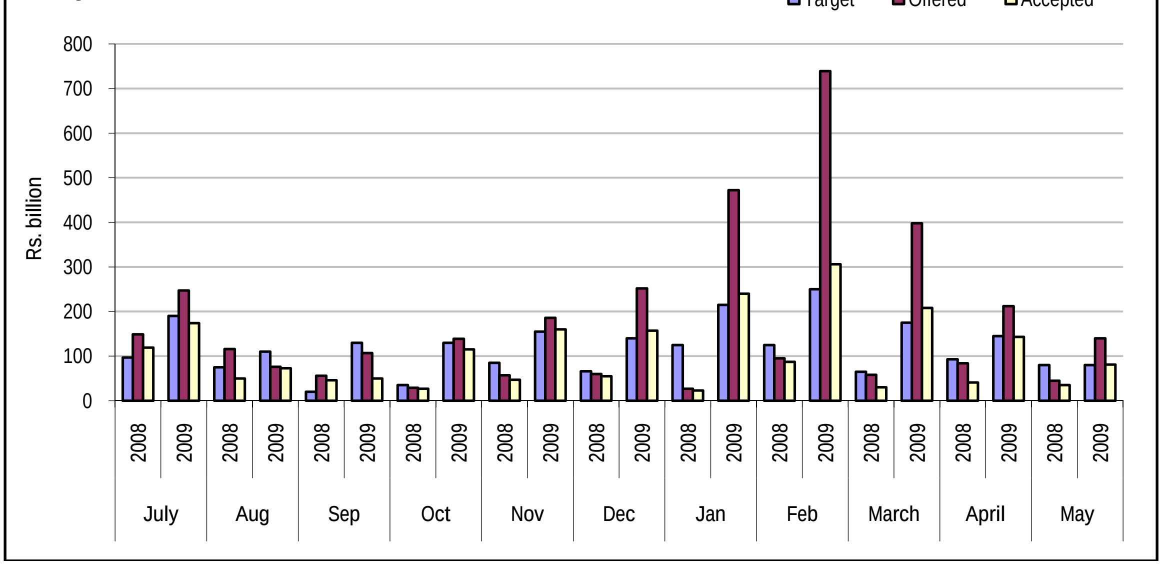


Fig-5.2: T-Bills Auction Results



The scheduled banks showed great interest to extend budgetary financing to the government as a result of decline in demand for bank credit from private sector following a slowdown in real economic activity aggravated by power shortages, rise in non-performing loans that has increased the risk averseness of the banks, and banks expectation that interest rates have peaked out obvious by huge offerings in 12-months T-bills.

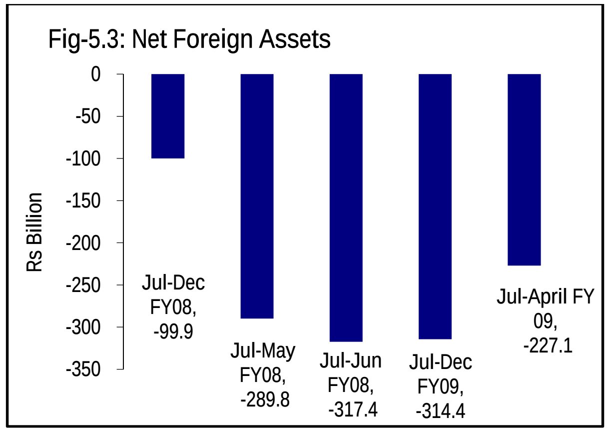
The credit of Rs.138.4 billion to the public sector enterprise (PSEs), and government borrowings worth Rs.119.8 billion for commodity operations has significantly contributed Rs.258.2 billion in NDA during Jul-May 2008-09 compared to an expansion of Rs.105.2 billion in the same period last year. Credit to PSEs increased by Rs.138.4 billion during July-May 2008-09 against an increase of Rs.44.3 billion in same period last year. Most of the credit to PSE s was extended to finance the gaps due to the circular debt issue. The issue has been solved by the government partially by negotiating with banks to convert these loans into Term Finance Certificates (TFCs) guaranteed by the government. Consequently credit to PSEs increased by Rs 78.7 billion during the first week of April, 2009 as Rs 80.2 billion worth of TFCs was issued to scheduled banks. As a result, credit to private sector decreased during that week The resolution of the circular debt would encourage the banks to extend fresh lending which was constrained due to the exhaustion of exposure limits of PSEs/Independent Power Producers (IPPS) and their own advances to deposits ratio (ADR) limits.

5.3.ii Net Foreign Assets

NFA has improved by Rs 130 billions as on 9th May, 2009 after contracting by Rs 357 billion on 6 December, 2008. This improvement mainly came by end-March 2009 as the government received $ 500 million each from the World Bank financing for poverty reduction and the Bank of China deposits with the SBP. Notwithstanding these inflows net foreign assets of the banking system decelerated by Rs 227.1 billion during Jul-May 2008-09, which is still a major source of drain on domestic liquidity. The improvements in external account and hence in NFA are mainly owed to a rise in worker's remittances; increase in external inflows from multilateral and bilateral sources and substantial retirement of foreign currency loans to commercial banks.

Due to the pressure on NFA of the banking sector, the country's external account position had worsened in 2007-08. The contraction in NFA of the SBP was much higher than the NFA of scheduled banks during Jul-Nov 2008-09 as compared to the corresponding period of last year. The NFA of scheduled banks came under pressure during the initial months of 2008-09 due to a rise in foreign currency loans which were encouraged both by: a) expectations of relatively stable Pak rupee exchange rate and b) higher interest rate differential between the rupee-based borrowings and foreign currency borrowings.

In spite of that, the contraction in NFA of SBP is in line with the SBA performance criteria for end June, 2009. Although improving, the deceleration in NFA is quite evident from the slower growth in broad money (M2). The expansion is lower than the expected nominal GDP growth, which predicts well for inflation expectations in the medium term; however, it is a source of stress in the short term [See Fig-5.3].



According to the latest weekly trends in SBP's NFA, the pressures on country's external account have already started to show some signs of ease mainly due to the recent decline in oil and other commodity prices in the international markets following various measures taken by the SBP (including monetary tightening) and inception of stabilization program with IMF support.

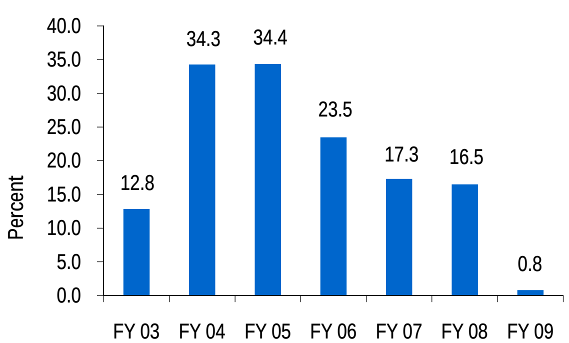
5.3.iii Net Domestic Assets

NDA of the banking system decelerated sharply during Jul-May 2008-09 to 11.0 percent as compared to 21.3 percent during the same period last year. The sharp deceleration in NDA growth of the banking system was mainly contributed by massive decrease in the credit to private sector and credit to other non-government sector during Jul-May 2008-09. Consequently, the growth in NDA of both SBP and of the scheduled banks has shown a significant slowdown. Banks have gradually shied away from extending credit to the private sector due to a slow growth in deposits and rising non performing loans. The demand for credit from the private sector decelerated owing to slowdown in economic activity exacerbated by power outrages, and aggressive monetary tightening by the SBP over the last 12 months. Hence, credit to private sector declined to Rs. 21.8 billion during July–May 2008-09 compared to Rs 369.8 billion in the corresponding period of the last year. However, the impact of decline in credit to private sector was partially offset by the increase in banks investment in risk-free government securities and loans to the public sector enterprises.

5.3.iv Credit to Private Sector (net)

Credit to private sector grew by Rs.21.8 billion during July-May 2008-09 as compared to Rs.369.8 billion during the corresponding period last year which implies sharpest deceleration in during almost one decade. The stock of private sector credit grew by 0.8 percent as compared to 16.5 percent in the comparable period of last year. Credit to private sector as percentage of GDP has declined to 22.2 percent in 2008-09 as compared to 28.1 percent during the same period last year. The one-off credit demand emanated from TFC issue by PEPCO to resolve inter-corporate circular debt between IPPs and OMC s inflated the credit growth in the fiscal year. Still the impact of this one-off demand for credit during 2008-09 was not significant as compared to 2007-08 [See Fig-5.4 & 5.5].

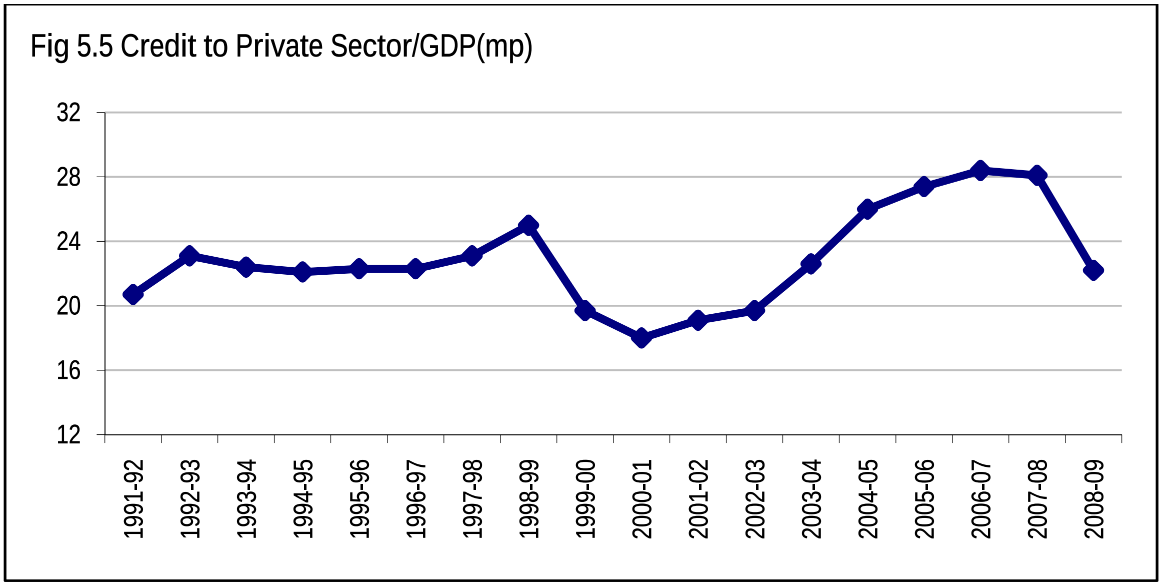
Fig 5.4 Growth of Private Sector



This sharp decline in private sector credit was mainly due to the exceptionally low demand for working capital that has witnessed the lowest growth in the recent past. The slow down in working capital requirements reflected the liquidity strains in the banking industry which limited the lending ability of a few banks. Similarly, a sharp decline in raw material prices has also lowered the working capital requirements. The distribution of credit to the private sector is heavily tilted towards capital intensive sector and the flow of credit to priority sector like agriculture is still low. According to the distribution of credit to the private sector, the manufacturing sector although declined to Rs 89.4 billion, still continued to be the largest recipient of bank credit during Jul-March 2008-09. The overall manufacturing sector accounted for almost 85 percent of the credit to private sector business. Although the SBP measures eased-off tight liquidity conditions to some extent in the inter-bank market since November 2008 onwards, still the effect on banks lending to private sector is weakened due to number of factors such as rising concerns regarding deteriorating credit quality, delays in cash recovery of loan proceeds and rising risks in stock market and real estate.

The structure of loan portfolio of the banks has changed significantly as by end December 2008, 78 percent of the total bank advances were lent at the rate of 12 percent and above as compared to the 70 percent of bank advances were extended at rates between 9 and 12 percent during the same period of last year. The banks have followed more strict credit criteria due to rising NPLs. Banks are focusing to finance those projects which are able to generate cash flows.

The government's urge to raise funds from the banking system provides an avenue for banks to park these funds in government securities. Due to the exceptionally strong credit demand and higher interest rate expectations, commercial banks were reluctant to lend to government till September 2008 and since October 2008 onwards, banks participation in T- bills auctions increased significantly. Consequently stock of Market Related Treasury Bills (MRTBs) with SBP declined to Rs. 1,157.6 billion by end-April 2009 from Rs.1393.4 billion in November 29, 2008 [See Fig-5.2].



One reason of higher acceptance was the change in the auction process for government papers. Now Ministry of Finance has replaced the SBP in the core decision making regarding the cut-off rates in the primary auction based on target volumes. Under the new arrangements, the cut-off rate will be the one at which the government realizes the auction target volume rather than the one set by the borrower.

Table-5.3 Private sector credit (Flows) ***(Rs.billion)***

Sectors	Jul-Mar	
	2007-08	**2008-09**
Overall Credit (I to V)	368.0	57.1
I. Loans to Private Sector business	304.7	105
A. Agriculture	12.1	8.5
B. Mining And Quarrying	4.7	-1.4
C. Manufacturing	193.1	89.4
Textiles	94.2	2.4
D. Electricity, gas and water	37.3	22.7
E. Construction	15.0	-6.8
F. Commerce and Trade	28.5	-7.5
G. Transport, storage and communications	4.0	2.9
H. Services	10.0	-0.8
I. Other Private Business	-1.2	14.1
II. Trust funds and NPOs	0.5	-2.1
III. Personal	21.2	-47.1
IV. Others	-0.6	-6.3
V. Investment in Securities and Shares	42.2	7.7

Source: SBP

5.4 Sectoral Analysis

The credit to private sector has lost its pace significantly since January 2009. The sharp decline in the private sector credit is attributed mainly to reduced demand and reluctance of scheduled banks to extend credit. The external demand compression mainly emanates from global recession; tight monetary policy and slowdown in economic activity. The ability of scheduled banks to lend is constricted by low deposit generation and heightened risk due to rising NPL's, particularly in textiles and consumer finance sectors.

It emerges from the sectoral analysis that although the slump in business sector advances is broad based, and various sectors including manufacturing, construction, commerce and trade sectors fell victim but impact on some sectors like textiles, construction, commerce and trade, is more pronounced. On the other hand there are sectors such as electricity, gas and water in which credit utilization has been significant mainly owing to issuance of the TFC to resolve inter-corporate circular debt.

5.4.i Agricultural Sector

The gross disbursement to agriculture sector grew by 9.6 percent and stood at Rs .151.9 billion in July-March 2008-09 as compared with 24.8 percent growth in the same period last year [Table

5.4]. Commercial banks gross disbursement to this sector inched up to Rs.102.9 billion. Private domestic banks played a significant role vis-à-vis traditional lender ZTBL, regarding the disbursement of agricultural credit during the last few years. The share of private domestic banks in total disbursement decreased from 21.6 percent (Rs.30 billion) during July-March 2007-08 to 18.8 percent (Rs.28.5 billion) during July-March 2008-09.

Table-5.4: Disbursement of Agriculture Loans

Name Of Banks	July-March	
	FY 08	FY 09
I. Total Commercial Banks (A+B)	95.1	102.9
A. Major Commercial Banks	65.1	74.4
B Private Domestic Banks	30	28.5
II.Total Specialized Banks(1+2)	43.5	48.9
1.Zarai Taraqiati Bank Limited	39.6	45.4
2.P.P.C.B	3.9	3.5
Grand Total (I+II)	138.6	151.9

Source:SBP

On the other hand the share of ZTBL increased to 30% (Rs.45.4billion) during July-Mar 2008-09 from 28.6 percent (Rs.39.6 billion) in the same period last year. The role of major commercial banks (ABL, HBL, MCB, NBP UBL) has increased regarding the disbursement of agricultural credit during 2008-09 as their share in total disbursements increased to 49 percent (Rs.74.4 billion) during July-Mar 2008-09 as against 47 percent (Rs.65.1 billion in) in the comparable period last year.

5.4.ii Power Sector

The demand for advances in the power sector declined during July-March 2008-09 but still account for significant fraction. Fall in demand from the power sector was mainly due to retirement of bank loans by few IPPs to avoid the rising financial expenses. The slowdown in demand from power sector was further compounded by the fact that a few IPPs had already exhausted their credit limit till September 2008.

5.4.iii Manufacturing

Credit to the manufacturing sector decreased to Rs.89.4 billion during July-March 2008-09 compared to Rs.193 billion in the same period last year. The main contribution to the decline in advances came from the textile sector where massive contraction from whopping Rs.94.2 billion to just Rs.2.4 billion has taken place.

5.4.iv Construction

The advances to construction sector stood at Rs. 6.8 billion during July-Mar 2008-09 as against Rs.15 billion in the corresponding period of last year. The credit crunch in the construction sector was mainly due to the slowdown in construction of domestic dwellings and slump in real estate prices. It was further compounded by the impact of fall in steel bar prices [See Fig-5.5].

Table5.5 Consumer Financing (*Rs.billion)*

Consumer Financing	Change During Jul-Mar	
	FY 08	FY 09
1.House Building	10.2	-3.3
2.Transport i.e. purchase of cars etc	3.4	-19.6
3.Credit cards	1.8	-6.8
4.Consumer Durables	0.7	-0.2
5.Personal Loans	0.4	-25.3
6.Others	0.1	0.3
Total	**16.6**	**-54.9**

5.5 Consumer Loans

Almost all categories of the consumer financing declined substantially. Advances to consumer loans contracted by Rs.54.9 billion during July-March 2008-09 as against expansion of Rs.16.6 billion in the comparable period [Table 5.5].

5.6 Monetary Assets

The components of monetary assets (M2) include: Currency in Circulation, Demand Deposit, Time

Deposit, Other Deposits (Excluding IMF A/C, counterpart) and Resident's Foreign Currency.

Table-5.6 Monetary Aggregates *(Rs million)*

Items	End June		*July-May	July-May
	2007	2008	2007-08	2008-09
A. Currency in Circulation	840181	982,325	1026284	1182266
Deposit of which:				
B. Other Deposits with SBP	7012	4261	4341	4870
C.Total Demand &Time Deposits incl.RFCDs	3217962	3,702,557	3,398,967	3,717,021
of which RFCDs	207312	263,430	243252	279662
Monetary Assets Stock (M2) A+B+C	4065155	4,689,143	4429592	4,904,156
Memorandum Items				
Currency/Money Ratio	20.7	20.94892393	23.2	24.1
Other Deposits/Money ratio	0.2	0.090869483	0.1	0.1
Total Deposits/Money ratio	79.2	78.96020659	76.7	75.8
RFCD/Money ratio	5.1	5.617870899	5.5	5.7
Income Velocity of Money	2.3	2.4		

*** Pertains to 9th May for F09 and 10th May for 2007-08** *Source:SBP*

5.6.i Currency in Circulation

During July-May 2008-09, currency in circulation increased to Rs.199.9 billion as compared to Rs.186.1 billion during the same period last year. The currency in circulation consists of 24.1 percent of the money supply (M2) against 23.2 percent during the corresponding period last year [See Table 5.6].

5.6.ii Deposits

During July-May 2008-09 demand and time deposits has declined by Rs 14.4 billion as compared to Rs 181.0 billion during the same period last year. Similarly, Resident Foreign Currency Deposits (RFCDs) has increased by Rs.16 billion as compared to Rs 35.9 billion during the same period last year.

As an important indicator of financial development M2/GDP has shown a rising trend since 1999-00 and rose from 36.9 percent to 44.7 percent in 2007-08. However, during Jul-May 2008-09 it has declined to 37 percent as compared to 43 percent during the corresponding period last year. On the other hand another significant ratio DD+TD/M2 ratio which represents monetary depth has depicted a declining trend since 1999-00 by decreasing from 74.6 percent to 73.3 percent in 2007-08. In continuation of this tendency, the ratio decreased to 70.1 percent during July-May 2008-09 as against 71.2 percent in the preceding period.

Table-5.7: Key Indicators of Pakistan's Financial Development

Years	M2/GDP	DD+TD/M2
1999-00	36.9	74.6
2000-01	36.7	75.4
2001-02	40.0	75.4
2002-03	43.1	76.2
2003-04	44.9	76.8
2004-05	45.1	77.6
2005-06	45.0	72.5
2006-07	46.6	74.1
2007-08	44.7	73.3
July-May		
2007-08	43	71.2
2008-09	37.0	70.1

5.7 Monetary Management

A deteriorating external account position and the tight monetary stance of the SBP left the money market dry in terms of liquidity during most part of the current fiscal year 2008-09. The tight monetary policy stance of the SBP faced a major challenge during initial months of 2008-09 particularly due to exceptionally high pressures on rupee liquidity in the inter-bank market. Combination of number of developments led to this liquidity crunch. These include; a contraction in money supply, rise in currency in circulation, rising private and public sector credit demands, seasonal deposit withdrawals during Ramadan and Eid festival, and huge pulling out of bank deposits following rumors about the banking system. Resultantly, interest rates in the inter-bank market rose sharply. However, SBP intervened in the domestic money market through several measures such as drastic reduction in reserve requirement, liquidity injections through Open Market Operations (OMOs), discounting window and others. In addition to these steps, the SBP provided on a timely basis over Rs. 350 billion liquidity support to the banking sector. However, to contain inflationary pressures as well as government's budgetary borrowings, the SBP as part of the stabilization program raised the discount rate to 15 percent in November 2008. Later, in its quarterly monetary policy announcement the policy rate was reduced to 14 percent in April 2009.

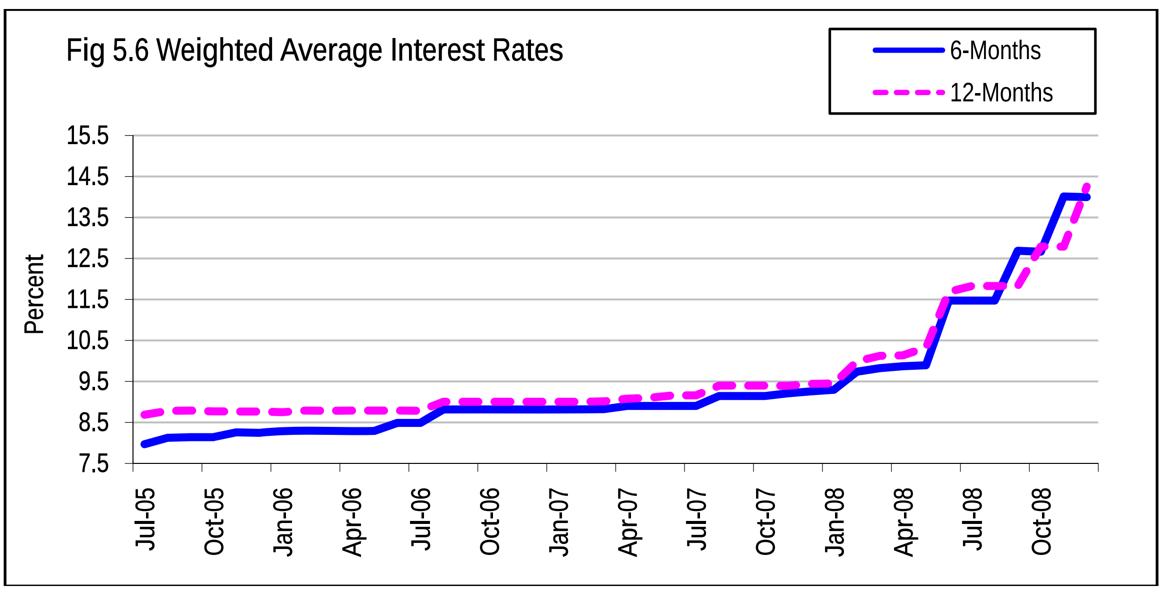
Complement to the tight monetary policy stance, the SBP continued recourse to Open Market operation (OMOs) more frequently to manage liquidity at the desired levels in the inter-bank market. The SBP moped up Rs 1101.5 billion during July-March 2008-09 against the injection of Rs 552.5 billion as compared to Rs 766.4 billion against the injection of Rs 118 billion in corresponding period of last year [Table-5.8].

The impact of tight monetary stance and liquidity management began to translate into a rise in other interest rates, with varied magnitude, at different stages of the economy. For instance, 6-months T-bills cutoff witnessed an increase of 169 basis points to 13.2 percent during Jul-May 2008-09. However, 6-months and 12-months KIBOR decreased by 26 bps and 39 bps to 13.68 percent and 13.83 percent respectively at end May 2008 in view a cut of 100 bps in the policy rate in April 2009 [See Fig-5.6].

Table-5.8: Summary of OMOs *(Rs. billions)*

	Injection		Absorption	
	2007-08	**2008-09**	**2007-08**	**2008-09**
Jul			141.8	298.2
Aug		78.2	228.3	41.2
Sep		176.4	71.3	9.5
Oct	40.9	187.3		36.0
Nov		39.4	124.7	223.7
Dec		11.2	69.0	100.6
Jan	27.5		52.3	178.9
Feb			70.9	142.1
Mar	49.6	60.0	8.1	71.3
Total	118.0	552.5	766.4	1101.5

Source: SBP



The SBP accepted Rs 1484.2 billion from the primary market of T-Bills during the first nine months of 2008-09 as compared to Rs 491.7 billion in 2007-08 [Table-6.9]. Market offered a total amount of Rs 2617.1 billion in first nine months of 2008-09 as compared to Rs 638.2 billion in the same period of last year.

Table-5.9: Market Treasury Bills Auctions									(Rs million)
	JUL-JUN			Jul-March					
	FY2007-08			Offered		Accepted		W.A.Rate*	
	Offered	Accepted	W.A Rate*	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09
3-Months	154833.3	136659.0	10	49625.3	1413218	45225.32	975798.4	9.1	12.6
6-Months	89008	75974	10.2	64125	272584	56395	176401	9.3	12.8
12-Months	613215	436486.8	10.4	524440	931292.7	390105	332008	9.6	13
Total	8570563	649119.8		638190.3	2617094.7	491725.32	1484207.4		

Average of maximum and minimum rates

Source: SBP

In the first nine months of 2008-09 heavy investment was in 3-months T-bills which constituted almost 66 percent of the total accepted amount [Fig-5.7]. The monetary tightening stance adopted by the central bank moved the market to short term outlook, more so post-May 2007-08. Banks, in anticipation of further raise in interest rates, displayed complete concentration of bids in 3-months T-bills. It was only after the announcement of a 200 bps raise in the discount rate in November 2008 that banks switched to a long view and offered huge bids in longer-tenor MTBs in order to lock-in higher rates on the back of expectations of a peak-out in the interest rate cycle.

The government has added force to the issuance of long-term papers and the Pakistan Investment Bonds (PIBs) market observed a revival since 2006. During 2006-07 and 2007-08, five and seven auctions were conducted respectively; raising Rs. 87.9 billion and Rs. 73.6 billion (including short selling and non-competitive bids) against the targets of Rs. 100 billion each correspondingly. These auctions proved helpful in accrediting the government's commitment to build up the domestic debt market. An important feature in 2006-07 was the lengthening of the yield curve to 30 years. Moreover, the PIB portfolio was expanded by introducing a 7-years maturity on top of an upward revision of coupon rates in 2008-09. The SBP mopped up Rs 23 billion from the primary market of PIBs during the first nine months of 2008-09 as compared to Rs 68.8 billion in the same period of 2007-08 [See Table-5.10 & Fig-5.8].

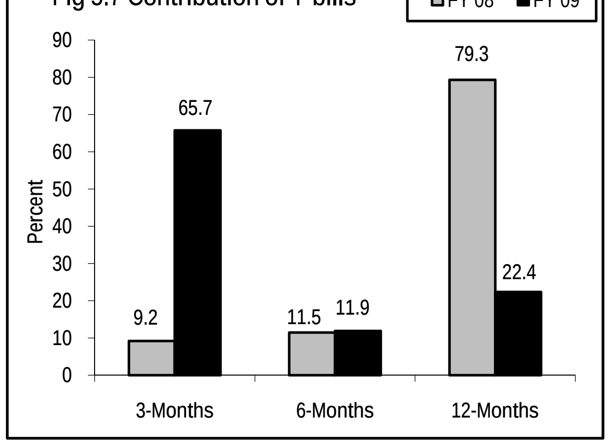


Fig 5.7 Contribution of T-bills

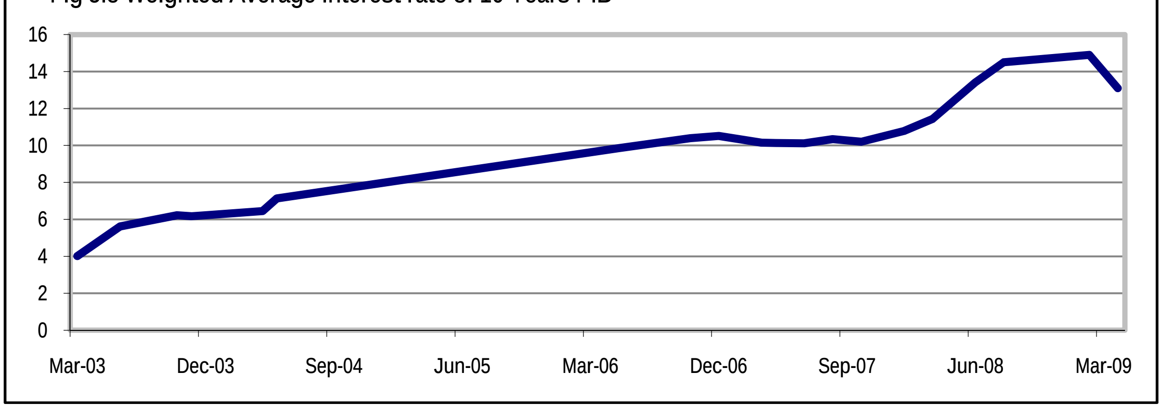


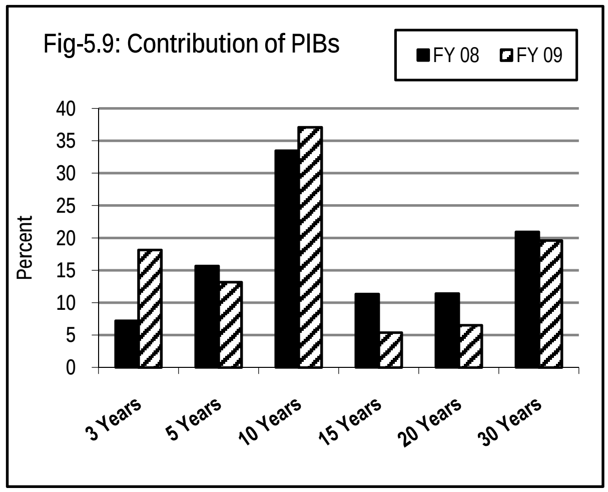
Fig 5.8 Weighted Average Interest rate of 10 Years PIB

Table-5.10 Pakistan Investment Bonds Auctions									(Rs million)
PIBs	Offered	Accepted	*W.A Rate	Offered		Accepted		*W.A Rate	
	Jul-Jun			Jul-Mar					
	FY 2007-08			FY 08	FY 09	FY 08	FY 09	FY 08	FY 09
3 Years	11260	5169	10.90	11,044	9523	4,953	4165	10.11	13.8
5 Years	21311	10777	10.30	21,177	4410	10,777	3023	10.30	14.3
10 Years	61593	23875	11.80	58,805	25254	23,038	8509	10.81	14.7
15 Years	16138	8613	12.30	14,876	2536	7,801	1236	11.49	15
20 Years	11750	9050	12.60	9,550	3500	7,850	1500	11.69	15.7
30 Years	19800	16100	12.80	17,600	7000	14,400	4500	11.91	15.4
Total	141852	73584		133,052	52223	68,819	22933		
*: Average of minimum and maximum rates									Source: SBP

Table-5.11 Lending & Deposit Rates(W.A)			
	LR	DR	Spread
Jun-07	10.3	4.0	6.3
Jul-07	10.4	4.0	6.4
Aug-07	10.5	4.1	6.4
Sep-07	10.5	4.1	6.3
Oct-07	11.0	4.1	6.8
Nov-07	10.7	4.1	6.6
Dec-07	11.0	4.1	6.8
Jan-08	10.8	4.2	6.6
Feb-08	10.8	4.2	6.6
Mar-08	10.9	4.2	6.7
Apr-08	10.9	4.2	6.7
May-08	11.3	4.2	7.1
Jun-08	12.7	5.2	7.5
Jul-08	13.0	5.5	7.5
Aug-08	13.2	5.6	7.6
Sep-08	14.4	5.8	8.6
Oct-08	15.5	6.2	9.3
Nov-08	14.7	6.5	8.2
Dec-08	14.3	6.7	7.6
Jan-09	15.3	6.9	8.4
Feb-09	14.8	7.0	7.8
			Source:SBP

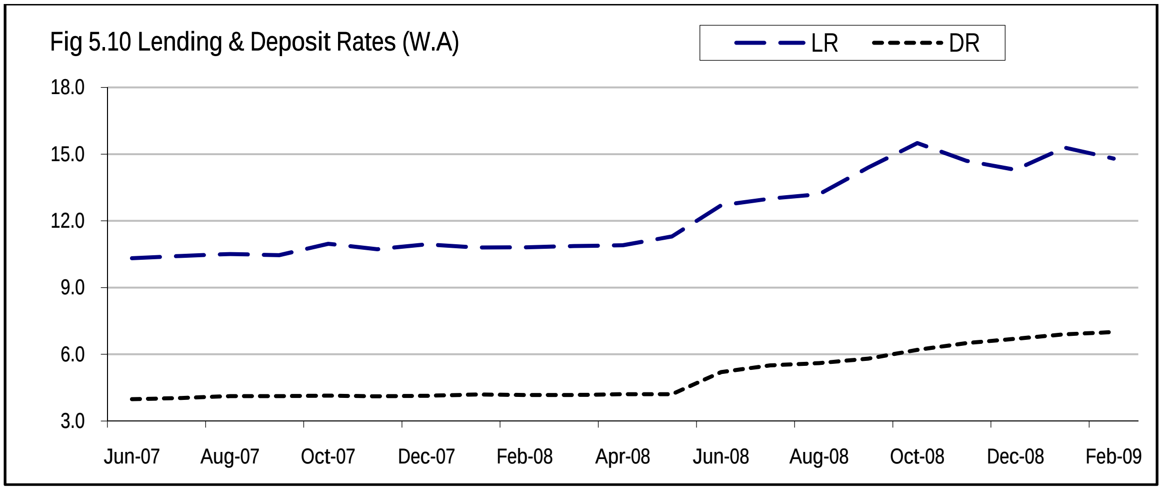
Market offered a total amount of Rs 52.2 billion in first nine months of 2008-09 as compared to Rs.133 billion in the same period of last year. In the first nine months of 2008-09 heavy investment was in 10-years PIBs which constituted almost 37 percent of the total accepted amount (Fig 5.9).

At the second stage of monetary transmission, changes in SBP policy rate translated into an increase in financial institutions' lending and deposit rates [Table-5.11 and Fig-5.10]. The spread between the lending and deposit rates has increased from 7.5 percent in June 2008 to 7.8 percent in February 2009. The weighted average lending rate has risen by 210 bps during the same period accompanied by 180 bps addition in the deposit rates.



5.8 Pakistan Financial Sector Performance

Pakistan's financial system has grown with leaps and bounds in the past few years but it still remains small relative to the size of the economy and in comparison with other developing countries in Asia and around the world. The small size of Pakistan's financial system implies that many financing needs cannot be met and much of the country's economic potential remains unexplored. Notwithstanding a wide range of important structural reforms of banking sectors and wide ranging policy initiatives of the SBP has facilitated the financial stability in Pakistan, still many remain to be defined and implemented. The financial assets have grown significantly in nominal terms in recent years, but they have not grown much in relation to the real economy as measured by the GDP, particularly in the last few years.



The banking sector of Pakistan has grown substantially amongst different segments of the financial sector. Over the last seven years the extraordinary performance of the banking sector has induced foreign direct investment (FDI) of $ 4.2 billion of which almost 90 percent has been received by the banking sector. Similarly, the privatization of the banking system made it more dynamic and competitive. Despite the significant growth in the banking sector, the recent global financial crisis and the current privately owned structure of the domestic banking system highlights the need for a financial safety net to deal with systemic risk. It includes depositor protection, liquidity and Lender of Last Resort facilities in the SBP, an exit framework to deal effectively with inevitable bank failures in ways that will strengthen rather that weaken the banking sector as a whole and improved coordination mechanism with the Government of Pakistan in case of systemic problems. The financial sector needs to become more diversified in order to meet the country's future financing needs, as it is too bank oriented. Growth of financial sector and real economic growth depends on each other. Hence, a faster growth of financial sector leads the economy towards sustainable growth.

Table-5.12: Asset Composition of the Financial Sector ***(Rs. Million)***

	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Investment Banks	27,001	37,936	35,568	51,041	54,527	41,458	58,017
Modaraba	17,456	15,973	18,026	21,572	23,927	25,186	29,703
Leasing	46,948	46,842	44,806	53,635	63,999	63,956	65,920
Discount Houses	1,527	1,987	1,341	1,504	1,834	1,417	0
Venture Capital Companies	272	854	1,005	3,200	4,131	4,061	3,760
Mutual Funds	29,094	57,180	103,080	136,245	177,234	313,661	339,718
Total Assets	122,298	160,772	203,826	267,197	325,652	449,739	497,118
	CY 02	CY 03	CY 04	CY 05	CY 06	CY 07	CY08*
DFIs	68,729	78,803	94,752	107,811	116,939	97,700	84660
Housing Finance	22,434	21,562	19,493	18,657	19,702	17,742	18996
Insurance	129,066	150,330	172,992	201,665	244,657	323,530	N.A.
Total Assets	220,229	250,695	287,237	328,133	381,298	438,972	103656

*** Provisional** ***Source: SBP***

5.8.i Commercial Banks

During Jul-Dec 2008-09, the banking system in Pakistan successfully weathered a liquidity stress that emerged in usual timeframe i.e. Eid-ul-Fitar deposit withdrawal and a number of global, domestic and industry specific factors further compounded it. Particularly, the failure of some global financial giants burdened the liquidity profile of banks that together with closure of capital market raised concerns about the strength of the Pakistani banks. However, the offsetting measures taken by the SBP enabled the system to avert this temporary stress from converting into a financial crisis [See Table 5.12].

In Jul-Dec 2008-09, total number of branches of banks stood at 9,115 as compared to 8536 in 2007-08 which implies an increase of 579 branches in the first six months of 2008-09. Assets of all banks showed a net expansion of Rs.139.7 billion in the first six months of 2008-09 and stood at Rs.5652.7 billion as compared to Rs.5171.4 billion in the same period last year. Hence, the asset base of the banking system increased by 2.6 percent over the quarter. While the total deposits of all banks registered an increase of Rs.28.7 billion in the first six months of 2008-09 and reached at the level of Rs.4216.9 billion as compared to Rs.3854.7 billion recorded in the same period of last year. Net investment of the banks followed a declining trend since the last quarter of CY07. Net investment decreased by Rs.41.1 billion in Jul-Dec 2008-09 mainly contributed by the private banks amounting to Rs.837.6 billion as compared to Rs.936.6 billion for the six months of last year [Table 5.13].

Table-5.13: Performance of Scheduled Banks

	30-Jun-08	Jul-Dec	
		2007-08	2008-09
1. No. of Branches	8,536	8,390	9,115
Public Sector Commercial Banks	1,714	1,697	1,722
Local Private Banks	6,217	6,092	6,770
Specialized Banks	534	534	534
Foreign Banks	71	67	89
2. Assets (Rs. Billion)	5,513.0	5,171.4	5,652.7
Public Sector Commercial Banks	1,048.3	1,035.9	1,064.0
Local Private Banks	4,134.7	3,835.7	4,229.2
Specialized Banks	131.2	127.1	127.6
Foreign Banks	198.9	172.7	231.7
3. Net Advances (Rs. Billion)	2,921.9	2,689.0	3,202.2
Public Sector Commercial Banks	531.1	487.7	570.4
Local Private Banks	2,223.7	2,040.2	2,450.0
Specialized Banks	75.9	72.6	79.9
Foreign Banks	91.1	88.5	102.0
4. Deposits (Rs. Billion)	4,188.2	3,854.7	4,216.9
Public Sector Commercial Banks	833.4	812.9	819.9
Local Private Banks	3,204.2	2,910.0	3,236.2
Specialized Banks	13.6	14.3	13.3
Foreign Banks	137.1	117.6	147.5
5. Net Investments (Rs. Billion)	1,123.2	1,275.3	1,082.1
Public Sector Commercial Banks	221.2	296.4	211.2
Local Private Banks	866.1	936.6	837.6
Specialized Banks	17.5	15.9	10.7
Foreign Banks	18.4	26.4	22.6

Source: SBP

The banking sector of Pakistan has undergone a significant change in recent years as about 81 percent of the banking assets are now controlled by the private sector. The stress on the economy increased the non-performing loans (NPLs). The gross NPLs to gross advances and net NPLs to net advances ratios are considered as a key indicator of lending quality of any bank. The NPLs of the banking system increased by 12.5 percent to Rs.313 billion (Rs.100 billion during the current year). The increase in NPLs during Jul-Dec 2008 depicted worsening of the asset quality ratios. NPLs-to-loan ratio of the banking system has increased by 0.7 percentage points to 9.1 percent in this period. The NPLs-to-loan ratio (net) which declined to below 1 percent by the end of 2007 started to inch up during 2008 and reached 2.5 percent during the period under review. The worsening business and economic environment enhanced the content of credit risk, which forced the banks to adopt cautious lending strategy, especially in the consumer sector where the advances have been decreasing since the start of 2008. Banks are already strengthening their credit extension and administration process and increasing the efforts for the recovery of NPLs. The increase in NPLs is contributed by two factors; firstly the flow of NPLs into categories requiring partial provisions and secondly, the inception of FSV benefit. Although FSV benefit may have increased net NPLs, it may keep in check the damping profitability of the system.

5.8.ii Islamic bank

Islamic banking is rapidly transforming into a viable alternate form of financing. From relatively humble beginnings in 1963 when the first Islamic bank was established in Egypt, today Islamic finance boasts of assets of around US$ 1.0 trillion, and has successfully made inroads into a wide range of products such as infrastructure and housing finance, asset management, *Takaful* business, debt issuance via Sukuk, etc. The ongoing financial crisis in advanced economies has actually given a boost to the appeal of the Islamic Finance, which is built on transactions backed by real assets, and stricter lending principles.

The growth rate, particularly in recent times, has been tremendous and geographically broad-based. Islamic banking has also made swift progress in Pakistan since its re-launch in 2002 as a parallel mode of financial intermediation along with conventional financial institutions, as evidenced by the commendable growth rate in excess of 60.0 percent per annum in both the assets and deposit base.

Table 5.14 Islamic Banks ***(Rs.Million)***

	FY04	FY05	FY06	FY07	2007-08	2008-09 (Dec)
Assets of the Islamic banks	44143	71493	119294	205212	200415	271,084
Deposits of the Islamic Banks	30185	49932	83740	146945	141933	198,049
Share in Banks Assets	1.40%	2.10%	2.90%	4.20%	4.10%	5.30%
Share in Bank Deposits	1.25	1.90%	2.80%	4.10%	3.90%	5.20%

Source: SBP

The overall deposits of IBIs at the end of December 2008 stood at Rs.198 billion and reflected a share of 5.2 percent in banks deposits as compared to 1.4 percent only in 2003-04. On the other hand the performance in terms of assets has also been tremendous. Total assets of Islamic banks reached to Rs.271.1 billions from Rs. 44.1 billion in 2003-04 and contributed 5.3 percent in banking assets till end-December 2008 [Table 5.14]. Keeping in view the small size of the industry and its evolutionary nature, the growth achieved so far has been impressive and has persistently outpaced its conventional counterparts.

Table 5.14 (a): Financing Products by Islamic banks (%age)

Mode of Financing	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09(Dec)
Murabaha	57.4	44.4	48.4	38.9	38.7	40.7
Ijara	24.8	29.7	29.7	25.4	24.2	22.3
Musharaka	1	0.8	0.8	0.9	1.3	2.1
Mudaraba				0.3	0.2	0.2
Diminishing Muskaraka	5.9	14.8	14.8	25.1	24.8	29
Salam	0.7	1.9	1.9	1.4	1.6	1.6
Istisna	0.4	1.4	1.4	0.9	2.4	2.9
Qarz/Qarz-e-hasna						
Others	9.8	3	3	7.1	6.7	1.1

Source: SBP

The highest share in financing products of Islamic banks is contributed by *Murabaha*, *Ijara* and diminishing *Musharakah* in 2008-09 (Dec). *Murabah* is still the mainstay of Islamic banking though its share has reduced substantially over the years. *Ijarah* and in particular *musharakah* now have sizeable shares. With a share of 29 percent *Musharakah* is currently the second most utilized mode of finance.

5.9 MICROFINANCE INSTITUTIONS

The operations of Microfinance Providers (MFPs), including Microfinance Banks (MFBs), Microfinance Institutions (MFIs), Rural Support Programs (RSPs) and Others have witnessed significant improvement, which is reflected in almost all aspects of the microfinance industry, Number of new MFBs branches has grown, total assets have increased, and products are being diversified, outreach is being extended, branch network is being expanded and growth has been achieved in the total number of borrowers and advances. The potential client base of microfinance sector is estimated to be around 25-30 million borrowers, of whom a significant portion still remains un-served, by both regulated and unregulated market players. There are 40 MFPs which include six Microfinance Banks and operate through a total number of 1,550 branches to serve a cliental of approximately two million; 60% of whom are based in rural areas. Female clients make up 50%of the total microfinance cliental as of December 2008, which nearly matches the composition of women's 49% in the general population (76.36 million).

With a focus on expanding microfinance reach to 3 million borrowers by 2010, a strategy for Expanding Microfinance Outreach (EMO) has been developed by the SBP which was approved by the Government in February 2007. The EMO strategy stresses on the fact that commercialization of the sector is key to financial and social sustainability. A lot of synergies shall however have to be created amongst the existing service providers so as to increase the outreach to 3 million; for instance, entry of new players, setting up of credit unisons or members institutions models, use of technology, introduction of credit information bureau for the microfinance sector, use of Pakistan Post as a delivery channel, and modification in the policy and regulatory environment borrowers by 2010.

Table 5.15 Disbursement of Loans by Microfinance Banks ***(Rs. Million)***

Institution	2007-08	July-March	
		2007-08	2008-09
Khushali Banks	4,066	2,590	1,899
Microfinance Banks (Others)	3,680	2,283	2,567
Microfinance Institutions (MFIs)	20,718	12,913	10,401
Total	28,464	17,786	14,867

Source: SBP

During Jul-Dec, 208 Khushali Bank, disbursed loans amounting Rs.1.9 billion (December 2008) as compared to Rs. 2.6 billion in the same period last year. The share of all other microfinance banks in loan disbursement increased to Rs. 2.6 billion (December 2008) from Rs. 2.3 billion in July-March 2007-08. Microfinance Institutions have also disbursed loans amounting to Rs. 10.4 billion as compared to Rs. 12.9 billion.

5.10 Non-Bank Financial Institutions (NBFIs)

The introduction of the NBFCs i.e. Non-Banking Finance Companies in 2002, aimed at enabling the existing single-product institutions serving specific market niches to offer a whole variety and range of financial products though a one window operation akin to universal banking, subject to compliance with the prescribed progressively tiered regulatory requirements. The group of Non-Bank Financial Institutions (NBFIs) includes the Non-Bank Finance Companies (NBFCs), Mutual Funds, *Modarbas* and Development Finance Institutions (DFIs). During 2006-07, the assets of NBFIs increased by 22.7 percent, in comparison with growth of 17.4 percent. The number of operative entities increased to 237 in 2007-08, as compared to 209 in 2006-07. Total assets of the sector relative to GDP were at 5.9 percent and total financial sector assets were at 8 percent in 2007-08.

The success story among NBFIs hinges upon mutual funds which started in the 1960s with two state-owned funds, National Investment Trust (NIT) and Investment Corporation of Pakistan (ICP), is now a thriving segment of the financial sector and registered accelerated growth since 2002-03. In 2007-08, there were 95 mutual funds on offer, with total net assets of Rs.330 billion in comparison with Rs.24.8 billion in 2001-02.

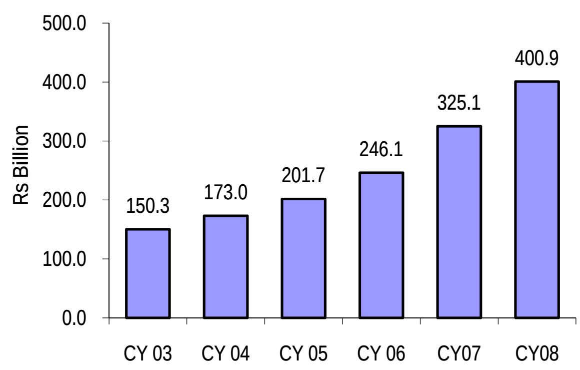
5.11 Insurance Sector

The significant role of the insurance sector in fostering financial stability is obvious as it does so by enabling economic agents (households and corporates) to implement economic transactions by providing transfer and dispersion of risks. The insurance sector faces operational risks in the course of its business, as a result of different factors such as business practice, fraud (moral hazards) and business disruption and/or system failure. Therefore, the insurance companies are required to optimally manage there risks, in order to play their due role in the financial sector and in the economy.

The insurance sector of Pakistan being small and with little correlation with the developments of the international insurance market has shown a promising consistent growth during the last few years. The insurance sector in Pakistan comprises of forty-two (42) insurance/*takaful* companies, out of which thirty-four (34) (including 3 general *takaful*, National Insurance Company Limited and Pakistan Reinsurance Company Limited) and eight (8) (including 2 family *takaful* and State Life Insurance Corporation of Pakistan) belong to non-life and life sector, respectively. While 258 insurance surveyors and 404 authorized surveying officers are engaged in providing independent claim assessment support to insurance/*takaful* companies.

Pakistan's insurance industry continues to lag behind some of the developing countries in terms of the penetration in the real economy and share of insurance premiums in comparison with emerging markets premium. For 2008, the insurance penetration in Pakistan is estimated to be 0.75, which is significantly less than other developing countries. In order to improve the dismal level of insurance penetration and to rationalize public sector insurers role, a highest level effort to identify the issues and to agree remedial actions therefore, were made in April 2007.

Fig 5.11 Assets of Insurance Sector



Despite its continued small size and low penetration level, the insurance industry performed well in 2008 by posting a strong growth. The life insurance sector posted strong gains on account of handsome gains on investments. On the other hand with general insurance, the claim ratio in life insurance has decreased marginally. Since 2003, the number of foreign companies in both life and general insurance has decreased sharply. SECP as regulator of insurance sector has devised a strategy to promote foreign investment in the insurance sector which will promote competition and introduce new innovative products in the insurance market.

Table 5.1

COMPONENTS OF MONETARY ASSETS

	Stock Rs. in million	End June 2002	2003	2004	2005	2006	2007	2008	End March 2008	2009
1.	Currency Issued	462,095	527,557	617,508	712,480	791,834	901,401	1,054,191	1,048,617	119,682
2.	Currency held by SBP	1,865	2,565	2,960	3,107	3,005	3,148	2,900	2,855	2,689
3.	Currency in title of Scheduled Banks	26,414	30,415	36,432	43,472	48,439	58,072	68,966	63,761	65,738
4.	Currency in ciculation (1-2-3)	433,816	494,577	578,116	665,901	740,390	840,181	982,325	982,001	1,128,394
5.	Other deposits with SBP[1]	13,847	3,499	2,116	3,335	4,931	7,012	4,261	3,850	4,243
6.	Scheduled Banks Total Dposits[2]	1,304,214	1,580,399	1,905,260	2,291,408	2,661,584	3,217,962	3,702,556	3,422,237	3,634,632
7.	Resident Foreign Currency Deposits (RFCD)	157,456	126,138	145,694	180,295	195,501	207,312	263,430	234,882	284,165
8.	Monetary assets (4+5+6)	1,751,877	2,078,475	2,485,492	2,960,644	3,406,905	4,065,155	4,689,143	4,408,088	4,767,268
9.	Growth rate (%)	14.8	18.6	19.6	19.1	15.1	19.3	15.3	8.4	1.7
	Memorandum									
1.	Currency / Money ratio	24.8	23.8	23.3	22.5	21.7	20.7	20.9	22.3	23.7
2.	Demand Deposits / Money ratio	24.0	29.2	31.8	32.1	31.9	65.0	65.5	65.0	61.3
3.	Time Deposits / Money ratio	41.5	40.7	39.0	39.2	40.5	9.0	7.8	7.3	8.9
4.	Other Deposits / Money ration	0.8	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
5.	RFCD / Money ration	9.0	6.1	5.9	6.1	5.7	5.1	5.6	5.3	5.9
6.	Income Velocity of Money[3]	2.5	2.5	2.4	2.4	2.1	2.0	2.4		

P : Provisional

1 Excluding IMF A/c Nos 1 & 2 SAF Loans A/c deposits money banks, counterpart funds, deposits of foreign central banks and foreign governments.

2 Excluding inter banks deposits and deposits of federal and provincial governments, foreign constituents and international organization etc.

3 Income velocity of money is taken as GDP at current factor cost / quarterly average of monetary assets (A2)

Explanatory Notes:

a Data series on monetary aggregates other than M1 are based on weekly returns reported by scheduled banks to SBP.

b Data series on M1 aggregates (as Sr. # 8) is issued on monthly returns reported by scheduled banks to SBP and published is Statistical Bulletin from Aril 2008.

c The stock data of M2 has been revised since June 2002 due to treatment of privatization commission deposits with NBP as government deposits. These deposits were previously included private sector deposits which have now being included in government deposits.

d Totals may not tally due to separte rounding off

TABLE 5.2

CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

(Rs million)

					End March	
	2005	2006	2007	2008	2008	2009 P
	A. Stock End June					
1 Public Sector Borrowing (net)						
(i + ii + iii + iv + v + vi + vii)	752515	833686	926530	1510322	1238722	1900227
i Net Budgetary Support	646682	708037	810053	1364604	1119187	1748265
ii Commodity Operations	87836	107762	98552	127204	101239	135468
iii Zakat Fund etc.	(14198)	(14308)	(14269)	(13681)	(13899)	(15700)
iv Utilization of privatization proceeds by Govt./WAPDA	37657	37651	37657	67657	37657	37657
v Use of Privatization proceeds/ NDRP Fund for Debt Retirement	(5749)	(5749)	(5749)	(5749)	(5749)	(5749)
vi Payment to HBL on A/C of HC&EB	287	287	287	287	287	287
2 Non-Government Sector	1782368	2190769	2576474	3018144	2955791	3178838
i Autonomous Bodies1	32224	36979	58148	87387	81627	102731
ii Net Credit to Private Sector & PSCEs	1750144	2153790	2518326	2930757	2874164	3076107
a. Private Sector	1712093	2113890	2479608	2888035	2832887	2985092
b. Public Sector Corp. other than 2(i)	44838	47237	46010	49894	48427	98388
c. PSEs Special Account Debt Repayment	(23714)	(23225)	(23478)	(23597)	(23504)	23683
d. Other Financial Institutions (NBFIs)	16927	15889	16187	16425	16353	16310
3 Counterpart Funds	(539)	(546)	(519)	(543)	(533)	(498)
4 Other Items (Net	(204929)	(327346)	(422223)	(506834)	(507986)	(684154)
5 Domestic Credit (1+2+3+4)	2329415	2696564	3080263	4021632	3685994	4394911
6 Foreign Assets (Net)	636938	710341	984982	667511	722094	372357
7 Monetary Assets (5+6)	2966352	3406905	4065155	4689143	4408088	4767268
	B. Changes over the year (July-June)					
8 Public Sector Borrowing (net)						
(i+ii+iii+iv+v+vi+vii)	95785	86879	92844	583792	312191	389905
i Net Budgetary Support	71796	67063	102015	445441	309135	383662
ii Commodity Operations	21963	19926	(9210)	(28652)	2687	8265
iii Zakat Fund etc.	2026	(110)	39	588	370	(2021)
iv Utilization of privatization proceeds by Govt./WAPDA	-	-	-	-	-	-
v Use of Privatization proceeds/ NDRP Fund for Debt Retirement	-	-	-	-	-	-
vi Payment to HBL on A/C of HC&EB	-	-	-	-	-	-
9 Non-Government Sector	418699	408401	385705	441670	379317	160694
i Autonomous Bodies1	(2069)	4755	21169	29239	23479	15344
ii Net Credit to Private Sector & PSCEs	420768	403646	364536	412431	355838	145351
a. Private Sector	437848	401797	365718	408427	353279	97058
b. Public Sector Corp. other than 2(i)	(9014)	2399	(1227)	3884	2418	48494
c. PSEs Special Account Debt Repayment	(1606)	489	(253)	(118)	(25)	(86)
d. Other Financial Institutions (NBFIs)	(6460)	(1038)	298	238	166	(115)
10 Counterpart Funds	88	(7)	27	(24)	(14)	
11 Other Items (Net)	(88525)	122416	(94877)	(84092)	(85763)	(177320)
12 Domestic Credit Expansion (8+9+10+11)	426048	372857	383699	941369	605731	
13 Foreign Assets (Net)	53748	73403	274551	317381	(262798)	(295154)
14 Monetary Expansions (13+14)	479796	446260	658250	623988	342934	78125

Source: State Bank of Pakistan

1 Till end June 1996 autonomous bodies consisted of WAPDA, OGDC, PTC, NFC,and PTV, thereafter their composition has been changed as WAPDA, OGDC, PTC, SSGC SNGPL, KESC and Pakistan Railways.

2 Adjusted for SAF loans amounting to Rs 7371 million

3 Adjusted for Rs 5278 million to exclude the impact arising due to mark up debited to the borrowers account.

4 Adjusted for Rs 8207million being mark up debited to the borrowers account

5 Credit to NHA by commercial Banks.

6 Credit to NHA and CAA by commercial banks

Note: Figures in the parentheses represent negative signs.

P : Provisional

TABLE 5.3

SCHEDULED BANKS POSITION BASED ON WEEKLY RETURNS: LIABILITIES AND ASSETS

(Rs million)

								End December	
Outstanding Amount at end June	2002	2003	2004	2005	2006	2007	2008	2008	2009 P
LIABILITIES									
1. Capital (paid-up) and Reserves									
Demand liabilities in Pakistan	85,886	112,230	131225	190,652	315,414	484,296	551,313	543,730	588,230
2. Inter-banks Demand Liabilities	13,261	9,937	20755	22,993	28,608	54,796	35,856	40,378	69,349
2.1 Borrowing	(10)	(1)	(15)	(99)	0	0	0	0	0
2.2 Deposits	(13,251)	(9,936)	(20740)	(22,894)	(28,608)	54,796	35,856	40,378	69,349
3. Deposits (General)	609,657	785,333	1014947	1,211,674	1,350,011	2,889,589	3,352,974	3,160,815	3,234,394
4. Other Liabilities	47,333	53,352	56532	70,107	97,266	137,089	167,897	179,528	207,390
5. Total Demand Liabilities (2+3+4)	670,251	848,622	1092234	1,304,774	1,475,885	3,081,474	3,556,727	3,380,720	3,511,133
TIME LIABILITIES IN PAKISTAN									
6. Inter-banks Time Liabilities	2,104	3,991	4806	10,756	25,759	3,861	6,344	4,094	6,434
6.1 Borrowing	(659)	(621)	(1878)	(1,024)	0	0	0	0	0
6.2 Deposits	(1,445)	(3,370)	(2928)	(9,732)	(25,759)	3,861	6,344	4,094	6,434
7. Time Deposits (General)	803,749	903,153	1026919	1,231,745	1,490,182	512,565	522,843	417,083	589,804
8. Other Liabilities	12,808	16,020	20703	27,288	34,236	69,786	87,554	73,558	74,148
9. Total Time Libilities (6+7+8)	818,661	923,164	1052428	1,269,789	1,550,177	586,212	616,741	494,735	670,386
10. Total Demand and Time Liabilities	1,488,912	1,771,786	2144662	2,574,563	3,026,061	3,667,686	4,173,469	3,875,455	4,181,519
11. Borrowing From SBP	135,556	137,882	162335	185,068	198,725	269,109	213,293	256,672	277,883
12. Borrowing from Banks Abroad	12,642	21,243	9872	6,245	2,953	7,015	5,287	19,009	10,486
13. Money at Call and Short Notice in Pakistar	31,877	28,551	27479	22,243	172,893	220,941	169,637	163,290	141,695
14. Other Liabilities	*546159	*468312	527452	645,616	168,011	136,119	218,672	173,409	307,372
15. Total Liabilities	2,301,032	2,540,004	3003025	3,624,387	3,884,057	4,785,167	5,331,671	5,031,565	5,507,185
16. Total Statutory Reserves	73,677	87,893	105955	127,041	148,585	229,338	316,878	248,543	172,089
16.1 On Demand Liabilities	(32,850)	(41,934)	(53574)	(64,089)	72,364	211,867	316,878	233,824	172,089
16.2 On Time Liabilities Assets	(40,828)	(45,959)	(52381)	(62,952)	76,221	17,471	0	14,719	0
ASSETS									
17. Cash in Pakistan	26,414	30,415	36432	43,462	48,439	58,072	68,966	68,371	86,649
18. Balances with SBP	124,883	140,077	151406	188,092	202,501	307,433	414,098	278,335	245,156
19. Other Balances	27,268	31,306	36762	49,021	56,460	65,656	63,622	59,237	75,684
20. Money at Call and Short Notice in Pakistar	32,831	28,686	30444	22,166	232,535	239,031	157,218	139,892	137,351
21. 17+18+19+20 as % of 10	14.2	13.0	12.0	11.8	17.8	18.0	17.0	14.0	13.0
FOREIGN CURRENCY									
22. Foreign Currency held in Pakistan	5,003	5,435	4806	6,777	6,449	7,463	11,009	13,056	19,698
23. Balances with Banks Abroad	89,416	68,578	60976	116,627	93,387	170,509	159,327	105,980	131,825
24. Total Foreign Currency	94,419	74,013	65782	123,404	99,836	177,972	170,336	119,036	151,523
BANK CREDIT ADVANCES									
25. To Banks	1,626	253	63	190	0	0	0	0	0
26. To Others	894,524	988,572	1258022	1,680,491	2,079,056	2,379,226	2,809,938	2,607,774	3,064,610
27. Total Advances	896,150	988,825	1258085	1,680,681	2,079,056	2,379,226	2,809,938	2,607,774	3,064,610
28. Bills Purchased and Discounted	75,588	80,687	99924	120,480	135,924	145,707	140,864	13,777	144,816
29. Total Bank Credit	971,738	1,069,512	1358009	1,801,161	2,214,980	2,524,932	2,950,801	2,741,551	3,209,426
30. 29 as % of 10	65.3	60.4	63.3	70.0	73.2	69.0	71.0	71.0	77.0
INVESTMENT IN SECURITIES AND SHARES									
31. Central Government Securities	154,292	191,709	240842	173,788	177,860	174,425	173,171	184,896	172,547
32. Provincial Government Securities	1,728	1,234	77	77	77	76	76	76	37
33. Treasury Bills	231,507	412,449	408438	415,016	411,691	655,921	559,825	721,653	560,584
34. Other Investment in Securities & Sahres	83,493	118,234	132026	140,453	165,598	235,330	286,960	262,118	298,287
35. Total Investment in Securities and Shares	471,020	723,626	781,383	729,334	755,227	1,065,753	1,020,032	1,168,743	1,031,455
36. 35 as % of 10	31.6	40.8	36.4	28.3	25.0	29.0	24.0	30.0	25.0
37. Other Assets	*456377	*353842	442162	563,552	195,096	211,141	266,656	268,218	324,389
38. Advance Tax Paid	64,270	49,789	53879	42,386	6,423	8,144	18,178	13,776	25,518
39 Fixed Assets	31,812	38,738	46766	61,809	72,560	127,031	201,764	174,404	220,034
40. Total Assets	2,301,032	2,540,004	3003025	3,624,387	3,884,057	4,785,167	5,331,671	5,031,565	5,507,185
41. Excess Reserves (18-16)	51,206	52,184	45451	61,051	53,916	78,095	97,220	29,792	73,067

Figures in the parentheses represent negative sing, * : Contra Items, P : Provisional

Source: State Bank of Pakistan

Note : Effective 22 July 2006, demand & time deposits have been re-classified in accordance with BSD circular no. 9 2006 dated 18 July 2006. the time deposits of less than 6 months are included in demand deposits for for the prupose of CRR & SLR

- Definition of time & demand liabilites as mentioned in BSD circular no 9 dated 18 July 2008 have been revised. As per new definition, time liabilities will included deposits with tenor of one year nad above. Accordingly, time deposits with tenor of less of than one year will become part of demand deposits.

TABLE 5.4

INCOME VELOCITY OF MONEY

(Rs billion)

End June Stock	Naroow Money M1	Monetary Assets (M2) (Rs million)	Growth Percentage	Income Velocity of Monetary Assets (M2)
1980-81	73.56	104.62	13.2	2.7
1981-82	80.93	116.51	11.4	2.7
1982-83	96.54	146.03	25.3	2.7
1983-84	103.45	163.27	11.8	2.7
1984-85	118.97	183.91	12.6	2.7
1985-86	134.83	211.11	14.8	2.6
1986-87	159.63	240.02	13.7	2.5
1987-88	185.08	269.51	12.3	2.6
1988-89	206.36	290.46	7.8	2.7
1989-90	240.16	341.25	17.5	2.7
1990-91	265.14	400.64	17.4	2.7
1991-92	302.91	505.57	26.2	2.7
1992-93	327.82	595.39	17.8	2.3
1993-94	358.77	703.40	18.1	2.4
1994-95	423.14	824.73	17.2	2.4
1995-96	448.01	938.68	13.8	2.4
1996-97	443.55	1,053.23	12.2	2.5
1997-98	480.33	1,206.32	14.5	2.3
1998-99	643.04	1,280.55	6.2	2.4
1999-2000	739.03	1,400.63	9.4	2.2
2000-01	1275.6	1,526.04	9.0	2.6
2001-02	1494.14	1,751.88	14.8	2.5
2002-03	1797.36	2,078.48	18.6	2.3
2003-04	2174.74	2,485.49	19.6	2.3
2004-05	2512.21	2,960.64	19.1	2.4
2005-06	2720.68	3,406.91	15.1	2.1
2006-07	3155.63	4,065.16	19.3	2.0
2007-08	4689.14	4,689.14	15.3	2.2
End March				
2007-08	-	4,395.15	8.1	-
2008-09	-	4,767.27	1.7	-

P:Provisonal

Source: State Bank of Pakistan

Explanatory Note:

a: It may be noted that data series of M1 from 2000-01 is not comparable as compilation of M1 based on weekly data has been discontinued by the SBP. Now M1 is being compiled on the basis of monthly returns and will be reported in the monthly statistical Bulletin of the SBP beginning from April 2008 in its table 2.1

b: The stock data of M2 has been revised since June 2002 due to treatment of privatization commission deposits with NBP as government deposits. These deposits were previously uncluded in private sector deposits which have now being included in government deposits.

TABLE 5.5

LIST OF DOMESTIC, FOREIGN BANKS AND DFIs (As on 30-04-2009)

Public Sector Commercial Banks

1 First Women Bank Ltd.
2 National Bank of Pakistan
3 The Bank of Khyber
4 The Bank of Punjab

Specialized Scheduled Banks

1 The Punjab Provincial Co-operative Bank
2 SME Bank Limited
3 Zarai Taraqiati Bank Limited

Private Local Banks

1 Allied Bank Limited
2 Askari Bank Limited
3 Bank Al Falah Limited
4 Bank Al Habib Limited
5 My Bank Limited
6 Creacent Commercial Bank Limited
7 NIB Bank Limited
8 Faysal Bank Limited
9 Habib Bank Limited
10 KASB Bank Limited
11 MCB Bank Limited
12 Meezan Bank Limited
13 Atlas Bank Limited
14 Saudi Pak Commercial Bank Limited
15 Soneri Bank Limited
16 United Bank Limited
17 Arif Habib Bank Limited
18 Dubai Islamic Bank Pakistan Limited
19 Bank Islami Pakistan Limited
20 Royal Bank of Scotland
21 Habib Metropolitan Bank Limited
22 JS Bank Limited
23 Standard Chartered Bank (Pakistan) Limited
24 Emirates Global Islamic Bank
25 Dawood Islamic Bank Limited

Foreign Banks

1 Al-Baraka Islamic Bank B.S.C. (E.C.)
2 Citibank N.A.
3 Deutshe Bank A.G.
4 The Hong Kong & Shanghai Banking Corporation Limited
5 Oman International Bank S.A.O.G.
6 The Bank of Tokyo - Mitsubishi UFJ Limited\

Development Financial Institutions

1 Industrial Development Bank of Pakistan
2 Pak Kuwait Investment Company of Pakistan (Pvt) Limited
3 Pak Labya Holding Company (Pvt) Limited
4 Pak Oman Investment Company (Pvt) Limited
5 Saudi Pak Industrial & Agricultural Investment company (Pvt) Limited
6 Pak-Brunai Investment Company Ltd
7 Pak-China Investment Co. Ltd.
8 Pak-Iran Joint Investment Co. Ltd.

Micro Finance Banks

1 Khushhali Bank
2 Network Micro Finance Bank Limited
3 The First Micro Finance Bank Limited
4 Rozgar Micro Finance Bank Limited
5 Tameer Micro Finance Bank Limited
6 Pak Oman Micro Finance Bank Limited

Source: State Bank of Pakistan and Finance Division.

TABLE 5.6

SCHEDULED BANKS IN PAKISTAN (Weighted Average Rates of Return on Advances)

(Percent)

As at the End of		Precious Metal	Stock Exchange Securities	Merchan-dise	Machinery	Real Estate	Financial Obli-gations	Others	Total Advances*
I. INTEREST BEARING									
1999	Jun	13.39	14.15	13.89	15.19	14.08	14.95	14.29	14.47
		(15.57)	(14.16)	(13.91)	(15.18)	(14.49)	(15.13)	(16.11)	(14.88)
	Dec	11.41	13.79	14.56	14.17	13.75	13.14	14.07	14.09
		(16.50)	(13.44)	(14.35)	(14.30)	(14.78)	(13.25)	(16.29)	(14.75)
2000	Jun	11.10	13.76	13.67	13.15	12.23	13.65	13.34	13.25
		(11.81)	(13.45)	(13.83)	(13.15)	(13.73)	(14.03)	(13.98)	(13.77)
	Dec	11.53	13.57	12.88	13.82	12.90	13.49	12.93	13.08
		(12.73)	(12.82)	(13.68)	(13.74)	(13.62)	(13.56)	(13.36)	(13.58)
2001	Jun	11.75	13.54	13.69	13.50	12.84	13.07	12.05	13.07
		(13.87)	(14.06)	(13.59)	(13.55)	(13.86)	(13.00)	(13.87)	(13.64)
2002	Jun	8.10	11.27	13.12	13.56	12.72	13.88	12.47	13.00
		(8.14)	(11.70)	(13.13)	(13.67)	(12.98)	(13.81)	(13.39)	(13.29)
2003	Jun	12.01	11.97	9.39	15.66	12.63	7.74	10.66	11.87
		(12.01)	(11.82)	(9.67)	(15.68)	(12.86)	(7.66)	(11.49)	(12.35)
2004	Jun	9.20	6.01	6.89	11.21	9.08	7.08	9.04	8.41
		(9.20)	(6.01)	(7.08)	(11.77)	(9.08)	(7.03)	(9.05)	(8.54)
2005	Jun	8.51	6.86	6.09	4.59	6.68	6.76	8.86	7.01
		(8.51)	(8.29)	(6.01)	(4.07)	(6.68)	(6.70)	(9.02)	(7.01)
2006	Jun	11.58	14.84	8.68	8.55	10.23	10.31	9.59	9.71
		(11.58)	(14.09)	(8.51)	(8.55)	(10.23)	(10.31)	(9.99)	(9.66)
2007	Jun	10.87	11.37	10.73	11.07	12.30	11.05	10.76	11.25
		(10.87)	(12.11)	(10.68)	(11.06)	(12.30)	(11.05)	(10.81)	(11.30)
	Dec	11.45	10.36	9.82	11.09	12.85	10.02	11.93	11.64
		(11.45)	(10.42)	(9.82)	(11.09)	(12.85)	(10.02)	(11.98)	(11.66)
2008	Jun	13.62	12.37	11.78	13.16	12.21	13.32	13.02	12.53
		(13.62)	(12.60)	(11.77)	(13.16)	(12.21)	(13.32)	(13.14)	(12.57)
II. ISLAMIC MODES OF FINANCING									
1999	Jun	11.27	15.69	15.12	15.75	13.76	14.49	15.00	14.82
		(10.01)	(15.39)	(15.03)	(15.92)	(14.92)	(14.57)	(15.87)	(15.23)
	Dec	10.91	14.42	14.82	15.41	13.57	13.89	14.74	14.49
		(16.28)	(14.51)	(14.68)	(15.45)	(14.84)	(13.86)	(15.82)	(14.96)
2000	Jun	10.61	13.12	13.48	14.31	13.08	13.42	13.83	13.54
		(11.10)	(13.48)	(14.07)	(14.39)	(14.39)	(13.40)	(14.94)	(14.27)
	Dec	11.24	13.51	13.54	14.48	12.97	13.15	14.07	13.59
		(11.32)	(13.68)	14.01	(14.53)	(14.24)	(13.09)	(15.09)	(14.24)
2001	Jun	11.02	13.47	13.39	14.53	13.31	13.84	14.03	13.65
		(11.28)	(13.57)	(13.88)	(14.42)	(14.52)	(13.86)	(14.78)	(14.24)
2002	Jun	9.30	13.09	12.85	13.70	13.47	13.32	13.32	13.20
		(9.50)	(13.33)	(12.73)	(13.81)	(14.05)	(13.22)	(14.00)	(13.52)
2003	Jun	11.43	5.92	7.50	9.39	11.47	7.79	10.31	9.19
		(11.43)	(5.77)	(7.95)	(9.54)	(12.08)	(8.62)	(10.84)	(9.71)
2004	Jun	10.86	4.86	5.73	6.61	9.27	5.88	8.34	7.19
		(10.86)	(5.28)	(5.96)	(6.81)	(9.68)	(5.82)	(9.01)	(7.60)
2005	Jun	9.03	7.15	7.93	7.80	10.16	8.21	10.15	8.94
		(9.03)	(7.17)	(7.95)	(7.88)	(10.22)	(8.19)	(10.67)	(9.13)
2006	Jun	10.66	10.03	9.63	9.14	11.23	9.25	12.37	10.68
		(10.66)	(10.20)	(9.66)	(9.20)	(11.26)	(9.25)	(12.90)	(10.83)
2007	Jun	12.04	11.26	10.11	10.80	11.92	10.43	13.02	11.57
		(12.04)	(11.34)	(10.03)	(10.84)	(11.92)	(10.49)	(13.40)	(11.68)
	Dec	9.70	11.27	10.26	10.76	11.80	10.58	12.93	11.55
		(9.70)	(11.41)	(10.23)	(10.82)	(11.79)	(10.62)	(13.26)	(11.65)
2008	Jun	11.75	12.87	11.53	12.26	12.11	11.23	13.90	12.48
		(11.75)	(12.93)	(11.55)	(12.22)	(12.12)	(11.23)	(14.21)	(12.55)

Source: State Bank of Pakistan

* Weighted average rates shown in parentheses represent Private Sector.

Table 5.7

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. million)

No.	Securities	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March 2008-09
1	Market Treasury Bills								
A	Three Month Maturity								
	Amount Offered								
	i) Face value	128,358	109,106	216,637	1,011,659	389,173	186,652	157,946	1,413,218
	ii) Discounted value	125,693	108,332	214,315	1,002,708	382,026	183,039	154,340	1,372,004
	Amount Accepted								
	i) Face value	72,862	29,231	115,575	724,359	210,541	136,102	139,771	975,798
	ii) Discounted value	71,429	29,042	115,174	716,768	206,768	133,484	136,574	947,622
	Weighted Average Yield								
	i) Minimum % p.a.	5.362	1.658	0.995	2.017	7.549	8.315	8.687	11.451
	ii) Maximum % p.a.	12.150	5.815	1.702	7.479	8.326	8.689	11.316	13.855
B	Six Month Maturity								
	Amount Offered								
	i) Face value	287,853	747,018	328,990	470,885	182,112	125,483	91,476	272,584
	ii) Discounted value	276,882	731,354	326,114	460,185	173,289	120,197	87,279	255,885
	Amount Accepted								
	i) Face value	163,665	349,009	158,430	256,914	69,752	90,433	78,242	176,401
	ii) Discounted value	157,934	341,225	157,256	251,166	67,094	86,629	74,673	165,626
	Weighted Average Yield								
	i) Minimum % p.a.	5.645	1.639	1.212	2.523	7.968	8.485	8.902	11.668
	ii) Maximum % p.a.	12.555	12.404	2.076	7.945	8.487	8.902	11.472	14.011
C	Twelve Month Maturity								
	Amount Offered								
	i) Face value	202,984	695,425	476,719	136,713	555,757	787,636	658,709	931,293
	ii) Discounted value	187,339	665,337	466,729	128,569	509,202	717,951	598,425	823,027
	Amount Accepted								
	i) Face value	84,568	264,938	241,019	70,688	459,440	661,786	441,130	332,008
	ii) Discounted value	78,444	253,908	236,421	65,799	422,647	607,211	402,784	294,106
	Weighted Average Yield								
	i) Minimum % p.a.	6.383	2.356	1.396	2.691	8.456	8.786	9.160	11.778
	ii) Maximum % p.a.	11.984	6.941	2.187	8.401	8.791	9.160	11.688	14.261

(Contd.)

Note *: MTBs was introduced in 1998-99

**: PIBs was introduced in 2000-01

Table 5.7

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. in million)

No.	Securities	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March 2008-09
2	Pakistan Investment Bond								
A.	Amount Offered	238,360	211,963	221,291	8,016	16,012	199017	141853	12,640
	03 Years Maturity	46,124	26,074	38,514	2,400	3,896	36982	11260	9,523
	05 Years Maturity	47,346	45,620	58,840	2,603	6,526	39799	21311	4,410
	10 Years Maturity	144,890	140,268	93,041	3,013	5,590	65986	61593	25,254
	15 Years Maturity	-	-	14,316	0	0	12750	16138	2,536
	20 Years Maturity	-	-	16,579	0	0	20200	11750	3,500
	30 Years Maturity	-	-	-	-	-	23300	19800	7000
B.	Amount Accepted	107,695	74,848	107,658	771	10,161	87867	73584	-
	(a) 03 Years Maturity.								
	(i) Amount Accepted	24,819	9,651	14,533	100	2,846	10882	5169	4,165
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	8.356	1.792	3.734	0.000	9.158	9.311	9.619	13.697
	(2) Maximum % p.a.	12.475	7.952	4.235	0.000	9.389	9.778	12.296	13.883
	(a) 05 Years Maturity.								
	(i) Amount Accepted	24,382	14,369	27,765	427	4,075	10174	10777	3,023
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	9.392	3.119	4.867	0.000	9.420	9.528	9.796	14.335
	(2) Maximum % p.a.	12.994	8.887	5.270	0.000	9.646	10.002	10.800	14.336
	(a) 7 Years Maturity.								
	(i) Amount Accepted	-	-	-	-	-	-	-	2,935
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	-	-	-	-	-	-	14.327
	(2) Maximum % p.a.	-	-	-	-	-	-	-	14.704
	(a) 10 Years Maturity.								
	(i) Amount Accepted	58,194	50,828	51,606	244	3,240	30211	23875	8,509
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	10.420	4.014	6.168	0.000	9.8005	10.106	10.179	14.472
	(2) Maximum % p.a.	13.981	9.587	7.127	0.000	9.8454	10.507	13.411	14.864
	(a) 15 Years Maturity. *								
	(i) Amount Accepted	-	-	6,996	0	-	9250	8613	1,236
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	-	7.683	0.000	-	10.85	11.108	14.750
	(2) Maximum % p.a.	-	-	8.994	0.000	-	11.058	13.441	15.356
	(a) 20 Years Maturity. *								
	(i) Amount Accepted	-	-	6,757	0	-	11250	9050	1500
	(ii) Weighted Average Yield #								
	(1) Minimum % p.a.	-	-	8.706	0.000	-	11.173	11.373	157002
	(2) Maximum % p.a.	-	-	8.993	0.000	-	11.392	13.855	15.700
	(a) 30 Years Maturity.								
	(i) Amount Accepted						16100	16100	4500
	(ii) Weighted Average Yield #	-	-	-	-	-			
	(1) Minimum % p.a.	-	-	-	-	-	11.546	11.588	14.6078
	(2) Maximum % p.a.	-	-	-	-	-	11.680	14.118	16.2248

Note *: MTBs was introduced in 1998-99

**: PIBs was introduced in 2000-01

Chapter No. 6

Capital Markets

6.1 Introduction

Financial markets perform a key function in the form of intermediation by mobilizing savings from a large pool of small savers and channelizing these funds into productive investments by a generally much smaller number of borrowers. Trading in securities enables a match between the differing maturity preferences of lenders and borrowers. Stock markets also potentially endorse broad-basing of ownership of financial assets and the reallocation of funds among corporations and sectors. Moreover, a developed bond market helps in providing liquidity to domestic growth and credit expansion.

Across the world, an extensive transformation towards an equity culture has taken root as conventional bank financing shows a flipside to the emergence of globally interrelated capital markets. Integration proves to be beneficial in the form of a more efficient, liquid and broad securities market; innovative products and services; industrial transformation of markets; cheaper corporate financing; and enhanced risk-return frontiers. However not ignoring the downside, the ensuing globalization of financial services can also exacerbate the too-connected-to-fail problem. Indeed, the ongoing global financial mess has shown how financial innovations have enabled risk transfers that were not fully recognized by financial regulators or by institutions themselves.

The stock markets of Pakistan witnessed a boom during the 1990's, attributable to a large number of developments, including; first, the process of financial liberalization resulting in a rise and inflow of foreign portfolio investment; second, the process of privatization and the offering of new attractive shares; third, a greater measure of political stability and investor confidence; fourth, improvements in the operational efficiency of stock markets. Nevertheless, the Karachi Stock Exchange (KSE), established soon after independence in September 1947, gathered forceful momentum since 2002. During 2002-2007, even with a few episodes of mayhem down the way, the development in the KSE-100 index and market capitalization has been unparalleled and incredible.

The beginning of the fiscal year 2008 appeared promising for Pakistan's capital markets regardless of the sub-prime crisis intensifying its grip on financial systems all over the globe. The stock markets in Pakistan posted good gains and the KSE-100 index gained 11.6 percent by mid of April 2008 and reached the highest level of 15,676 points on April 18, 2008 with a gain of 1,747 points over the level of index at the start of the year 2008. Subsequent to this high time, however, the equity market has seen an episode of precipitous decline: the KSE-100 index has fallen by over 62 percent (as on December 31, 2008) since reaching its peak in April 2008. Prices have nose-dived in response to waning macro-economic fundamentals, a worsening law and order situation and international capital flight.

Notwithstanding, equity investors have embarked on a fractional recovery of their fortunes with an upsurge in the KSE-100 index of a fine 22.5 percent since the commencement of the calendar year 2009, driven up chiefly by signs of returning economic stability. A timely signing of SBA with the International Monetary Fund (IMF) in November 2008 and a commitment of pledges by

Friends of Democratic Pakistan are collectively expected to help out the economy sail through what could be a tumultuous era. It goes without saying that the government's success in managing the economy has, without a doubt, served to build a soothing outcome.

6.2 Equity Capital Markets

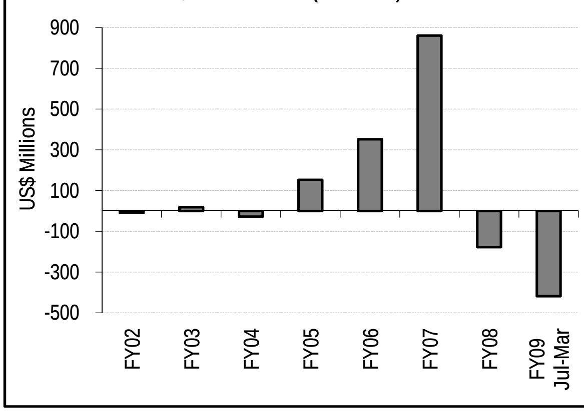
The equity markets in Pakistan are largely insulated from the first round impact of the crisis due to its rising but still low correlation with global financial markets. The stock markets in Pakistan remained largely resilient since the beginning of the millennium and this buoyancy in the local bourse was seen till April of the year 2008, when the all-time high record of 15,676 points for the KSE-100 index was achieved. During this epoch, nonetheless, the index continued to recapture lost ground with each spell of a fresh bull-run. However, the following plunge has been the most stretched bear attack engulfing the domestic equity markets in the history of Pakistan, which led the front-line regulators to take a series of measures to arrest the declining trend.

These market interventions were in no way a substitute of capital controls. The goal with these particular interventions, for example when the US banned short selling or when Vietnam reduced its circuit breaker, is to fetch some order back to the markets when there is a dislocation between fundamental values or natural market forces. The purpose and intent is to keep providing the market with some breathing space and a cooling off period. Notwithstanding; subsequent to lifting of the floor price, the improvement in the premier stock exchange index shows potential.

A surge in international capital flows in the last few years can best be explained by the outstanding performance of equity markets in addition to the macroeconomic stability of the country. This tendency is shown by a prominent increase in foreign equity investment flows during FY07, hitting the highest point of $860.7 million (See Figure-6.1). However, both the domestic quandaries and unsteady global horizon resulted in a turnaround during FY08 and FY09. As a result, the country recorded net Foreign Portfolio Investment (FPI) outflows of $177.7 million in FY08. The stock market observed gigantic FPI outflows due to the removal of the price floor mechanism in the middle of December 2008. The prospects of healthy foreign interest become twice as depressing by looking at the figure of foreign equity investment during the first nine months of the current fiscal year 2008-09. It stands at a negative $418.4 million till March 2009.

With no fresh merger and acquisition activity in the year 2008-09, the international investors remained keen to increase their ownership share. Among them, Malaysia’s Maybank bought another five percent of MCB shares for about $213 million raising its stake in the bank to 20 percent. Singapore’s sovereign wealth fund Tamasek Holdings invested a further $97.5 million in the NIB Bank via a right issue under the plan to raise the paid-up capital of the bank to Rs. 40 billion. The Unicorn Investment Bank, Bahrain, also increased its stake to 37 percent in Dawood Islamic Bank Limited (DIBL) with an investment of $13 million. Furthermore, China Mobile will invest $800 million in Pakistan.

Fig-6.1: Foreign Inflow/Outflow of Equity Investment, FY02-FY09 (Jul-Mar)



Recently, Emirates Investment Group (EIG) announced that the Sharjah-based private-sector investment company is in the process of acquiring farmland in Pakistan to export more food to the Gulf region and is seeking international partners. In addition, the Credit Suisse Group, Switzerland’s leading bank, has announced the launching of equity research and research sales business to facilitate institutional clients in Pakistan. Such a mammoth foreign interest in the local financial sector at the time when the global economies are enduring a setback and confidence on financial institutions is at its ebb proves the resilience of the country's banking industry to external shocks.

In an unfavorable move, MCB Bank and Habib Bank Limited have been permitted by SBP to commence the due diligence of RBS Pakistan. RBS Pakistan had announced in February 2009 that it was exploring new ownership for Pakistan. Moreover, the government plans to privatize some public sector industrial units. Privatization of the Qadirpur gas field has been put off for the time being. Acquisition of 93.88 percent strategic shareholdings in SME Bank Limited along with the transfer of management control is in the pipeline. At least six national and international companies have expressed their interest in setting up a joint venture with the Sindh government for mining in Thar coal field block II.

6.2.1 Global Stock Markets

"It was the best of times, it was the worst of times; it was the age of wisdom, it was the age of foolishness; it was the epoch of belief..." This adage from Charles Dickens' A Tale of Two Cities could not be more relevant to many of the stock markets around the world today. The reviewed phase can preeminently be expressed as an era of battered outlook and an interlude of sturdy adjustment.

During the fiscal year 2008-09, the leading stock markets of the world observed negative growth ranging from 50.7 percent (Pakistan) to 2.9 percent (China). Principal stock indices including US S&P 500, UK FTSE 100 and Hong Kong Hang Seng also recorded declines of 31 percent, 41 percent and 23.6 percent respectively during FY09 (See Table 6.1).

For Pakistan, a huge number of domestic and external quandaries tested economic buoyancy. Internal and external security concerns received focal importance. The benchmark Karachi Stock Exchange witnessed a sharp hitch in the rising disposition of its leading KSE-100 index. The index underwent a gigantic loss of 41.6 percent, to close at 7,177.6 points on May 15, 2009, during the current fiscal year. In terms of dollar returns, the plunge is all the more magnified by recording a downpour of 50.7 percent.

Table 6.1: Global Stock Indices during June 30, 2008 to May 15, 2009

Sr. No.	Country	Stock Name	Index (Local Currency)		Currency			Market Return	
			30-Jun-08	15-May-09	Exchange Rate	30-Jun-08	15-May-09	Local Currency	USD
1	Pakistan	KSE 100	12,289.03	7,177.64	PKR/USD	68.36	80.91	-41.59%	-50.65%
2	India	Sensex 30	13,461.60	12,173.42	INR/USD	42.94	49.40	-9.57%	-21.38%
3	Indonesia	Jakarta Composite	2,349.10	1,750.91	IDR/USD	9260.00	10403.50	-25.46%	-33.66%
4	Taiwan	Taiwan Weighted	7,523.54	6,489.09	TWD/USD	30.35	32.92	-13.75%	-20.48%
5	South Korea	Seoul Composite	1,674.92	1,391.73	KRW/USD	0.26	0.29	-16.91%	-23.85%
6	Hong Kong	Hang Seng	22,102.01	16,790.70	HKD/USD	7.80	7.75	-24.03%	-23.58%
7	Malaysia	KLSE Composite	1,186.57	1,014.21	MYR/USD	3.27	3.55	-14.53%	-21.31%
8	Japan	Nikkei 224	13,481.38	9,265.02	JPY/USD	106.18	94.88	-31.28%	-23.09%
9	Singapore	STRAIT TIMES	2,947.54	2,139.78	SGD/USD	1.36	1.47	-27.40%	-32.72%
10	Sri Lanka	All Shares	2,457.84	1,907.67	LKR/USD	107.70	117.80	-22.38%	-29.04%
11	China	Shanghai Composite	2,736.10	2,645.26	CNY/USD	6.85	6.82	-3.32%	-2.87%
12	Philippines	PSE Composite	2,459.98	2,308.70	PHP/USD	44.87	47.60	-6.15%	-11.52%
13	Australia	All Ordinaries	5,332.90	3,758.90	AUD/USD	1.05	1.33	-29.51%	-44.54%
14	US	S & P 500	1,280.00	882.88	USD/USD	1.00	1.00	-31.03%	-31.03%
15	UK	FTSE 100	5,625.90	4,348.10	GBP/USD	0.50	0.66	-22.71%	-40.91%
16	New Zealand	NZSE 50	3,194.61	2,790.90	NZD/USD	1.31	1.70	-12.64%	-32.53%

Source: Invisor Securities

6.2.2 Karachi Stock Exchange (KSE)

The past few years have been outstanding in many ways for the emerging stock market of Pakistan. KSE-100 index has been showing consistent progress since 2002 as it registered a healthy annual growth of almost 136 percent over 2002-

2007. This is due to the liberalized policies and various reforms initiated by the government to strengthen the financial markets in Pakistan. Finally, the index broke all the previous records when it reached its peak at 15,676 points on April 18, 2008, but this buoyancy could not be maintained. As a result, the index underwent a negative growth of 11 percent in the previous fiscal year 2007-08 after six consecutive years of positive performance.

The KSE-100 index retained this descending inclination and was extremely volatile to say the least during the outgoing fiscal year 2008-09. During the year under review, the stock market shrank by 41.6 percent. KSE-100 index closed at 7,178 points on May 15, 2009 compared to 12,289 points on June 30, 2008. The aggregate market capitalization of listed companies on the Exchange was decreased by 43.4 percent during the year to stand at Rs. 2,137.3 billion on May 15, 2009 compared to Rs. 3,777.7 billion at the end of FY08 (See Figure 6.2). The magnitude of the fall in the market capital in terms of USD is comparatively greater, up to 52 percent, during the same period amid increasing rupee-dollar parity. While issues related to the macroeconomic scenario and a shaky political environment fuelled anxiety among the investor community and contributed to the fall in value, a dearth of adequate corporate governance measures aggravated the situation. Supplementing the extensive weakness was the diminishing foreign interest in the equity markets of Pakistan.

The KSE management and Securities and Exchange Commission of Pakistan (SECP) together took a number of regulatory actions to mitigate the potential technical risks confronting the equity markets:

1) In late June 2008, SECP adjusted the upper and lower circuit breakers of the trading band, to 10 percent and 1 percent, respectively, from the previous 5 percent on both sides and banned short sale in the futures market. This rule was unable to improve market sentiments as it reduced the width of exit way to 1/5 of what it was earlier. Shortly afterwards, these interim changes were reverted to the previous level in the early part of July 2008.

2) Special market sessions held on July 17, 2008 and August 02, 2008 in order to provide exit to leveraged buyers were a great success.

3) The KSE management set a floor of 9,144 points for the KSE-100 index on August 27, 2008, following heavy losses in previous days. On a positive note, this price-freeze impeded any fallout in consequence of gloomy developments on the domestic panorama over and above the precarious global horizon. Even so, this regulatory move had its own negative aftermath witnessed by record thin trading volumes during the static phase.

4) The KSE management prohibited blank-selling in Deliverable Futures Contract for October 2008 and short-selling in Ready Market for a one month period with effect from October 24, 2008.

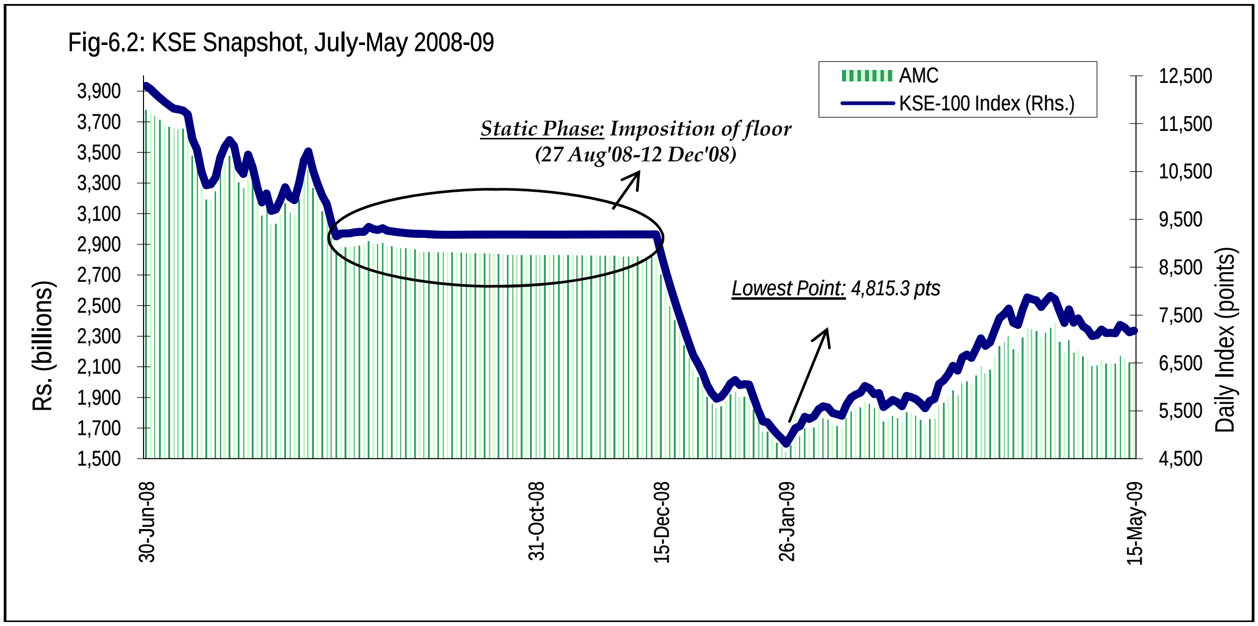
5) Redemption was closed on open-end mutual funds.

6) The unreleased Continuous Funding System (CFS) deals were reinstated as of October 09, 2008 and the working days of unreleased period were extended to a total of 44 days.

7) The Government of Pakistan announced a Rs. 20 billion open-end fund for selected scrips and a Rs. 30 billion guarantee for foreign investors choosing to avail put options.

8) The State Bank of Pakistan (SBP), in order to ensure smooth financing against shares, permitted the banks to invest up to 30 percent of their equity in shares.

9) On December 23, 2008, National Clearing Company of Pakistan Limited (NCCPL) suspended 32 of its clearing members as they failed to fulfill their monetary obligations. These stabilization measures were considered indispensable in the wake of the continued downtrend.



The floor imposition on KSE-100 index for about four months (August 27, 2008-December 12, 2008) resulted in a virtual halt of the stock market. The 'off market transactions' appeared to be the only yardstick of investors' sentiments in the event of a suspended regular market. Buyers remained hesitant to buy securities at the floored price, while the same stocks were available at 20-30 percent discount in the off-record market. Cautious investors took this route to dispose-off their holdings. It is interesting to note that the foreign investors also found it a feasible alternative. For this obvious reason, the average daily volumes in this market were a lot higher than cash counters and discount rates rose to as high as a record 40-50 percent. The rule also deteriorated the 'investabililty' condition of Pakistan's equity market. But at the same time, this market freeze allowed investors to avoid defaulting, which otherwise would have led to the closure of the market, an option deemed much more destabilizing than the price freeze.

Table 6.2: Leading Stock Market Indicators on KSE

Months	2007-08			2008-09(July-April)		
	KSE Index (end month)	Market Capitalization (Rs. billion) (end month)	Turnover of Shares (billion)	KSE Index (end month)	Market Capitalization (Rs. billion) (end month)	Turnover of Shares (billion)
July	13,738.9	4,028.1	7.7	10,583.6	3,301.9	2.0
August	12,214.3	3,555.2	4.5	9,208.3	2,881.6	2.1
September	13,351.8	4,050.0	4.2	9,179.7	2,847.3	0.5
October	14,319.4	4,364.3	6.6	9,182.9	2,829.6	0.3
November	13,998.5	4,328.9	5.2	9,187.1	2,820.4	0.1
December	14,075.8	4,329.9	4.7	5,865.0	1,858.7	0.9
January	14,017.0	4,297.5	5.6	5,377.4	1,700.7	3.3
February	14,934.3	4,618.9	5.1	5,727.5	1,779.5	3.2
March	15,125.3	4,622.9	5.0	6,860.2	2,057.1	3.8
April	15,122.5	4,634.8	6.4	7,202.1	2,146.0	
May	12,130.5	3,746.2	4.9			
June	12,289.0	3,777.7	3.4			

Source: KSE

The announcement of the discount rate for H1FY09 to remain at 13 percent by the SBP without any increase in CRR and SLR was lower than expected and hence revived investors' confidence. The first half of 2008-09 was characterized by the downgrades witnessed in the country's credit rating to CCC+ from B and then to CCC from CCC+ by Standard & Poor's (S&P's) and from B2 to B3 by Moody's. Besides the downgrades, S&P's and Moody's also issued a negative outlook for Pakistan bonds and currency. Later, Moody's rated a negative outlook on Pakistani banks.

The stock market made some new records including the virtual halt of the market on October 10, 2008, as this session remained flat at the pre-opening index level. Nevertheless, reduction in CRR by two percent in two phases alleviated the liquidity stress in the market and helped in slightly recovering the rupee against dollar. SBP announced a 200bps hike in the discount rate to 15 per cent on November 12, 2008. Interestingly, the stock market remained flat at 9,187.1 points for 12 consecutive trading sessions. In November 2008, Pakistan entered into a $7.6 billion, 23 month stabilization program to address the worsening balance of payment deficit situation. With the release of IMF's first tranche of $3 billion, the pressing apprehensions of sovereign default subsided as total foreign exchange reserves shored up beyond $10 billion.

The long awaited, National Investment Trust (NIT) managed, Rs. 20 billion 'State Enterprise Fund' (SEF), consisting of NIT, EOBI, NBP and SLIC, in December 2008. This state-run fund has remained active to support the index ever since its launch. Institutional and retail investors' interest increased after SBP amended Prudential Regulations regarding Forced Sale Value adjustment against banks and DFIs non-performing loans. Positive conclusions of the IMF over Pakistan's economic performance boosted the confidence of local participants. Furthermore, this affirmation can reintroduce the local economy to international investors' attentions.

Buying euphoria was witnessed supported by agreement of SECP and SBP on amortization of deficit on revaluation of equity investment of over 2 years. On the other hand, growing security concerns in the country in conjunction with liquidity costs remained the main hurdles for investment in the stock market. Intense selling activities were spurred by uncertainty over impairment issue under International Accounting Standards (IAS) 39 and 40, which was later resolved by relaxing the treatment for impairment of capital losses and its direct change to equity instead of profit and loss account. Honoring the payments of Eurobond maturity and improvement on economic indicators sparked a fresh wave of confidence. The restoration of the judiciary, the current account surplus for February, and the release of a second tranche of loan worth $840 million by the IMF were some of the positive news items that lent a helping hand to the falling index.

The recently announced favorable petroleum policy kept the market in a bullish mood. Downward revision in the rate of return on NSS allowed a substantial increase in the index. Phasing out of CFS MK-II without any replacement product and increase in T-bills rates marginalized positive sentiments at the bourse. The Swiss Credit Group's positive report further added fuel to the bullish rally in the market. The pledge of $5.28 billion by international donors in the Friends of Democratic Pakistan and donors conference was celebrated and the index registered an air pocket opening.

Moreover, in a surprise positive move, SBP relaxed the minimum capital requirement (MCR) for the banking sector to Rs. 10 billion by 2013 compared to Rs. 23 billion earlier. This step was needed particularly for smaller banks, which were facing difficulties in meeting the previous MCR and were seeking mergers with similar sized banks. In addition, S&P improved Pakistan's sovereign rating to CCC+ from CCC. The absence of a leverage window never allowed the market to cherish the decline of 100bps in the discount rate announced on April 20, 2009. The law and order situation in the country overshadowed the upbeat momentum of the market and the index reached the red zone. The growing militancy in Pakistan and end of result announcement session dragged the Karachi stock market into the bearish zone. The

Karachi stock market did recover from its previous lows as SECP allowed closed-end schemes to repurchase listed shares. The leading bourse closed on a positive note with the support it got from Pakistan's entry into Morgan Stanley Capital International (MSCI) Frontier Index at the semi-annual review and the inclusion of twelve companies in MSCI.

Table 6.3: Profile of Karachi Stock Exchange

	2004-05	2005-06	2006-07	2007-08	2008-09 (Jul-Mar)
Number of Listed Companies	659	658	658	652	652
New Companies Listed	15	14	16	7	8
Fund Mobilized (Rs billion)	54	41.4	49.7	62.9	42.3
Listed Capital (Rs billion)	438.5	496	631.1	706.4	770.7
Turnover of Shares (billion)	88.3	79.5	54	63.3	17.1
Average Daily Turnover of Shares (million)	351.9	348.5	262.5	238.2	80.2
Aggregate Market Capitalization (Rs billion)	2068.2	2801.2	4019.4	3777.7	2057.1

Source: KSE

In the future stability is expected to return to the stock market. With strong fundamentals emanating out of the enhanced economic scene, improvement in domestic politics and further softening in the monetary policy stance remain the key triggers.

6.2.2.1 Sector-wise Performance

Dismal performance caused by a confluence of factors and the dull indicators left a weighty impact on the stock market activity. In December 2008, a total of 652 companies were listed on the KSE, including 209 companies in cotton and other textiles, 166 in banks and financial institutions and 85 in miscellaneous groups. As per the annual report of the KSE 2008, a total of 19 companies were de-listed and 24 companies were merged in the period of 2006-08. In the calendar year 2008, the number of dividend paying companies was 224 compared to 267 companies in 2007. In 2008, 322 companies were making profits and 218 companies were shown as loss making. The numbers were 363 and 194 respectively in 2007 (See Table 6.4).

All trading groups except Fuel & Energy and Sugar & Allied showed a downward trend during the period under review. The total before taxation profit of the 12 trading groups, listed with the KSE, amounted to Rs. 382.7 billion in 2007, which decreased to Rs. 316.9 billion in 2008, showing a decline of 17 percent. In the year 2008, the 12 trading groups were shown as making profit ranging from Rs. 0.3 billion (Paper & Board) to Rs. 182.3 billion (Fuel & Energy). Banks and other Financial Institutions with a pre-taxation profit of Rs. 106 billion were the second largest profit-earning group in 2008 as compared to Rs. 157 billion earned in 2007.

A review of major trading groups during 2008 is outlined below.

Banks & Other Financial Institutions: During the year 2008, high public sector borrowings, mainly in the context of circular debt issue coupled with improved working capital requirements for corporates due to increased cost of doing business, kept advances on the higher side. Conversely, deposits experienced a deceleration, attributable to PKR weakening and stretched liquidity. The latter factor initiated rumors of bank defaults leading to capital flight and resulting erosion of the deposit base. Provisioning was up considerably and withdrawal of the Forced Sales Value benefit was a chief contributor to this raise. Equally responsible was a rising discount rate which resulted in cash flow problems for the corporate sector and therefore meant a hitch in terms of honoring debt servicing commitments.

Fuel & Energy: The E&P sector enjoyed solid fundamentals backed by prospects of steady demand, handsome production growth and protection from currency depreciation due to dollar denominated revenues. The petroleum policy of 2008 boded well for the Fuel & Energy sector, particularly higher gas prices. Aggressive drilling activity is expected to continue in 2009. The refinery sector presented a dim outlook based on weakening fundamentals amid government interventions that resulted in a reduction in margins. Power companies are amongst the highest dividend paying KSE-100 companies. However a big inhibitor to this practice, looking forward, is the ongoing circular debt issue resulting in lower than expected dividend yields from major Independent Power Producers (IPPs).

Transport & Communication: The years of swift telecom sector development seems to be a tale of the past now. Industry subscriber growth had declined for FY08 and it is expected to drop even more for FY09. Cellular subscriber addition is clearly staggering. Intense competition from the cellular segment has eroded fixed line market share over the years and subscriber attrition still continues. With VSS out of the way, an earnings turnaround is imminent.

Chemicals & Pharmaceuticals: Among chemicals, Polyester Staple Fiber (PSF) had undergone distressed times during the last few years with low margins and capacity under-utilization. With commodity prices relaxing, however, margins are anticipated to pick up. Paint is another segment badly impacted by economic tumult as growth shrivels in the construction and auto industries. With government focus on agriculture and budget FY09 unveiling various incentives, the fertilizer sector scrips, with sturdy earnings growth and high dividend yield remained a secure haven for investors. Going forward, the fertilizer sector remains in growth mode and is fairly protected against the economic chaos.

Table 6.4: Companies Listed on KSE and their Before Tax Profits

S. No.	Sector	No. of Companies		Profit Before Taxation (Rs billion)		Dividend Paying Companies		Profit Making Companies		Loss Making Companies	
		2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
1	Cotton & other Textiles	210	209	8.2	6.9	51	36	90	68	81	95
2	Chemical & Pharmas	35	36	38.7	34.2	24	20	28	30	5	6
3	Engineering	13	14	2.3	2.2	9	6	9	8	1	1
4	Auto & Allied	25	24	13.7	9.1	10	11	17	18	4	4
5	Cables & Electric Goods	9	9	4.6	3.3	4	4	6	6	1	1
6	Sugar & Allied	37	37	-0.5	0.5	8	11	11	21	25	13
7	Paper & Board	10	10	5.4	0.3	6	4	8	6	1	3
8	Cement	22	21	4.6	-4.3	6	2	12	6	9	15
9	Fuel & Energy	27	27	116	182.3	16	17	16	18	10	8
10	Transport & Comm.	14	14	13.2	-44.2	5	4	7	6	5	5
11	Bank & Fin. Institutions	169	166	156.9	106.1	91	76	114	89	29	48
12	Miscellaneous	87	85	19.6	20.5	37	33	45	46	23	19
	Total	**658**	**652**	**382.7**	**316.9**	**267**	**224**	**363**	**322**	**194**	**218**

Source: KSE

Auto & Allied: Auto assemblers showed a lackluster performance during the year 2008, as the net profit of the auto sector declined from Rs. 13.7 billion in 2007 to Rs. 9.1 billion in 2008, reflecting a phenomenal decline of 34 percent. Declining volumetric sales in the wake of rising prices along with a standstill in auto financing facilities was the core reason behind this hasty tumble.

6.2.3 Performance of Selected Blue Chips

During the first three quarters of the fiscal year 2008-09, the combined paid-up capital of ten big companies (Oil & Gas Development Company Limited, Fauji Fertilizer Ltd, Hub Power Company Ltd, Habib Bank Ltd, Pakistan Petroleum Ltd, MCB Bank Ltd, Jahangir Siddique & Company Ltd, National Bank of Pakistan, Pakistan Telecommunication Company Ltd and United Bank Ltd) was Rs. 153.2 billion, which constituted about 20 percent of the total listed capital at KSE.

These ten companies earned a profit after taxation of Rs. 142 billion in the fiscal year up to March 2009. Out of the total profit after tax, the share of OGDCL and PPL was Rs. 69.32 billion representing 48.8 percent of the ten big companies. For the period ending March 31, 2009, JS's after-tax profit was Rs. 17.2 billion. Earnings per share of the top rated companies ranged from a negative 0.55 in the case of PTCL to 77.48 in respect of JS. This indicates that the business environment in the fiscal year 2008-09 has improved appreciably for the blue chip companies (See Table 6.5).

Table 6.5: Price Earning Ratio, July 2008 – March 2009

Company	Paid-up Capital (Rs. billion)	Profit after Tax (Rs. billion)	EPS (Rs)
Oil & Gas Development Co. Ltd	43.01	49.61	11.54
Fauji Fertilizer Ltd.	4.93	6.53	13.22
The Hub Power Co. Ltd	11.57	2.6	2.25
Habib Bank Ltd	7.59	10	13.18
Pakistan Petroleum Ltd	7.54	19.71	26.12
MCB Bank Ltd.	6.28	15.37	24.47
Jahangir Siddique & Co. Ltd	2.22	17.2	77.48
National Bank of Pakistan Ltd	8.97	15.46	17.23
Pakistan Telecommunication Co. Ltd	51	-2.82	-0.55
United Bank Limited	10.11	8.33	8.24
Total/Average	**153.22**	**141.99**	**19.32**

Source: KSE

6.2.4 Lahore Stock Exchange (LSE)

The top indicators observed varied movements at the LSE. The turnover of shares on the exchange during July-March 2008-09 was 1.5 billion. Total paid up capital with the LSE increased from Rs. 664.5 billion in June 2008 to Rs. 721.1 billion in March 2009. The LSE-25 index, which was 3,868.8 points in June 2008, decreased to 2,085.2 points in March 2009. The market capitalization of the LSE has reduced from Rs. 3,514.2 billion in June 2008 to Rs. 1,953.1 billion in March 2009. Two new companies and two open-ended funds were listed with the LSE during July-March 2008-09, as compared to two companies in the fiscal year 2007-08 (See Table 6.6).

Table-6.6: Profile of Lahore Stock Exchange

	2004-05	2005-06	2006-07	2007-08	2008-09 (Jul-Mar)
Number of Listed Companies	524	518	520	514	512
New Companies Listed	5	7	10	2	2
Fund Mobilized (Rs billion)	42.1	24.5	38.8	29.7	30.7
Listed Capital (Rs billion)	403	469.5	594.6	664.5	721.1
Turnover of Shares (billion)	17.5	15	8.2	6.5	1.5
LSE Index	3762.3	4379.3	4849.9	3868.8	2085.2
Aggregate Market Capitalization (Rs billion)	1995.3	2693.3	3859.8	3514.2	1953.1

Source: LSE

6.2.5 Islamabad Stock Exchange (ISE)

The ISE also underwent non-uniform trading patterns during the first nine months of 2008-09. The ISE-10 index began the fiscal year at 2,742.2 points and ended the third quarter at 1,583 points portraying a massive contraction of 42.3 percent.

The lowest level of index was recorded at 1,015.1 points as on January 26, 2009 in line with the benchmark KSE-100 index. The total turnover during this period was 0.2 billion shares (See Table 6.7).

The total funds mobilized during July-March 2008-09 in the three stock exchanges (KSE, LSE & ISE) amounted to Rs. 97.8 billion, as compared to Rs. 117.2 billion in the last fiscal year. The total turnover of shares in the three stock exchanges during the same period was 18.8 billion, compared to 70.4 billion shares in the previous fiscal year.

Table 6.7: Profile of Islamabad Stock Exchange

	2004-05	2005-06	2006-07	2007-08	2008-09 (Jul-Mar)
Number of Listed Companies	236	240	246	248	240
New Companies Listed	6	6	12	7	4
Fund Mobilized (Rs. billion)	27.6	5.2	30.7	24.6	24.8
Listed Capital (Rs. billion)	337	374.5	488.6	551	590.5
Turnover of Shares (billion)	0.7	0.4	0.2	0.6	0.2
ISE Index	2432.6	2633.9	2716	2749.6	1582.9
Aggregate Market Capitalization (Rs billion)	1558.4	2101.6	3060.6	2872.4	1589.3

Source: ISE

6.2.6 KSE Meezan Index (KMI-30)

On the 1st of Ramazan (September 02, 2008), KSE launched KMI-30 in collaboration with the Al-Meezan group. KMI-30 is the first Islamic index other than Dow Jones Islamic Index to provide investors with a suitable benchmark for comparing returns on their Shariah compliant equity investments. KSE Meezan Index comprises of 30 companies that qualify the KSE Meezan Index Shariah screening criteria and are weighted by float adjusted market capitalization subject to a 12 percent cap on weights of individual securities.

The KMI-30, since its inception, has efficiently absorbed the positive and negative counts on all fronts and has registered a reduction of 1,141.4 points or 10 percent and closed at 10,227.1 points as of May 15, 2009 compared to 11,368.5 points on September 02, 2008. The introduction of an Islamic index will surely augment the investor base essential for the growth of Pakistan's capital markets.

6.3 Debt Capital Markets

The debt capital markets in Pakistan cover debt securities issued by the government, statutory corporations and corporate entities in addition to the national savings instruments. The market is at an early stage of development and the size is definitely not very large, but its prospects appear promising. Pakistan needs a viable bond market in order to mobilize private savings efficiently for long-term investments. Moreover, the government and the financial community have recently taken important steps to foster capital market development. While this support is important, even crucial, there are a number of areas requiring greater attention in order for a robust bond market to develop.

6.3.1 Government Securities

A sizable portion of government's financing needs is met by raising funds through *Pakistan Investment Bonds (PIBs)*. Borrowing through PIBs facilitates the government in branching out its debt portfolio in addition to lengthening its maturity. After a long gap, PIB issuance was recommenced in FY06. During FY07 and FY08, the SBP conducted five and seven auctions respectively; raising Rs. 87.9 billion and Rs. 73.6 billion against the aggregate targets of Rs. 100 billion each correspondingly (See Table 6.8). This issuance included short selling and non-competitive bids. Notwithstanding the shortfall, confidence of the market players was sustained in the dedication of the government to build up the local debt market. Additionally, the yield curve was extended to 30 years in FY07.

Table 6.8: Snapshot Analysis of PIBs: FY07, FY08 & FY09 (Jul-Apr)

Tenor	2006-07 *(Rs. billion)*	Percentage Share	2007-08 *(Rs. billion)*	Percentage Share	2008-09 *(Rs. billion)*	Percentage Share
3-Years	10.88	12.38%	5.17	7.03%	7.24	14.81%
5-Years	10.17	11.58%	10.78	14.65%	5.85	11.97%
7-Years	0.00	0.00%	0.00	0.00%	5.53	11.31%
10-Years	30.21	34.38%	23.87	32.44%	22.66	46.36%
15-Years	9.25	10.53%	8.61	11.70%	1.30	2.66%
20-Years	11.25	12.80%	9.05	12.30%	1.70	3.48%
30-Years	16.10	18.32%	16.10	21.88%	4.60	9.41%
Total	**87.86**	**100%**	**73.58**	**100%**	**48.88**	**100%**

Source: SBP

A few traits were added to the PIB market in the beginning of FY09. These included expansion of the PIB portfolio with the insertion of a 7-years paper and revision of coupon rates taking into consideration rises in discount rate (See Table 6.9). In addition to these measures, an auction calendar for FY09 was prepared and later reworked by the SBP for H2FY09.

Table-6.9: PIB Coupon Rates for FY 2008-09

Tenor	Revised Coupons	Previous Coupons
3-Years	11.25%	9.10%
5-Years	11.50%	9.30%
7-Years	11.75%	N/A
10-Years	12.00%	9.60%
15-Years	12.50%	10.00%
20-Years	13.00%	10.50%
30-Years	13.75%	11.00%

Source: SBP

In FY09 (July 2008-April 2009), a handsome amount of Rs. 44.5 billion (excluding short selling and non-competitive bids) was mopped up against the target of Rs. 60 billion (See Table 6.10). However, the two halves of the fiscal year depicted contrasting performance. During the first half of the ongoing fiscal year, only one auction in the month of August 2008 was carried out in which the market showed little interest and offered only Rs. 6.2 billion, the prime cause being perception of further hike in discount rate. The highest amount was received in 30-years maturity which was wholly accepted by SBP. Interestingly, no bid was received for 20-years paper. Out of the total, SBP accepted just Rs. 3.2 billion. For the remaining period, the market was dry and bleak. The government retired the scheduled maturity of Rs. 16.2 billion in October 2008.

Table 6.11: Maturity Profile of PIBs 2008-09

(Rs. billions)

	3-Years	5-Years	Total
July			
August			
September			
Quarter 1 Total			
October		16.16	16.16
November			
December			
Quarter 2 Total		16.16	16.16
January			
February			
March			
Quarter 3 Total			
April		11.6	11.6
May	14.09		14.09
June			
Quarter 4 Total	14.09	11.6	25.69
Grand Total	**14.09**	**27.76**	**41.85**

Source: SBP

On the other hand, reinvigoration remained the underlying theme of the government securities market during H2FY09. It was possible only after the announcement of a 15 percent policy rate in

November 2008 on top of the SBP moves to arrest the cash starved market in October 2008. So far, two auctions have been held, one in February 2009 and the other in April 2009. Both auctions were successful and overwhelming participation was witnessed due to a probable cut in the interest rates in April 2009. On February 18, 2009, the primary dealers offered Rs. 55.99 billion, 180 percent more than pre-auction targets of Rs. 20 billion. However, out of the received bids the central bank accepted Rs. 20.005 billion, resulting in a surplus of Rs. 5 million. In the April 2009 auction, the SBP received Rs. 49.325 billion worth of bids, nearly 250 percent of the target amount. Rs. 21.325 billion were finally accepted. Such forceful participation gives a glimpse of the appetite for investments in PIBs in the near future. The last auction of the fiscal year 2008-09 is scheduled to be held in the last week of May 2009. The upcoming maturity of PIBs in FY09 is in the month of May 2009 worth Rs. 25.7 billion (See Table 6.11).

Table 6.10: PIB Auction Results, Jul-Apr 2008-09

Date	Tenor (1)	*(Rs. billion)*				*(percent)*	
		Target (2)	Offered Amount (3)	Accepted Amount (4)	Variance (4-2)	Cut-off Yields	W. Avg. Yields
29 Aug '08	3-Years	2.50	0.375	0.125	-2.375	13.6973	13.6973
	5-Years	2.50	0.45	0.00	-2.50	-	0.0000
	7-Years	2.50	0.325	0.125	-2.375	14.3398	14.3278
	10-Years	5.00	2.49	0.38	-4.62	14.5493	14.4724
	15-Years	2.50	0.05	0.05	-2.45	14.7500	14.7500
	20-Years	2.50	0.00	0.00	-2.50	-	0.0000
	30-Years	2.50	2.50	2.50	0.00	14.9384	14.6078
Total		20.00	6.19	3.18	-16.82		
18 Feb '09	3-Years	2.50	11.175	2.95	0.45	13.9530	13.8806
	5-Years	2.50	8.65	2.60	0.10	14.3692	14.3350
	7-Years	2.50	3.925	2.65	0.15	14.7973	14.7030
	10-Years	5.00	21.76	7.125	2.125	14.9444	14.8642
	15-Years	2.50	2.48	1.18	-1.32	15.4995	15.3557
	20-Years	2.50	3.50	1.50	-1.00	15.8998	15.7002
	30-Years	2.50	4.50	2.00	-0.50	16.4496	16.2248
Total		20.00	55.99	20.005	0.005		
15 Apr '09	3-Years	2.50	5.746	2.696	0.196	12.9385	12.7670
	5-Years	2.50	6.579	2.604	0.104	12.9495	12.8620
	7-Years	2.50	4.975	2.425	-0.075	13.1395	13.0505
	10-Years	5.00	27.425	13.25	8.25	13.2409	13.0672
	15-Years	2.50	1.80	0.05	-2.45	13.8007	13.8007
	20-Years	2.50	1.30	0.20	-2.30	14.2492	14.2492
	30-Years	2.50	1.50	0.10	-2.40	14.4995	14.4995
Total		20.00	49.325	21.325	1.325		
Grand Total		**60.00**	**111.51**	**44.51**	**-15.49**		

Source: SBP

A snapshot of the interest rate structure depicted an upsurge in the yields on all tenors in the range of 69bps to 141bps for the first half. Highest increase was in 3-years tenor and lowest was recorded in 30-years PIB. However in the second half of the current fiscal year, most of the tenors witnessed reduction in the cut-off yields varying from 44bps to 131bps whereas the rates on 5 & 20-years PIB, bids of which were either rejected or not received in the preceding period, were mounted by 215bps and 31bps accordingly (See Table 6.12).

The overall scenario portrayed a healthy picture with the highest rise of 215bps for the 5-years tenor, followed by a reasonable 65bps in the 3-years PIB with an addition of just 19-31bps for the longer maturities of 15, 20 & 30-years. Contrary to this, the cut-off yield on newly issued 7-years paper declined by 120bps. The 10-years paper registered a cut of 18bps for the period of July 2008-April 2009.

Table 6.12: Interest Rate Structure, FY 2008-09

Tenors	1st Jul'08 (%)	31st Dec'08 (%)	Variance (H1FY09) bps	31st Apr'09 (%)	Variance (H2FY09) bps	Variance (Apr-Jul) bps
3-Years	12.29	13.70	141	12.94	-76	65
5-Years	10.80	10.80	0	12.95	215	215
7-Years	N/A	14.34	N/A	13.14	-120	-120
10-Years	13.42	14.55	113	13.24	-131	-18
15-Years	13.61	14.75	114	13.80	-95	19
20-Years	13.94	13.94	0	14.25	31	31
30-Years	14.25	14.94	69	14.50	-44	25

The practice of re-opening previous issues supported the increase in the average size of the issuances whilst enhancing liquidity in the secondary market. This vigorous interest in the PIB market, if maintained from both demand and supply sides, will help in kicking out distortions in the benchmark yield curve and at the same time will definitely permit SBP to minimize the stock of MRTBs to relieve the strain on the reserve money growth.

The Government of Pakistan issued its first *3-Year Ijara Sukuk Bond* in the month of September 2008 in order to diversify the investor base and to tap the potential underlying the Islamic financial industry. The purpose of issuance was to raise money from Islamic banking which has grown substantially in Pakistan in recent years. Moreover, issuance of Sukuk has emerged out as an acceptable addition to limited investment avenues for Islamic banks to meet their SLR eligibility. So far, three auctions, one in each quarter, have been conducted by the SBP. Collectively, Rs. 27.85 billion was mopped up against the total target of Rs. 30 billion. On aggregate, Rs. 38.3 billion was offered which is evidence of the profound interest exhibited by the market. The semi-annual profit is benchmarked against the latest weighted average yield of the 6-months Market Treasury Bills (MTBs) and the cut-off margin as on September 15, 2008 was 45bps. However, there was a 30bps rise in the margin for the December 20, 2008 issue. The cut-off margin on March 04, 2009 was zero (See Table 6.13).

Table 6.13: 3-Year Ijara Sukuk Auctions Result For FY09 ***(Rs. billions)***

Date	Target	Offered Amount	Accepted Amount	Cut-off Margin	Variance of Acceptance against Target
15 Sep'08	10	9.52	6.52	45bps	-3.48
20 Dec'08	10	7.35	6	75bps	-4
04 Mar '09	10	21.43	15.33	0bps	5.33
Total	30	38.30	27.85		-2.15

Source: SBP

6.3.2. National Savings Scheme (NSS)

The NSS is run by the Central Directorate of National Savings (CDNS), an attached department of the Finance Division, which is responsible for the sale of NSS products to the general public through a network of 367 branches across the country. The instruments that fall under the general umbrella of the NSS are long-term government papers, which benefit from both high yields and an implicit put option, whereby the investor is able to resell before maturity albeit with penalties. As of March 31, 2009, the total outstanding balance of

NSS instruments was Rs. 1324 billion, equivalent to 35 percent of total domestic debt. The government's decision to re-allow institutional investors to invest in these instruments, from which they had been barred in the year 2000, was a major reason behind this increasing share of unfunded schemes in the debt stock.

Table 6.14: Net Accruals by National Savings Schemes *(Rs. billions)*

	2003-04	2004-05	2005-06	2006-07	2007-08	July-March	
						2007-08	2008-09
Defence Savings Certificates	3.2	-8.7	-7.6	-5.8	-4.3	0.4	-15.7
Special Savings Certificates (R)	-13.2	-83.3	-57.7	7.0	13.8	12.1	78.5
Savings Accounts	-0.7	-2.9	0.2	9.2	9.0	-4.2	-10.3
Special Savings Accounts	2.9	-1.9	-0.7	6.5	5.5	3.5	13.4
Regular Income Certificates	-49.1	-40.7	-15.6	-17.0	-0.3	-0.9	26.4
Pensioner's Benefit Accounts	13.2	17.7	16.4	11.5	18.7	15.0	16.4
Bahbood Savings Certificates	22.7	60.7	59.6	47.2	38.8	32.8	57.6
National Prize Bonds	22.8	9.4	3.3	9.0	8.3	8.7	7.0
Postal Life Insurance	8.7	10.3	10.8	-	-	-	-
Grand Total	10.5	-39.4	8.7	67.6	89.5	67.4	173.3

Source: CDNS

During the fiscal year 2007-08, net deposits with NSS increased by Rs. 89.5 billion as compared to a net increase of Rs. 67.6 billion in 2006-07 (See Table 6.14). In 2007-08 modest retirements were made in the case of Defence Savings Certificates (Rs. 4.3 billion) and Regular Income Certificates (Rs. 0.3 billion). Net accruals on the other hand increased in respect of Bahbood Savings Certificates (Rs. 38.8 billion), Pensioners' Benefit Accounts (Rs. 18.7 billion), Savings Accounts (Rs. 9 billion) and National Prize Bonds (Rs. 8.3 billion).

Net accruals of Special Savings Certificates increased substantially by Rs. 78.5 billion during July-March 2008-09 as compared to a minute increase of Rs. 12.1 billion in the same period last year. Similarly, Pensioners' Benefit Accounts and Bahbood Savings Certificates attracted Rs. 16 billion and Rs. 57.6 billion respectively on net accrual basis during the same period. These three instruments attracted almost Rs. 152 billion during July-March 2008-09, constituting about 88 percent of the total investment of Rs. 173.3 billion. Surprisingly, Regular Income Certificates underwent a turnaround by accruing a handsome amount of Rs. 26.4 billion compared to a scanty net negative investment of Rs. 0.9 billion.

Keeping in view the trend of rising interest rates, the government has raised the nominal rates of return on most of the savings schemes on a quarterly basis during the outgoing fiscal year. In the case of Special Savings Certificates, the nominal rate of return has been increased from 9.25 percent last year to 13.2 percent this year. The nominal rate on Defence Savings Certificates has been increased from 10.15 percent last year to 12.15 percent this year while nominal returns on Bahbood Savings Certificates and Pensioners' Benefit Accounts are raised from 11.64 percent to 16.1 percent. As a result of these increases, real deposit rates became positive for all schemes except Special Savings Certificates, Savings Accounts and Prize Bonds (See Table 6.15). During 2007-08 and 2008-09, the weighted average of the real deposit rate remained negative indicating that an additional increase in profit rates on all schemes are needed to convert the investment vehicle to a profitable avenue.

Table 6.15: Nominal and Real Deposit Rates on Savings Schemes during 2004-2009 (percent)								
	2005-06		2006-07		2007-08		2008-09	
Scheme	Nominal Rate (p.a.)	Real Rate	Nominal Rate (p.a.)	Real Rate	Nominal Rate (p.a.)	Real Rate	Nominal Rate (p.a.)	Real Rate
Defence Savings Certificates	9.46	1.56	10.03	2.23	10.15	-1.75	12.15	-10.85
Special Savings Certificate (R)	8.6	0.7	9.34	1.54	9.25	-2.65	13.2	-9.8
Regular Income Certificates	8.88	0.98	9.24	1.44	9.54	-2.36	13.6	-9.4
Mahana Amdani Accounts	10.41	2.51	10.41	2.61	10.41	-1.49	10.41	-12.59
Savings Accounts	5	-2.9	6	-1.8	6.5	-5.4	9	-14
Pensioners' Benefit Accounts	11.04	3.14	11.52	3.72	11.64	-0.26	16.1	-6.9
Bahbood Savings Certificates	11.04	3.14	11.52	3.72	11.64	-0.26	16.1	-6.9
National Prize Bonds	5	-2.9	6.5	-1.3	6.5	-5.4	10	-13
Weighted Average	8.69	0.79	9.55	1.75	9.71	-2.19	11.89	-11.11

Source: CDNS

***Average inflation was 7.9% during 2005-06, 7.8% during 2006-07 and 11.9% during 2007-08, 23.0% during Jul-Mar 2008-09** Source: CDNS*

6.3.3 Corporate Bonds

Government securities (T-bills and PIBs) together with the NSS instruments primarily hold a larger portion of the local fixed-income market. The listed corporate bond (or TFC) market represents an infinitesimal fraction of total financial assets. Here too, like the government papers market, banks and other financial institutions dominate most of the issuances to meet their tier 2 capital requirements.

Table 6.16: Floatation of TFCs, July 08-March 09 (Rs. billions)		
Name of Company	Listed at	Issue Size
Mobilink	KSE	5.5
Trust Investment Bank Ltd.	LSE	0.6
Worldcall Telecom Ltd.	LSE	4.0
Total		10.1

Source: SECP

Total outstanding listed Term Finance Certificates (TFCs) as of end-FY08 amounted to Rs. 123 billion. Furthermore, during the period July 2008–March 2009, one company issued TFCs at the KSE and two at the LSE (See Table 6.16). Interestingly, the non-bank market remained the principal issuers this time with no floatation related to the financial sector. Unlike an undersized listed market, privately placed TFCs and Sukuks have witnessed improved activity over time. A total of thirty corporate Sukuks worth Rs. 63 billion were outstanding as of December 2008. Among them, WAPDA Sukuks dominate the market with the largest issue size of Rs. 8 billion (See Table 6.17).

Despite some progress in the primary market, the secondary market for TFCs is still illiquid in the midst of a multitude of factors. These include small size issues, buy-and-hold approach of the investors, deficiency of well functioning secondary markets and the market making system.

6.4 Investor Base

Traditionally, a variety of financial needs of the economy have been met by the Non-Bank Financial Institutions (NBFIs). In this way, NBFIs add to the economic progress along with enabling a more mature financial system. Nevertheless, this sector has been confronted with a tough operating environment in view of the universal banking approach and banks' competitive advantage over the NBFCs in their capacity to generate cost-effective funds. Recent regulations by SECP that emphasize on increasing the minimum capital base and strict requirements for the classification of non-performing loans are anticipated to augment the strength of the NBFC sector.

Table 6.17: Sukuk Issuances, December 2008 *(Rs. billion)*

Name of Company	Issue Size	Name of Company	Issue Size
KSEW	4.20	New Allied Electronic -1	0.60
National Industrial Park	2.00	New Allied Electronic -2	0.75
WAPDA - 1	8.00	Orix Leasing Pakistan	0.53
WAPDA - 2	8.00	Pak American Fertilizers	1.60
Amtex Ltd	0.65	Pak Electron	1.20
Arzoo Textile Mills	0.74	Quetta Textile Mills	1.39
Century Paper & Board Mills	3.50	Security Leasing Corporation	0.75
Dawood Hercules Chemicals	6.50	Shahmurad Sugar Mills	0.50
Eden Builders	2.00	Shahraj Fabrics	0.55
Eden Housing	1.63	Sitara Chemical Industries-1	0.63
Engro Chemical Pakistan	3.00	Sitara Chemical Industries-2	1.10
Haq Bahu Sugar Mills	0.34	Sitara Energy	0.60
HBFC	1.50	SSGC – 1	1.00
JWD Suger Mills	0.50	SSGC – 2	2.00
Kohat Cement	2.50	SSGC – 3	4.70
	Grand Total		**62.95**

Source: SBP

6.4.1 Mutual Funds

The mutual funds industry has become a flourishing segment of the financial sector, with an astounding expansion in both numbers and volumes. As such, it accounted for the largest lump in total financial assets excluding those of the banks. This phenomenal progress, in recent years, is partly due to the liberalization policies of the government. Adding to it is a booming stock market along with strong economic growth and macroeconomic stability. Open-end funds dominate the sector due to investors' preference for ease of exit and the flexibility this option offers while closed-end mutual funds attract long-term investors.

By end-March FY09, there were 99 mutual funds out of which 76 were open-end funds and 23 were closed-end funds. Total assets of mutual funds stood at Rs. 183.6 billion. No new funds have so far been launched during the current financial year primarily due to the extraordinary circumstances prevailing in the market. During the period two new licenses were issued to Mashreq Asset Management Limited and First Capital Investments Limited to undertake Asset Management Services.

6.4.2 Leasing

Leasing companies meet the short to medium term funding requirements of businesses and provide a flexible, tax efficient and economic mode of raising funds. As on March 31, 2009, there were 11 active licensed leasing companies and their major financial indicators are summarized in **Table-6.18**. The leasing industry is striving to grow by mitigating various risk factors that include fierce competition among different segments of the financial sector, increasing funding cost in the wake of rising interest rates and a rising trend of consolidation in the leasing sector. Diversifying the product range is a strategic challenge for leasing companies in order to become competitive in a fast augmenting financial sector. One of the potential markets for leasing companies can be micro and rural leasing.

Table 6.18: Key Financials of NBFCs, March 31 2009 *(Rs. Billions)*

	Leasing	Inv. Banks	Modarabas
Total Assets	60.26	34.80	27.00
Total Liabilities	52.49	28.22	-
Total Equity	7.77	6.58	11.40
Total Deposits	8.50	9.43	-

Source: SECP

6.4.3 Investment Banks

Investment banks perform a number of functions which include providing strategic advisory services on takeover bids and mergers & acquisition, mobilizing long term funds for the implementation of Greenfield projects and equity and bond trading in capital markets. On March 31, 2009, there were 10 active licensed investment banks (See Table 6.18). In recent years, a number of investment banks have merged their operations with banks as it has become hard in sustaining investment finance services on a stand-alone basis in an increasingly competitive business environment.

6.4.4 Modarabas

In order to catalyze the promotion and growth of Modarabas, various policy initiatives have been introduced ever since their commencement. The policy decision to raise the upper limit of the profits required to be taken into statutory reserves, from 30 percent to 50 percent, has served to strengthen the equity base. Modarabas are permitted to generate funds by issuing Certificates of Investment and Musharaka-based Term Finance Certificates that in turn lessen their reliance on debt for financing their asset growth. It is expected that the newly introduced modes of financing would not only develop product diversification but would also assist in drawing other business opportunities. On March 31, 2009, there were 41 registered Modaraba companies managing 27 Modarabas (See **Table 6.18**). During the period, a new Modaraba company was incorporated and it will float a Modaraba shortly.

6.4.5 Real Estate Investment Trusts (REITs)

Introduction of REITs will provide an additional product choice to retail investors and added flexibility to investment managers. Pakistan has witnessed a property boom in the last decade and the launching of REITs as a new investment product will provide retail investors the opportunity to share the dividends from the robust real-estate sector and facilitate professional developers in undertaking mega-construction projects without the traditional liquidity issues that property development companies are confronted with. It will also maximize the efficiency of property utilization by creating equilibrium between demand and supply of property on the one hand and provide more efficiently managed shared use rental properties on the other. For capital market participants, REITs will provide an alternative asset class which will increase the supply of securities with the combined benefits of an ‘equity security’ and ‘real estate’. In March 2009, the SECP granted permissions for incorporation of Arif Habib REIT Management Limited and AKD REIT Management Company Limited which will launch REIT schemes after obtaining the license of REIT Management Services.

6.4.6 Private Equity and Venture Capital Fund (PE&VCF)

Private equity can play a vital role in the economy by supplying capital to the domestic corporate sector, besides patronizing entrepreneurship and fueling the privatization process. Private equity will unlock the hidden value of private companies by providing managerial skills for growth and expansion. It is expected that the conducive regulatory framework combined with the tax incentives provided by the government for PE&VCF will attract large amounts of foreign direct investment in the country.

6.4.7 Voluntary Pension System (VPS)

Seven pension funds (four Islamic and three conventional) have so far been launched under the VPS which attracted a total amount of Rs. 70 million. As on March 31, 2009, the total funds size is about Rs. 8.24 billion.

6.4.8 Occupational Savings Schemes

Subsequent to the workshop and survey of the Occupational Savings Schemes, an amendment was made in the SECP Act 1997 that states which functions as to promotion and regulation of occupational savings schemes relating to companies and state owned corporations have been given to SECP. In this connection, a framework for Occupational Savings Schemes shall be developed in consultation with the stakeholders. SECP is also liaising with the ADB for hiring a consultant for this assignment.

6.4.9 Development Finance Institutions (DFIs)

With the shifting financial backdrop following the reforms initiated in the 1990s, DFIs have mapped their own course in response to the evolving business environment. The risk profile of the DFIs is similar to those of the banks and they share the same regulatory framework under SBP. Private companies need to be inserted in order to instill vigor into the sector. For this purpose, a gradual divestiture of the government's stake in DFIs has been envisaged.

It is expected that once all the NBFCs are in compliance with the requirements laid out in the NBFCs Regulations 2008, they would be at a better position to compete and operate in the rapidly expanding financial sector.

6.5 Settlement System

SBP has shifted from the conventional Net Settlement System to a large-value electronic payment system named Pakistan Real-time Inter-bank Settlement Mechanism (PRISM) with effect from July 1, 2008. Initially, PRISM was used for the settlement of interbank money market transactions and the domestic leg of foreign exchange market. Since then, its capacity has been enhanced by introducing the settlement of interbank government securities' transactions and net settlement positions from retail clearing and bank cards clearing. In addition to risk management in payment systems, PRISM also makes possible connectivity with international payment systems for carrying out transactions linked to foreign exchange, government securities/bonds, and settlement of equity investments. In due course, PRISM is expected to reinforce SBP's competence to perform open market operations and to supervise inter-bank transactions.

6.6 Capital Market Reforms

Capital market reforms enable the capital markets to embrace new ideas and techniques affecting it. These reforms are an integral component of the structural reforms being supported by the government to restore macroeconomic stability and to build up the banking system, while developing a more contributing incentive regime for financial industry. Significant progress has been made on capital market reforms, including adoption of international standards and market practices and the streamlining of regulatory infrastructure to enhance surveillance and enforcement.

The SECP, as an apex regulator of the country's capital markets, launched different reform programs during the period under review which are mentioned below.

6.6.1 Regulatory Reforms

SECP has promulgated the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008 to provide for a fair, transparent and efficient system for acquisition of substantial voting shares and takeovers of listed companies in line with the Takeovers Ordinance. Furthermore, in order to strengthen the risk management framework, increase investor protection and awareness, and promote equity investment in the country, various reforms were carried out by the SECP in the regulatory framework of the three Stock Exchanges, the National Clearing Company of Pakistan Limited and the Central Depository Company of Pakistan Limited.

6.6.2 Developmental Activities

During the year 2008-09, SECP has progressed to promulgate the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2008. The National Assembly Standing Committee on Finance, Revenue, Economic Affairs and Statistics approved the Act on January 26, 2009 and the Act is expected to be placed before the National Assembly for its approval. The Act provides for conversion of the existing non-profit, mutually owned stock exchanges to for-profit entities owned by the shareholders. This would enable segregation of ownership and trading rights and will bring a balance among interests of different stakeholders of a stock exchange. Demutualization of the stock exchanges will also ensure cost efficiency and improved governance at the stock exchanges.

6.6.3 Corporate Debt Market Reforms

Development of a corporate debt market has been a top priority area for SECP and a number of measures have been taken in this regard in the recent past. The rate of stamp duty on the issuance of corporate bonds and transfer of securitized assets has been reduced. However, difference in the rate of stamp duty amongst different provinces still exists which needs to be rationalized for the harmonious development of the corporate debt market. SECP has also abolished the mandatory listing requirement for public offering of corporate bonds to encourage public offering of corporate bonds with lesser regulatory requirements and lower cost of issuance.

The SECP is also working closely with the stock exchanges and the Mutual Fund Association of Pakistan to provide a regulatory regime which would facilitate the listing and trading of corporate debt instruments. Work is underway to introduce the concept of Qualified Institutional Buyers and shelf registration procedures for corporate debt instruments. The SECP has also issued a circular to obtain data of privately placed TFCs from the issuers for future planning to develop the domestic corporate debt market.

6.6.4 Work in Progress

The SECP has developed a new risk based Capital Adequacy Regime (CAR) in line with international best standards and practices for determination of capital adequacy which accurately reflects the risk profile of an intermediary. Following rules and regulations have been drafted and will be notified after necessary review and due deliberation by SECP: (1) Balloters and Securities Registrars Rules, (2) Underwriter (Registration and Regulation) Rules, (3) Bankers to an Issue Regulations, and (4) Debenture Trustee Regulations.

The existing Listed Companies (Buy Back of Shares) Rules, 2001 are being revised and replaced with the regulations which shall allow the listed companies to retain the repurchased shares as treasury stock. The existing Companies (Issue of Capital) Rules, 1996 are being revised in order to facilitate the issuers making public offer of shares through the book building process and to remove the practical difficulties being faced by the issuers while complying with various requirements of these rules.

In order to further broaden the scope of trading activity at the bourses, SECP in collaboration with the Stock Exchanges, is working on the introduction of new derivative products such as Index Options and Stock Options.

6.7 Concluding Remarks

The demand for financing is ever-increasing. With the appreciation that debt markets can potentially provide an attractive alternative source of funds, there is considerable room for growth over the medium term. The government is keen to maintain the momentum to strengthen, deepen and broaden the base of capital markets. As a further step to fulfill this objective, the SECP has revived the Consultative Group on Capital Markets to suggest measures for growth and development of capital markets. The group will act as an independent think tank for important policy decisions in relation to the development of capital markets in Pakistan. The group shall be reviewing international best practices and suggest measures for the overall growth and development of capital markets particularly in the areas of new product development including alternative leverage products, debt capital market, new listings, risk management and market monitoring and surveillance, etc. The SECP has also announced activation of the co-ordination committee of the three stock exchanges and SECP. This committee will be meeting regularly to discuss issues of mutual importance and pave the way for improved co-ordination amongst the apex and the frontline regulators.

TABLE 6.1

NUMBER OF LISTED COMPANIES, FUND MOBILISED AND TOTAL TURNOVER OF SHARES IN VARIOUS STOCK EXCHANGES

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Jul-Mar 2008-09
KARACHI STOCK EXCHANGE											
i) Total Listed Companies	765	762	747	712	702	668	659	658	658	652	652
ii) New Companies Listed	-	1	4	4	2	16	15	14	12	5	8
iii) Fund Mobilized											
(Rs billion)	1.6	0.4	3.6	15.2	23.8	4.2	54.0	41.4	49.7	49.2	42.3
iv) Total Turnover of Shares											
(In billion)	25.5	48.1	29.2	29.1	53.1	97.0	88.3	104.7	68.8	56.9	17.1
LAHORE STOCK EXCHANGE											
i) Total Listed Companies	-	-	614	581	561	647	524	518	520	514	512
ii) New Companies Listed	1	2	3	3	2	18	5	6	8	2	2
ii) Fund Mobilized											
(Rs billion)	-	0.4	2.5	14.2	4.1	3.1	42.1	24.5	38.8	28.1	35.3
iv) Total Turnover of Shares											
(In billion)	9.8	1.6	7.8	18.3	28.2	19.9	17.5	15.0	8.3	5.4	1.5
ISLAMABAD STOCK EXCHANGE											
i) Total Listed Companies	-	-	281	267	260	251	232	240	246	247	240
ii) New Companies Listed	1	0	5	3	1	8	5	2	7	3	4
ii) Fund Mobilized											
(Rs billion)	5.0	0	0.8	3.7	11.5	2.6	27.6	5.2	30.7	28.1	24.8
iv) Total Turnover of Shares											
(In billion)	3.3	3.1	1.4	2.7	2.1	1.4	0.7	0.4	0.3	0.9	0.158

Source: SECP, KSE, LSE, ISE.

TABLE 6.2

NATIONAL SAVING SCHEMES (NET INVESTMENT)

(Rs. Million)

	Name of Scheme	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March 2007-08	July-March 2008-09
1	Defence Savings Certificates	16,580.3	22,037.3	21,990.5	3,238.3	(8,759.1)	(7,551.0)	(6,976.8)	(4,317.4)	401.4	(15,745.1)
2	National Deposit Scheme	(21.5)	(6.3)	(5.7)	(6.8)	(1.3)	(2.5)	(1.1)	0.0	(0.7)	(2.2)
3	Khaas Deposit Scheme	(51.1)	(12.1)	(13.5)	(23.4)	(5.4)	(2.8)	(5.6)	(2.1)	(6.9)	(1.1)
4	Premium Savings Scheme	-	-	-	-	-	-	-	-	-	-
5	Special Savings Certificates (R)	9,431.1	36,443.2	84,899.1	(13,199.3)	(83,311.9)	(57,737.1)	6,667.5	13,800.6	12,092.1	78,542.0
6	Special Savings Certificates (B)	196.3	(203.3)	(11.1)	(2.6)	(4.6)	(0.6)	(0.1)	(0.2)	(0.2)	(8.53)
7	Regular Income Certificates	8,643.2	11,046.3	(14,923.9)	(49,090.5)	(40,663.0)	(15,563.9)	18,369.1	(273.5)	935.5	26,426.4
8	Pensioners' Benefit Account	-	-	10,170.0	13,209.3	17,737.2	16,382.9	11,468.6	18,695.9	3,524.9	16,362.4
9	Savings Accounts	(2,105.0)	(329.8)	1,638.1	(729.6)	(2,891.4)	(202.7)	12,825.7	8,989.1	(4,214.3)	(10,348.7)
10	Special Savings Accounts	3,626.5	4,266.9	5,135.0	2,894.1	(19,048.0)	(709.6)	9,417.6	5,521.5	3,524.9	13,393.6
11	Bahbood Saving Certificates	-	-	-	22,691.0	60,654.6	59,636.6	47,214.5	38,799.7	32,767.4	57,580.9
12	Mahana Amdani Accounts	52.8	92.8	129.5	120.9	85.9	45.7	56.9	(25.0)	(13.8)	(63.3)
13	Prize Bonds	10,390.6	11,588.0	26,840.1	22,841.9	9,357.0	3,325.8	9,007.3	8,277.1	8,727.5	6,961.6
14	Postal Life Insurance	4,377.4	6,448.3	7,367.7	8,668.7	10,335.2	10,804.5	-	-	-	-
	Grand Total	51,120.5	91,371.3	143,215.8	10,612.0	(39,371.6)	8,830.7	71,305.5	44,625.5	67,375.2	173,098.2

Figures in Parenthesis represent negative signs

Source : CDNS

Table 6.3

LOANS DISBURSED BY DFIs AND OTHER FINANCIAL INSTITUTIONS

(Rs. Billion)

	Name of Institutions	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Jul-Mar 2008-09
1.	DFIs	2.9	8.7	13.1	24.7	10.6*	-	-	-
2.	Special Banks	11.3	25.2	38.8	47.0	23.1*	-	-	-
3.	Islamic Banks	2.5	11.1	17.9	43.4	24.4*	-	-	-
4.	Khushadi Bank	0.2	1.6	1.3	2.3	2.92	3.61	2.59	-
5.	Micro Credit Bank	0.0	0.1	0.3	0.5	0.94	2.50	2.30	-
6.	Leasing Companies	15.9	16.0	18.6	16.5	29.1	22.85	14.99	8.82
7.	Investment Banks	4.4	7.6	7.5	7.4	10.4	5.90	6.13	2.10
8.	Modarabas	4.8	6.1	6.5	7.3	9.6	9.75	5.97	5.91
9.	Housing Finance	0.1	0.8	2.4	0.3	0.4	0.10	0.004	-
10.	Discount Houses	0.1	0.2	2.7	2.6	1.3	1.00	0.13	-

* July-December 2005-06

Source: SBP & SECP.

TABLE 6.4

MARK UP RATE/PROFIT RATE ON DEBT INSTRUMENTS CURRENTLY AVAILABLE IN THE MARKET

S.No.	Schemes	Markup/Profit Rate	Maturity Period	Tax Status
1.	Foreign Exchange Bearer Certificate (FEBC)			
	a. If Certificate of Rs 1000 encashed before 1 year investor will get Rs 1000 (face value)			
	b. If Certificate of Rs 1000 encashed after 1 year investor will get Rs 1145			
	c. If Certificate of Rs 1000 encashed after 2 year investor will get Rs 1310			Sale under this scheme has already been discontinued, from December 1999 however, on outstanding balance till maturity, rate will be applicable
	d. If Certificate of Rs 1000 encashed after 3 year investor will get Rs 1520			
	e. If Certificate of Rs 1000 encashed after 4 year investor will get Rs 1740			
	f. If Certificate of Rs 1000 encashed after 5 year investor will get Rs 1990			
	g. If Certificate of Rs 1000 encashed after 6 year investor will get Rs 2310			
2.	Foreign Currency Bearer Certificate (FCBC), 5 years	Scheme has already been discontinued w.e.f. February 1999. Only repayment is made		
3.	Special US$ Bonds		The rates are effective form Sept. 1999. If bonds are encashed before one year no profit will be paid. Profit is payable @ LIBOR + 2 on bonds reinvested for 3 years on Special US$ Bonds redeemed against 3 and 7 years maturity. However, the facility of reinvestment has been discontinued since October 2002.	
	a) 3 year maturity	LIBOR+1.00%		
	b) 5 year maturity	LIBOR+1.50%		
	c) 7 year matu 0	LIBOR+2.00%		
4.	<u>Pakistan Investment Bonds</u>			
	<u>Tenor</u>	<u>Rate of Profit</u>		
	3-Year Maturity	11.25% p.a	Coupon rate are given for 30th August 2008 issue.	
	5-Year Maturity	11.50% p.a		
Table (	7-Year Maturity	11.75% p.a		
	10-Year Maturity	12.00% p.a		
	15-Year Maturity	12.50% p.a		
	20-Year Maturity	13.00% p.a		
	30-Year Maturity	13.75% p.a		
5.	<u>Unfunded Debt</u>			
	Defence Saving Certificates	12.15% p.a (m)	10 Years	Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002
	National Deposits Schemes	13.00% p.a.	7 Years	Taxable and discontinued
	Special Saving Certificates (R)		3 Years	Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002
	for each of 1st five profit	13.00% p.a.		
	for the last one porfit	14.20% p.a.		
	Special Saving Certificates (B)	12.36% p.a.(m)	3 Years	Taxable and discontinued
	Regular Income Certificates	13.06% p.a	5 Years	Taxable
	Khas Deposit Scheme	13.42% p.a.	3 Years	Taxable and discontinued
	Mahana Amdani Accounts	10.41% p.a.(m)	7 Years	Taxable and discontinued
	Saving Accounts	9.0% p.a.	Running Account	Taxable for deposits exceeding Rs 150,000
	Bahbood Savings Certificate	16.10% p.a.		
	Pensioners' Benefit Account	16.10% p.a.	10 Years	
	Prize Bonds	10.00% p.a.		

Source: SBP and Directorate of National Savings

p.a. Per annum
B Bearer
R Registered
m on maturity

Chapter No. 7

Inflation

7.1 Introduction

The rate of inflation is an important macroeconomic indicator and one of the key variables most central banks around the world scrutinize when setting their main policy rate. Containing inflation to a sustainable level is imperative for economic growth; it not only protects the low and fixed income groups on the consumer side but also keeps the cost of doing business manageable on the production side. The policy objective of the Government has always been to ensure high growth while keeping inflation under control. However, given the unprecedented surge in domestic inflation during Fiscal Year 2008-09, the need for containment and stabilization has been given top priority by policymakers.

Inflation was in the limelight throughout the year as the rise of global inflation witnessed during most part of 2008 saw a dramatic reversal in trend by late August and continuing to decline further in 2009. A sequence of global shocks, beginning with the financial crisis in the international markets leading to a fall in consumer confidence and hence declining aggregate demand caused commodity prices to plunge world over. Falling inflation changed the landscape of the global economy, allowing policymakers to focus on revitalizing growth by easing key interest rates and stimulating demand. Central bankers in developed countries are convinced that inflation is no longer a threat and that a recession poses the far greater danger.

Pakistan is one of only a handful of countries that is still experiencing double-digit inflation. The surge in food and commodity prices witnessed during the start of fiscal year 2008-09 pushed the Consumer Price Index (CPI) in Pakistan to a record level of 25.3 percent in August 2008, remaining above the 20 percent level up until February 2009. Being a developing country, Pakistan needs a low and stable inflation rate to persist over a sustained period in order to stay on a desirable growth path. With such steep and sudden increases in the domestic price level as witnessed during the latter half of fiscal year 2007-08 and throughout 2008-09, the effects on consumers, especially the low and fixed income groups in society, were severe while macroeconomic stability was also undermined.

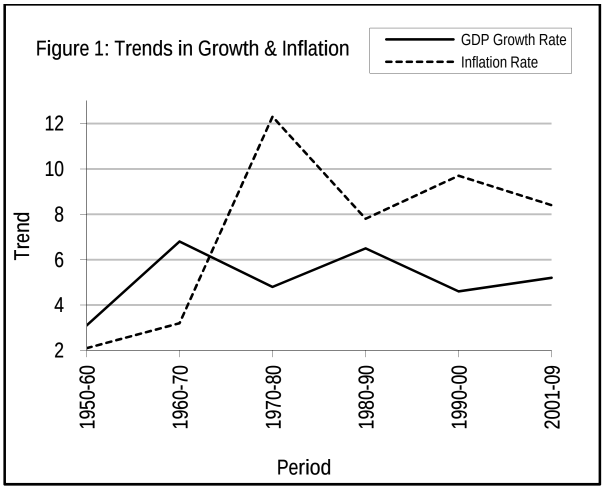
Pakistan entered into a stabilization program with the IMF in November 2008 in a bid to revive a struggling economy as all major macroeconomic indicators, including inflation, were at precarious levels. Despite marginally decreasing in April 2009, the rigid declining nature shown by the inflation rate during the fiscal year remains a major cause for concern and can be attributed to a host of factors. While the food group was the primary source of inflation in Pakistan during the first ten months of 2008-09, the non-food component of the CPI has also been persistently high, resulting in the overall stubbornness of the inflation rate. A more detailed analysis in later sections will show that within the food group, a smaller group of items had a much higher contribution to a sharp pick up in prices.

The non-food component also remained in double-digit figures throughout the course of the fiscal year owing to the transport group, fuel and lighting group and the house rent index remaining at elevated levels. The house rent index in particular, which makes up a considerable 23.4 percent of the total CPI, has been steadily increasing over the past two years, mainly on account of the methodology used to calculate it. Other factors such as the withdrawal of petroleum and gas subsidies and the rationalization of electricity tariffs; imported inflation and exchange rate depreciation of the rupee against the dollar; excessive government borrowing from the State Bank of Pakistan to help finance the fiscal deficit; the levying of custom duty on various imports in order to curtail imports; increase in the support prices of some major crops like wheat and sugarcane; supply-side structural issues and mismanagement; speculation, smuggling and hoarding of goods; political unrest and a deteriorating law and order situation have all hampered government efforts to stabilize domestic prices through 2008-09.

Core inflation**,** which is measured by removing volatile items such as food and energy and makes up 51 percent of the total CPI, has also seen an upward trend during the current fiscal year. Within core inflation, the house rent index contributes a substantial amount which is why it has remained resolute for the most part of 2008-09. Core inflation also generates scrutiny from the State Bank of Pakistan, which sees it as a vital aide for setting the key benchmark interest rates of the economy. The SBP kept a tight monetary policy stance during fiscal year 2008-09, first adjusting it upwards in November 2008 while keeping it constant in January 2009. However, during the first quarter of the current fiscal year there were massive slippages on the fiscal front, owing to subsidies provided by the Government, particularly in petroleum products, at a time when international oil prices were sky-rocketing. The Government had to finance these extra expenditures by borrowing heavily from the SBP, which diluted and contradicted the central banks tight monetary stance, allowing inflationary pressures to persist in the economy. Easing demand pressures in the second half of the fiscal year allowed the SBP to reduce the policy rate in April 2009 for the first time since November 2002 in a bid to bolster the economy. It is expected that as inflation subsides going into fiscal year 2009-10, SBP is likely to further revise down the policy rate.

The perseverance of a high inflation rate over a sustained period of time can lead to second round effects as higher prices get embedded in people's inflationary expectations. Such effects could perpetuate a wage-price spiral: a situation where people demand higher wages because their purchasing power is eroded due to high inflation, in turn, leading to higher production costs for businesses that compensate their losses by increasing prices, creating a vicious cycle of rising prices in the economy. There are signs that the Pakistani economy experienced some second round effects of high food prices as inflation expectations transferred to other commodities, which is reflected in the high levels of non-food inflation. It is imperative that the Government, with the aid of the SBP, curtail these expectations before they become a permanent feature in the economy.

Given the difficult economic environment the Pakistani economy had to face during fiscal year 2008-09, the Government is committed to its policy of higher growth while keeping inflation and unemployment in check. While growth creates jobs and increases incomes, inflation on the contrary, erodes purchasing power and thus perpetuates poverty. The Government is fully aware of the economic challenges that lie ahead, and remains steadfast in stabilizing the economy as well as achieving its policy goals.



7.2 Historical Trends in Inflation

Historically viewed, Pakistan's experience in growth and inflation can be expressed in five distinct phases. Starting with the fifties there was low inflation with low growth, whereas in the sixties there was low inflation with high growth. The seventies entailed high inflation with low growth; the eighties saw moderate inflation with high growth; and in the nineties witnessed high inflation with moderate growth. Over the following nine years, i.e. 2000-01 to 2008-09, inflation saw a low of 3.1 percent in 2002-03 to a high of 22.3 percent during the current year, which is also the highest level in two decades. The overall annual inflation is expected to average 21 percent while GDP growth to remain at 2.0 percent for the year 2008-09. Table 7.1 and Fig-1 show the trends.

Table 7.1: Trends in Growth and Inflation

Period	GDP Growth Rate	Inflation Rate
1950-60	3.1	2.1
1960-70	6.8	3.2
1970-80	4.8	12.3
1980-90	6.5	7.8
1990-00	4.6	9.7
2001-09	5.2	8.4

Source: FBS

7.3 Inflation in Fiscal Year 2008-09

This year the increase in the price level has been extraordinary in Pakistan. The inflation rate measured through the Consumer Price Index (CPI) has climbed to 22.3 percent during (July-April) 2008-09 over the corresponding increase of 10.3 percent. Inflation accelerated at a rapid pace mainly because of rising food prices; a weaker rupee/dollar exchange rate; the gradual withdrawal of subsidies on gas, electricity and petroleum; the imposition of custom duty on the imports of various items; and an upward revision in the support price of wheat and sugarcane crops.

The overall CPI-base inflation during the first ten months of the current fiscal year 2008-09 (July—April) averaged at 22.4 percent, much higher than that of the last fiscal year 2007-08 (July—April) when inflation stood at 10.2 percent. The food group also increased sharply when compared to last year figures, measuring 26.6 percent for the first ten months of fiscal year 2008-09 as compared to 15 percent during the corresponding period last year. The steep rise in food inflation was largely due to an increase in the prices of a few essential items such as wheat, rice, edible oil, meat, pulses, tea, milk and fresh vegetables. Non-food inflation also showed a sharp increase of 19 percent during the same period as compared to 6.8 percent of last year. Most concerning, however, is the sharp increase in core inflation, measuring a substantial 17.8 percent during the first ten months of the current fiscal year as compared to 7.5 percent during the corresponding period last year.(See Table 7.2)

Based on current trends, it is expected that the average inflation for the year (2008-09) as measured by the CPI will be around 21 percent. These developments in the CPI are also reflected in other measures of inflation used in Pakistan, namely the Wholesale Price Index (WPI) as well as the Sensitive Price Index (SPI).

Table 7.2: Main Components of CPI Inflation

Item	2006-07	2007-08	(July-April)	
			2007-08	2008-09
CPI (General)	7.8	12.0	10.2	22.4
Food Group	10.4	17.5	15.0	26.6
Non-Food Group	6.0	7.9	6.8	19.0
Core Inflation	5.9	8.3	7.5	17.8

Source: Federal Bureau of Statistics (FBS)

The food group has been the most significant contributor to the pick up in inflation during 2008-09 and the food price index is at its highest point since 1980, averaging 26.6 percent over the July – April period. Within the food group, the inflation of perishable food items is estimated at 23.2 percent whereas non-perishable food items at 28.6 percent. Their contribution to this year's overall CPI trend is registered at 5.3 percent and 45.1 percent respectively indicating a larger increase in prices of such items as pulses, sugar, wheat and tea.

Given the speed at which food prices increased, high food inflation is likely to persist in the country over the next few months. The higher food prices have had a devastating effect on the Pakistani people as a major share of consumer spending is on food items. Hence, inflation has a direct impact on the poverty level as people suffer more from the high price of food than they gain from higher income. The escalation in food inflation began right from the start of the fiscal year, i.e. July 2008 and continued to persist up until December 2008 at an average of 31.3 percent for the fiscal year. However, thereafter it started to slowdown from 29.9 percent in January 2009 to 28.0 percent in March 2009 and further to 26.6 percent in April 2009, staying in tandem with the trend seen in international food and fuel prices.

A shortfall in the production of some essential commodities in the country in relation to their demand has also driven up food prices. In fact, there are 13 food items (such as wheat and flour; sugar, poultry, mash pulse, meat, milk, tea, fresh vegetables etc) that account for almost 23 percent of the total weight in the Consumer Price Index (CPI). It is from these critical items that there has been a sharp pick up in food inflation in Pakistan. Food in general has become more expensive in Pakistan, resulting in a steep rise in the price of some basic commodities. For instance, the average price of sugar has risen above 41 percent, wheat prices by 17 percent, chicken prices by 24 percent, beef prices by 13 percent and onion prices by 64 percent since July 2008 over April 2009. With a 23 percent weight in CPI, the contribution of these few items to the overall CPI inflation is 18 percent. However, prices of certain other food items such as potatoes, rice, red chilies, edible oil and all the pulses, with the exception of maash pulse, have declined.

Non-food price inflation rose to 19.0 percent for the July-April period as against 6.8 percent during the same period last year. Both the food and non-food inflation contributed to the overall CPI inflation but in different ways as various factors influenced the two CPI components separately. The increase in food inflation was influenced mainly from a shortfall in the supply of some essential consumer food items such as wheat, meat, sugar, milk and poultry whereas the non-food price inflation was mainly driven by the price of POL products and the resultant rise in transportation costs. In the international markets, oil prices dropped significantly from a peak of $145 /barrel in July 2008 to around $35 /barrel by December 2008 A similar impact was witnessed in the prices of food items with a reduction of 21 percent in the international price of wheat, 40 percent fall in the prices of rice, 38 percent reduction in palm oil prices and a 4 percent decrease in sugar prices. However, unfortunately for Pakistan, benefits of this reduction in world commodity prices could not be realized owing to a depreciation of the rupee. The impact of depreciation along with the imposition of addition duty on imports has been reflected in both the import costs of commodity and capital goods.

Based on current tendencies, the contribution of food and non-food inflation to the overall CPI is estimated at 48.0 percent and 50.7 percent respectively. When we further categorize inflation into different groups, the higher inflationary trends on an average-over-average basis were observed in the transport group (30%) and fuel group (25%), showing the impact of rising energy prices. The cleaning and laundry group increased by 19 percent while the medicine group rose 12 percent but their weights in the CPI basket are small (5.9. percent and 2.1 percent respectively), hence their contribution to inflation was also minimal. On the other hand, the house rent index, which has a 23.4 percent weight in the total CPI, has shown a higher pick in inflation of 16.8 percent (See Table 7.3 and Fig-2).

Other major factors that effected domestic prices, both in the recent past as well as those currently having an impact, include: Firstly, in order to reduce the pressure on the country's fiscal position, the Government started phasing out subsidies on petroleum products. This led to an increase in the price of diesel, causing transportation costs to rise which in turn translated to higher prices of many other goods in the country. Secondly, the Government revised the support price of wheat in September 2008 by increasing it over 50 percent from Rs 625 /40 Kg to Rs 950 /40 Kg which in turn pushed up the retail prices of both wheat and wheat flour across the country. Thirdly, the gradual hike in power and gas tariffs during fiscal year 2008-09 also added to the domestic inflation rate. Electricity charges carry a significant weight of 4.4 percent in the overall CPI whereas natural gas has a weight of 2.1 percent, thus an increase in their prices would have a noteworthy impact on the headline inflation rate. Fourthly, the decision to increase the import duties on various items in tandem with the depreciation of the rupee vis-à-vis the dollar caused domestic prices to rise. This caused imports to be more costly than anticipated and hence served as another creeping cause of inflation.

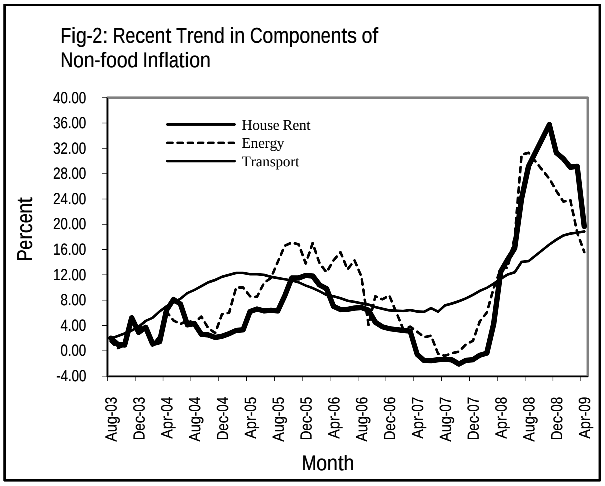
It is worth mentioning that appropriate policy response to tame inflation also includes monitoring the scarcity of essential items through timely imports, keeping a close vigilance on the stock and availability of essential items, the provision of incentives to the commodity producing sector, and keeping the money supply within the targeted range. Given the decelerating trend in food price inflation, the CPI headline inflation rate is likely to come down during the remaining months of the current fiscal year. Hence the current fiscal year is expected to end with average inflation rate of 21 percent.

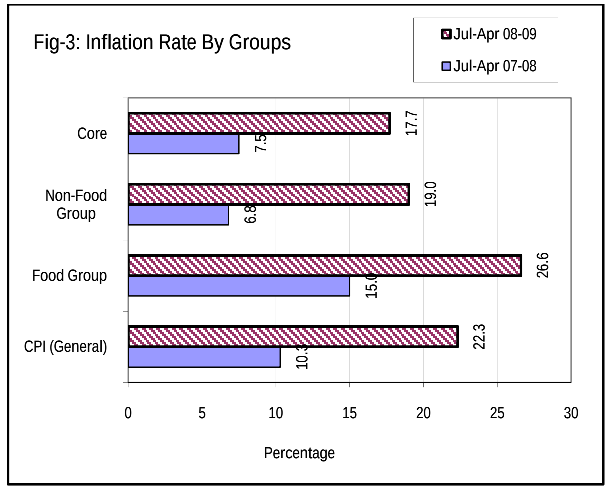
Table 7.3 Annual Inflation by Commodity Groups

Commodity Group	Weight	(July-April)		Point Contribution # (July-April)	
		Percent		Percent	
		2007-08	2008-09	2007-08	2008-09
CPI	100	10.27	22.35	10.27	22.35
Food	40.3	15.02	26.61	59.03	48.03
i) Perishable	5.14	4.46	23.24	2.23	5.34
ii) Non perishable	35.2	12.94	28.61	44.36	45.06
Non-Food	59.7	6.82	19.01	39.60	50.75
Core*	52.4	7.49	17.83	38.61	47.97
Apparel, Textile	6.1	7.86	14.87	4.67	4.06
House Rent	23.4	8..78	16.78	19.92	17.60
Energy*	7.3	3.42	24.98	2.88	9.73
Household	3.3	6.56	13.53	2.10	1.99
Transport*	7.3	0.66	29.53	0.34	6.91
Recreation	0.8	0.42	12.71	0.03	0.47
Education	3.5	6.89	16.74	2.32	2.58
Cleaning	5.9	9.76	18.72	5.59	4.92
Medicare	2.1	8.38	12.44	1.69	1.15

Source: Federal Bureau of Statistics

 # Calculated as group specific inflation times its share divided by total inflation
*** Updated till April 2009.**





7.3.1 Core Inflation

Core inflation is considered a useful complement to headline inflation as it captures the long term direction of consumer prices, given that it does not include volatile items such as food and energy prices. The State Bank of Pakistan uses core inflation as a point of reference when conducting its monetary policy. Thus, the effect of monetary policy on prices is reflected in core inflation with a lag of six months to a year, making it a good predictor of future CPI inflation. The exclusion method i.e. removal of specified items from the CPI is commonly used by many countries to measure the core inflation rate.

A review of monthly core inflation over the period July 2008 to April 2009 reveals a constantly increasing trend up until February 2009. However, it marginally decelerated from 18.9 percent in February to 18.5 percent in March and further to 17.7 percent in April 2009.

Core inflation can be sub-divided in to house rent index and the non-house rent index. Interestingly, the house rent index is a single group that makes up 23.4 percent of overall CPI and 46 percent of core inflation. Out of the 46 items scattered in various sub-groups of core inflation, the single largest contributor to this year's core inflation rate was house rent, with a 9.2 percent-points contribution. It was followed by transport (1.3 percent) and washing soap and detergent (0.54 percent). House rent contribution to core inflation has risen persistently from 6.4 percent in July 2008 to 9.2 percent in April 2009. The non-house rent components of core inflation has shown a similar unabated rising trend from 16.1 percent in July 2008 to 20 percent in January 2009 but has since decelerated to 18 percent in March 2009 and further down to16.6 percent in April 2009

7.4.1 Inflation on a Monthly Basis

The CPI inflation rate on a year-on-year (YOY) basis decelerated to 17.19 percent in April, 2009 from its peak of 25.3 percent in August 2008. Food inflation, which started escalating at the start of current fiscal year in July 2008, continued to persist with a trend of high volatility up till December 2008 as a consequence of a sharp rise in the prices of some basic consumer items. Prices of vegetables, fruits, meat and sugar etc. experienced a large increase during the course of year. However, beyond December 2008 the mounting pressures of food inflation in the economy start to dissipate from 28.0 percent in December 2008 to 22.9 percent in February 2009, 19.7 percent in March and further to 17.0 percent in April 2009. The decline seen in food inflation in recent months can be attributed to the drastic fall in world commodity prices as well as policy measures taken by the Government.

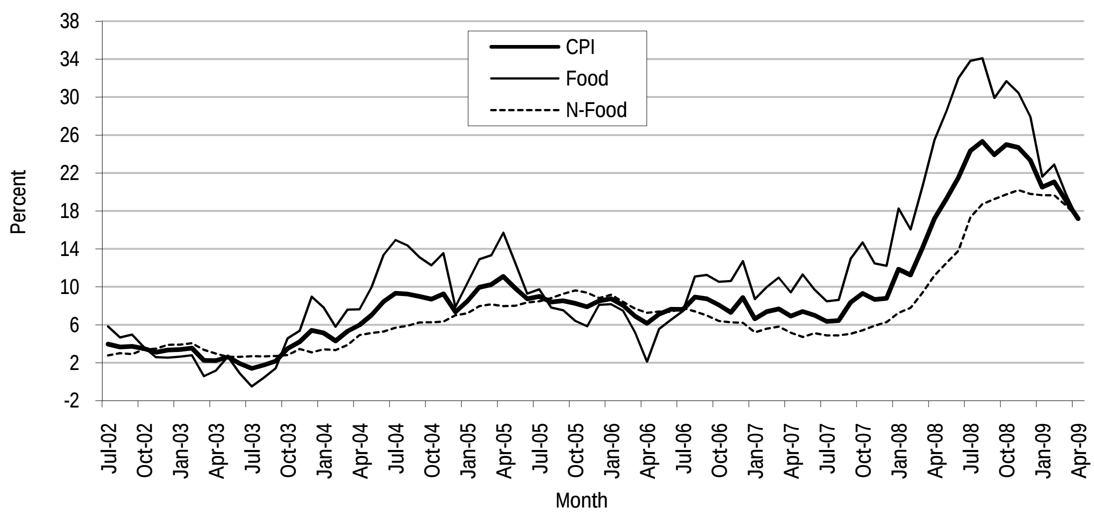
It may be noted that the phenomena of rising food prices in recent times is matter of considerable concern to the Government and general public. Rising food prices have forced the overall inflation to move up thereby adding to the socio-economic suffering of the citizens in general and the poor households in particular. If this trend continues to persist, the cost will be even more for both the economy and the society as a whole. The surge in prices may also be a strong destabilizing factor due to its deep impact on major macro-economic variables such as inflation, the fiscal deficit, balance of payment position, growth, poverty and distribution of income.

Table 7.4: Monthly Inflation Rate

Period	2006-07			2007-08			2008-09		
	CPI	Food	Non-food	CPI	Food	Non-food	CPI	Food	Non-food
Jul	7.6	7.4	7.8	6.4	8.5	4.9	24.3	33.8	17.3
Aug	8.9	11.1	7.4	6.5	8.6	4.9	25.3	34.1	18.7
Sep	8.7	11.3	7.0	8.4	13.0	5.0	23.9	29.9	19.2
Oct	8.1	10.5	6.4	9.3	14.7	5.4	25.0	31.7	19.7
Nov	8.1	10.6	6.3	8.7	12.5	5.9	24.7	30.4	20.2
Dec	8.9	12.7	6.2	8.8	12.2	6.3	23.3	27.9	19.8
Jan	6.6	8.7	5.2	11.9	18.3	7.3	20.5	21.6	19.7
Feb	7.4	10.0	5.6	11.3	16.1	7.8	21.1	22.9	19.6
Mar	7.7	10.7	5.5	14.1	20.6	9.4	19.1	19.7	18.5
Apr	6.9	9.4	5.2	17.2	25.5	11.2	17.2	17.0	17.3
May	7.4	11.3	4.7	19.3	28.5	12.5	-	-	-
Jun	7.0	9.7	5.1	21.5	32.1	13.8	-	-	-

Source: Federal Bureau of Statistics

Figure 4: Monthly CPI Inflation



7.4.2 Inflation on a Quarterly basis

A quarterly analysis of inflation for fiscal year 2008-09 reveals how inflationary pressures have come down in some areas while increasing in others. The general CPI level has come down from averaging a high of 24.5 percent in Q1 to 20.2 percent in Q3. This is mainly due to a significant reduction in food inflation, averaging at 32.6 percent during the first quarter while falling to 21.4 percent in the third quarter. Non-food inflation numbers are a concern, as the average quarterly figures have remained stagnated at around the 19 percent level as the year has progressed. Core inflation, an important indicator of the long term price level, steadily moved up mainly due to the house rent index which has shown an increasing trend since July 2007. Inflation in the energy group has come down considerably in line with international trends as the price of oil has remained low during the second quarter and further into the third quarter.

Table 7.5: Main Components of CPI - Quarterly Basis *FY09*				
	Q1	**Q2**	**Q3**	**Q4 (April)**
CPI - *General*	24.5	24.3	20.2	17.2
I. Food	32.6	30.0	21.4	17.1
Perishable	34.3	23.1	18.7	22.7
Non-Perishable	36.9	32.3	24.0	16.2
II. Non-Food	18.4	19.9	19.3	17.3
a. Core	16.2	18.6	18.7	17.7
HRI	14.3	16.8	18.5	18.9
Non-HRI	18.0	20.4	19.0	16.5
b. Energy	30.4	26.7	22.1	15.5

Source: Federal Bureau of Statistics

7.5 Inflation by Income Group

The inflation rate for various income groups shown in Table 7.6 reveals that the increase in the headline CPI of 22.3 percent during July-April 2008-09 was largely borne by lower income brackets. Inflation has shown an increase of 24.4 percent for the households with the monthly income up to Rs 3,000 whereas the rate of inflation for income groups of Rs 12,000 and above stands lower at 20.9 percent. Inflation erodes real incomes and expenditures which undermines the gains from poverty reduction policies and human development that an emerging country targets.

The analysis points to the fact that although the rise in prices has affected all segments of society, the degree of impact varies in scale and intensity, depending upon the economic status of individuals. Pakistan, being a low-income country, has very few of its citizens that fall into the category whose incomes are above Rs 12,000. The majority of the population spends more than half of their income on food and other essential items, leaving little or nothing for savings.

There should be a sense of urgency by the Government to focus on the low and fixed-income earners of society and ensure that they do not descend deeper into poverty. Higher food prices will lead to more unequal distributions of income and expenditures because food takes a greater share in total expenditure for poorer individuals as compared to the more fortunate. If the current trend is allowed to persist, the socio-economic fabric of society will be in dire straits. Therefore, action must be taken to safeguard the underprivileged by mitigating the harmful impact of rising food prices, since they feel the pinch of higher food prices the most.

Table 7.6: Inflation Rate by Income Groups

Period	**Overall CPI**	**Up to Rs. 3,000**	**Between Rs. 3,001 - Rs. 5,000**	**Between Rs. 5,001-Rs. 12,000**	**Above Rs. 12,000**
	(Percentage Change, Period Average)				
1995-96	10.8	10.6	10.7	10.8	11.3
1996-97	11.8	11.7	11.9	11.8	11.0
1997-98	7.8	7.9	7.8	7.9	8.0
1998-99	5.7	5.6	5.6	5.9	6.2
1999-00	3.6	3.2	3.4	3.8	4.5
2000-01	4.4	4.5	4.3	4.5	4.7
2001-02	3.5	3.0	4.9	3.4	3.6
2002-03	3.1	2.9	1.8	3.1	3.1
2003-04	4.6	5.3	5.1	4.7	4.3
2004-05	9.3	10.2	9.8	9.4	8.9
2005-06	7.9	7.7	7.5	7.6	8.3
2006-07	7.8	8.3	8.3	8.0	7.4
2007-08	12.0	14.2	14.0	12.8	10.7
2008-09(Jul-Apr)	22.3	24.4	24.0	23.3	20.9

Source: Federal Bureau of Statistics

7.6 Wholesale Price Index (WPI)

The WPI, which measures the cost of both locally produced and imported items, registered a larger increase during the current year 2008-09 as compared to last year. The index increased by 21.4 percent during the first ten months (July-April) of 2008-09 over the comparable period increase of 13.7 percent last year. The higher increase in the WPI this year was shared by all five sub-groups. Within the WPI, the building materials group had the largest overall increase, registering a 28 percent surge. The rest of the groups, such as the food group (26.1 percent), fuel and lighting group (21.6 percent) and the raw materials group (18.4 percent) all showed a high increase, whereas the manufacturers group had a comparatively small increase of 10.8 percent. The higher trend in the building materials group reflects an increase in the prices of inputs like cement, timber, bricks, paints and other related materials. The higher rate of increase in manufacturing was attributable to the increase in the cost of production on account of the rising input prices. The food sub-index of WPI increased sharply also, owing to large increase in the prices of some key food items such as wheat, sugar, meat vegetables etc.

Table 7.7: Components of WPI (% change)

Commodity Groups	Weight	July-April		% Point contribution July-April	
		2007-08	2008-09	2007-08	2008-09
WPI	100	13.7	21.4	13.7	21.4
Food	42.12	16.7	26.0	51.4	51.2
Non-Food	57.88	11.5	17.9	48.7	48.4
Raw Material	7.99	11.6	18.4	6.8	6.8
Fuel & Lubricants	19.29	16.0	21.6	22.6	19.4
Manufacturers	25.87	6.0	10.8	11.4	13.1
Building Materials	4.73	12.9	27.9	4.4	6.1

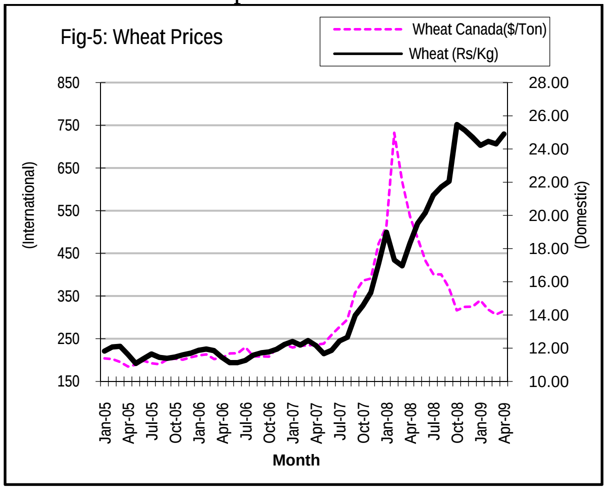
Source: Federal Bureau of Statistics

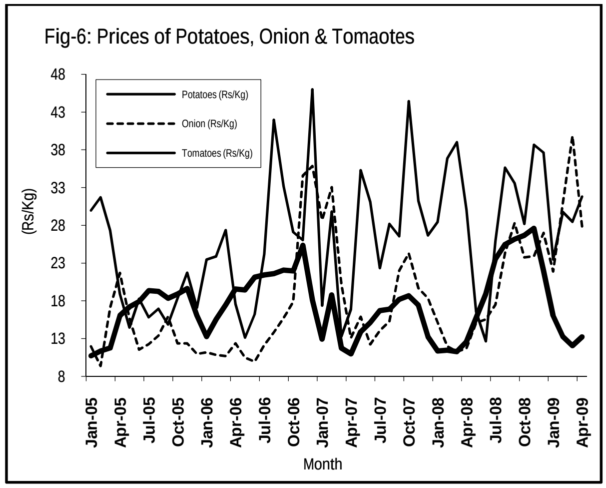
7.7 Sensitive Price Indicator (SPI)

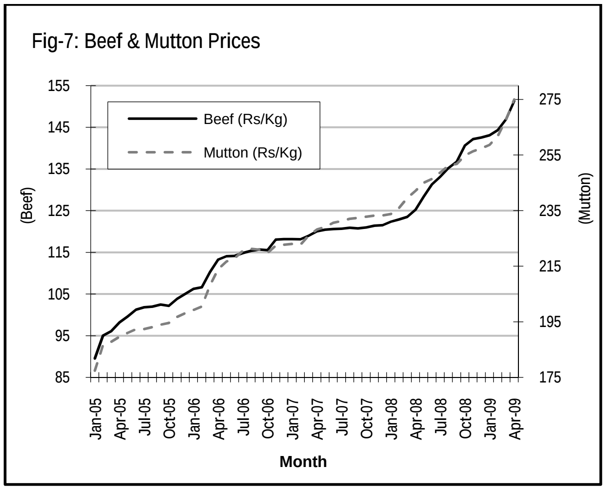
The increase in SPI during July-April 2008-09 has been estimated at 26.3 percent as against 14.1 percent in the comparable of last year. A group wise analysis of the SPI reveals the breakdown of the inflation rate. The food group, which comprises of 33 essential items that have a combined weight of 68.2 percent, contributed 19.6 percent to he overall SPI increase of 26.3 percent. The non-food group (14 items), which has a 10.3 percent weight, contributed 3.3 percent and the utility group (5 items) contributed 3.0 percent.

Further analysis of the food group items indicates the highest share of 7.1 percent belonged to sugar, followed by wheat flour (5.1 percent), milk fresh (4.8 percent), beef (2.1 percent), chicken (1.7 percent) and mutton (1.1 percent). The prime contributors to the overall SPI increase in the utility items group were electricity charges (2.7 percent) and gas charges (0.6 percent). A review of the overall price trend reveals that the average price of all the 53 items in the SPI, with the exception of a few, experienced a larger increase in the month of April 2009 as compared to July 2008 revealing the impact of their domestic shortfall, costlier imports and un-fair market practices.

Amongst the most sensitive items, a significant increase of 60 percent was seen in onion prices followed by the rise in prices of sugar (42 percent), tomatoes (23 percent), chicken farm (18 percent), wheat (17 percent), beef (14 percent), mutton (11 percent), milk fresh (8 percent) and mash pulse (8 percent). These few items have approximately a 50 percent weight in the SPI, thereby heavily influencing the overall SPI trend in favour of the food group. The current increase in the prices of sugar is due to decline of sugar production in the country as well as tight global supply. Sugar production across the globe has declined this year which has resulted in the escalation in world sugar prices from $262 per ton in October 2008 to $293 per ton in February 2009 and further up to $300 per ton in April 2009, which is also reflected in the local markets. The increase in the price of pulses in the local market is due to the overall supply gap in relation to their demand. The price of wheat has increased at an unprecedented level in the local market on account lower production and supply side mismanagement.







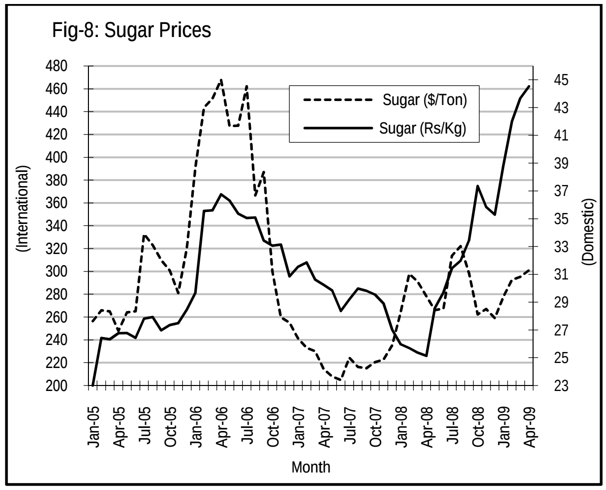


Table 7.8: Prices of Essential Commodities

Items	Unit	2006-07	2007-08	% Change Jul-Dec 2008	% Change Jul- Apr (on average basis) 2008-09	Percent Point Contribution
Wheat	Kg	11.94	16.44	16.4	17.3	0.4
Wheat Flour	Kg	13.61	18.45	10.5	11.2	5.1
Rice Basmati Broken	Kg	22.96	37.76	-14.0	-21.5	-1.1
Rice Irri-6	Kg	17.50	29.31	-22.8	-26.8	-0.2
Masur Pulse	Kg	44.22	71.39	9.4	-1.9	-0.04
Mash Pulse	Kg	70.23	71.38	2.9	8.5	0.2
Gram Pulse	Kg	41.05	44.78	-5.7	-17.7	-0.7
Beef	Kg	117.81	123.30	7.1	13.6	2.1
Mutton	Kg	223.94	236.48	3.5	10.6	1.1
Eggs (Farm)	Dozen	38.72	49.38	31.9	2.1	0.1
Chicken (Farm)	Kg	73.28	82.95	-4.2	18.4	1.7

Table 7.8: Prices of Essential Commodities

Items	Unit	2006-07	2007-08	% Change Jul-Dec 2008	% Change Jul- Apr (on average basis) 2008-09	Percent Point Contribution
sugar	kg	31.93	27.91	12.3	41.6	7.0
Milk Fresh	Ltr	26.72	30.44	4.6	8.0	4.8
Milk Powder	400 Gm	121.37	145.36	6.3	6.3	0.02
Vegetable Ghee	2.5 Kg	223.16	312.73	-10.1	-17.2	-1.9
Veg. Ghee (Loose)	Kg	70.54	108.42	-31.5	-25.1	-3.0
Potatoes	kg	17.82	15.20	-6.3	-43.8	-2.1
Cooking Oil	2.5Ltr	223.59	316.07	-5.8	-11.7	-0.8
Tomato	Kg	28.52	28.58	45.2	22.6	0.9
Onion	Kg	21.10	16.19	54.4	59.1	3.1

Source :Federal Bureau Statistics

7.8.1 Regional Price Developments

Prices of essential consumer items prevailing on 4th May, 2009 in Pakistan as compared with neighboring countries including India, Bangladesh and Sri Lanka indicates that prices of Moong pulse, Gram Pulse, Mutton and Chicken (farm) were found to be lower in Pakistan than those of the other regional countries. The variations in prices of 19 items in Pakistan as against other regional countries are indicated in the table below.

Table 7.9: Comparative Prices in Region

Items	Unit	(Value in Pakistani Rupees)					
		Islamabad 4/5/2009	Dhaka 5/5/2009	New Delhi 30/04/2009	Colombo 4/4/2009	Tehran 28/01/09	Kabul 29/4/2009
Wheat	Kg	23.88	23.47	21.19	97.59	-	32.00
Wheat Flour	Kg	26.88	29.34	24.45	59.25	-	32.00
Rice Basmati	Kg	107.50	158.45	105.64	139.42	208.77	112.00
Masoor Pulse	Kg	124.38	122.06	100.77	153.36	128.47	144.00
Moong Pulse	Kg	51.75	99.76	78.01	153.36	112.41	88.00
Mash Pulse	Kg	91.88	100.94	84.52	153.36	-	112.00
Gram Pulse	Kg	54.63	70.42	55.42	153.36	128.47	88.00
Beef	Kg	165.00	258.21	146.28	271.86	642.37	272.00
Mutton	Kg	320.00	352.11	325.06	522.82	642.37	352.00
Chick Farm	Kg	106.13	158.45	195.04	278.84	160.59	128.00
Eggs	Dozn	53.75	110.33	48.76	83.64	192.71	72.00
Sugar	Kg	47.13	41.08	44.01	50.19	56.21	48.00
Veg. Ghee (loose)	Kg	130.00	352.11	89.65	278.84	-	104.00
Edible Oil (Dalda) loose	Ltr	140.80	86.85	177.67	345.06	176.65	112.00
Potato	Kg	23.00	23.47	17.93	50.53	24.09	19.20
Onion	Kg	34.88	46.95	21.19	55.76	24.09	40.00
Tomato	Kg	39.38	29.34	16.25	17.42	72.27	56.00
Red Chilies	Kg	142.50	140.84	227.54	136.63	96.35	240.00
Garlic	Kg	55.00	41.08	162.53	59.25	160.59	72.00

Value in Pak Rupees *Source: Ministry of Commerce*

- Not available

*** As per policy of Government of Iran, wheat and wheat flour are not sold in the open market**

7.8.2 International Inflation Comparison

Given the extraordinary rise and fall of global inflation during the July 2008 – April 2009 period, a regional comparison of domestic inflation rates reveals how Pakistan's economy has been hit by inflation rigidity mainly on account of its own domestic structural issues. A cursory look at Table 7.10 shows how all the other countries have seen a major decline in their inflation rates, some even experiencing deflation. Countries such as Sri Lanka and Vietnam were in a similar quandary as Pakistan back in July 2008; however both of them managed to pull back domestic prices with Sri Lanka in particular, doing a remarkable job. The inflation rate in Sri Lanka has been declining continuously for the past ten months from a peak at 26.6 percent in July 2008 due to high global food and oil prices. Inflation has fallen on tight monetary policy from late 2007 which allowed the country to benefit from an external deflationary environment as well as its slowing private sector credit growth. The Sri Lankan government has also reduced the prices of petrol, diesel, cooking gas and some commodities including milk powder, though not in line with sharply lower global prices.

India, who measures its headline inflation using the weekly-calculated WPI, also recovered from record high inflation in July 2008 to historic near-zero inflation by April 2009. China and Thailand have gone further by experiencing negative inflation, or deflation, in April 2009 after having record setting inflation last summer. Other countries like the Philippines, Indonesia, Turkey and South Korea have also witnessed substantial deceleration in inflation since December 2008.

Table 7.10: Regional Comparison of Inflation (%)

	Jul-08	Dec-08	Apr-09
Pakistan	24.3	23.3	17.2
India*	12.6	5.9	0.5
Sri Lanka	26.6	14.4	2.9
China	6.3	1.2	-1.5
Turkey	12.1	10.1	6.1
South Korea	5.9	4.1	3.6
Thailand	9.2	0.4	-0.9
Vietnam	27.0	19.9	9.2
Philippines	12.3	8.0	4.8
Indonesia	11.9	11.1	7.3

***WPI**

7.9 Step-taken to control inflation

The following steps have been taken/being taken to stabilize the commodity prices and supplies:

a) The main thrust of the Stabilization Program is lowering incidence of inflation through combination of demand management policies and supply smoothening.

b) The Government, as a long term measure, had increased the support price of wheat to Rs 625 /40Kg in April 2008 and further to Rs 950 /40Kg in September 2008, with a view of providing the right price to Pakistani farmers, encouraging them to grow more wheat. The higher support price of wheat will also help in discouraging smuggling and will ensure adequate supplies of this commodity in the country.

c) A committee was constituted on December 12 2008 under the Chairmanship of Secretary Finance to look into the possibilities of the reduction in prices of food items; in consultation with all provincial government and stakeholders including the private sector

d) In bid to check the price hike of sugar in the country, the Government has already announced the import of 200,000 tons of refined sugar through the Trading Corporation of Pakistan (TCP) in order to stabilize prices in the domestic market. TCP has also been advised to offload 100,000 tons of sugar from its own stocks through utility stores to supplement domestic market needs and to keep sugar prices at around Rs 38 per kg

e) In order to improve the supply situation of meat in the country, the export of livestock has been suspended while the import of livestock and halal meat has been allowed; During July – February 2008-09, a quantity 768.7 tons of meat was imported .The private sector has been encouraged to initiate businesses dealing directly with cattle farmers there by eliminating middle men and thus reducing costs. District governments routinely check and control prices of meat and those who sell above than Government fixed price are taken to task. Provincial governments have been requested to check the unauthorized movement of live animals across Pakistan's border with Afghanistan and Iran. Duty free import of dairy and livestock machinery / equipment has been allowed to encourage the establishment of value added industry in the livestock sector.

f) In order to facilitate the establishment of a value chain industry, the Government has allowed the import of poultry meat processing machinery/ equipment at zero percent custom duty. This will increase the shelf life of poultry meat and limiting middle man exploitation of farmers and consumers as well as assist in stabilizing chicken prices to some extent. These measures should help in increasing poultry production in the country while stabilizing the price.

7.10 Outlook of Inflation

Average inflation for Fiscal year 2008-09 is expected to be around 21 percent, with the end of year inflation in June forecasted to around 14 percent. As most countries around the world are experiencing low levels of inflation, Pakistan remains unique in that its inflation remains stubborn with strong downward rigidity.

Demand side influence on the price level is likely to be limited given the mixed trend being observed, as private sector credit has plunged. Supply side or cost factors, on the other hand, are likely to remain as food prices continue to put pressure on domestic consumers. Food is the most important contributor to the overall price trend and fiscal year 2008-09 has shown how it can have a devastating effect. The food price index has been at its highest point in decades, averaging 26.9 percent for the July–April 2009 period, and such prices likely to persist for a year.

SPI index has declined only once in the last ten weeks preceding week ended on June 06, 2009. Fluctuations in the demand and supply of some essential items, such as wheat, wheat flour, sugar, tomatoes, fruits, chicken and onions have kept prices of these items at elevated levels. In particular, the impact of wheat and sugar prices in the coming months will likely have an adverse impact on the inflation rate even if prices of tomatoes, onions and chicken dissipate, making the overall CPI sticky.

The challenge for the Government is to protect the vulnerable groups of society by stabilizing prices of essential items. Medium-to-long term efforts should envisage agricultural reforms so that there can be an increase in supply of essential items through making agricultural land and labor more productive, and having enough quantities of these items to feed the country as well as for export purposes.

The tough economic environment witnessed during Fiscal Year 2008-09 forced Pakistan to induct itself in a Stand-By Arrangement with the IMF. Inflation was at the forefront of Pakistan's economic troubles, as mounting price pressures on the economy and society as a whole took its toll. The Government is currently in the process of stabilizing the economy in the short term while remaining committed to its policy of high growth with stable prices in the long term.

TABLE 7.1 (A)

PRICE INDICIES

A. COMBINED CONSUMER PRICE INDEX BY GROUPS

Groups/ Fiscal Year	General	Food Beverages & Tobacco	Apparel Textile & Footwear	House Rent	*Energy	Household Fur- niture, Equip- ments etc.	*Transport & Commu- nication	Recreation Enter- tainment	Education	Cleaning, Laun- dry & Personal Appearance	Medicare
(Base: 2000-01 = 100)											
1990-91	43.20	42.14	46.42	45.15	38.95	47.82	41.72	48.68	-	43.54	42.73
1991-92	47.41	46.33	51.97	49.46	39.02	51.97	46.25	51.82	-	47.25	46.77
1992-93	52.07	51.84	56.46	54.60	40.00	5.31	50.31	53.31	-	51.55	49.75
1993-94	57.94	57.72	60.29	59.76	44.84	54.78	54.78	56.48	-	59.25	64.27
1994-95	65.48	67.24	67.64	66.19	49.20	59.17	59.17	61.37	-	65.50	69.61
1995-96	72.55	74.05	75.59	72.37	56.99	64.66	64.66	71.00	-	75.01	76.26
1996-97	81.11	82.86	82.82	79.71	64.10	73.43	73.43	80.49	-	85.38	86.10
1997-98	87.45	89.20	86.50	87.38	71.16	76.93	76.93	88.09	-	87.67	90.57
1998-99	92.46	94.46	92.27	93.21	80.95	76.98	76.98	92.20	-	92.81	92.02
1999-00	95.78	96.56	97.31	97.15	90.36	81.06	81.06	96.46	-	97.79	93.14
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	103.54	102.50	103.23	102.80	107.76	103.80	103.80	106.30	104.97	102.50	102.37
2002-03	106.75	105.40	106.75	103.80	118.39	105.29	105.29	107.21	109.72	103.37	105.59
2003-04	111.63	111.74	109.69	108.20	120.26	115.72	115.72	106.08	114.19	111.29	106.89
2004-05	121.98	125.69	112.98	120.42	128.46	117.33	120.18	105.86	117.55	115.90	107.94
2005-06	131.64	134.39	117.58	132.36	147.24	124.25	130.99	105.65	125.03	119.49	110.66
2006-07	141.87	148.21	123.70	141.21	156.65	131.64	134.63	105.76	133.82	124.55	120.91
2007-08	158.90	174.36	133.79	154.47	165.17	141.08	138.66	107.86	140.88	138.28	132.23
Jul-Apr											
2007-08	155.74	169.49	132.44	152.77	162.12	139.66	135.95	106.19	139.33	136.15	130.36
2008-09	190.54	214.59	152.13	178.42	202.89	158.56	176.10	119.69	162.66	161.63	146.57

Note: The CPI 1990-91 base year series have been converted into series with a base of 2000-01.

(Contd.)

(1) The Recreation, Entertainment and Education Group has been split into two groups namely (i) Recreation & Entertainment Group; (ii) Education

(2) The nomenclature of Medicine Group has been changed to Medicare Group.

* Transport & Energy Groups Index is available from July 2003 and onward while prices from 1990-91 upto June 2003 in respect of these two Groups have been converted in to index

TABLE 7.1 (B)

HEADLINE & CORE INFLATION

	Indices				Headline & Core Inflation			
Year	General	Food	Non-Food	*Core	General	Food	Non-Food	*Core
1991-92	47.41	46.33	48.52	48.84	10.58	10.64	10.52	10.52
1992-93	52.07	51.84	52.31	52.51	9.83	11.74	7.81	7.5
1993-94	57.94	57.72	58.18	58.21	11.27	11.34	11.22	10.9
1994-95	65.48	67.24	64.09	64.43	13.02	16.67	10.17	10.7
1995-96	72.55	74.05	71.36	71.46	10.79	10.13	11.34	10.9
1996-97	81.11	82.86	79.73	79.62	11.80	11.89	11.73	11.4
1997-98	87.45	89.20	86.07	85.60	7.81	7.65	7.94	7.5
1998-99	92.46	94.46	90.89	89.47	5.74	5.90	5.61	4.5
1999-00	95.78	96.56	95.16	92.59	3.58	2.23	4.69	3.5
2000-01	100.00	100.00	100.00	100.00	4.41	3.56	5.09	4.2
2001-02	103.54	102.50	104.28	103.76	3.54	2.44	4.28	2.0
2002-03	106.75	105.40	107.66	106.43	3.10	2.89	3.24	2.5
2003-04	111.63	111.74	111.55	110.43	4.57	6.01	3.62	3.8
2004-05	121.98	125.69	119.47	117.95	9.28	12.48	7.10	6.8
2005-06	131.64	134.39	129.77	126.82	7.92	6.92	8.63	7.5
2006-07	141.87	148.21	137.58	134.35	7.77	10.28	6.02	5.9
2007-08	158.90	174.36	148.45	145.60	12.00	17.65	7.90	8.4
Jul-Apr								
2007-08	155.74	169.49	146.44	143.78	10.27	15.03	6.82	7.5
2008-09	190.54	214.59	174.27	169.41	22.35	26.61	19.01	17.8

Note: Core Inflation is defined as overall inflation adjusted for food and energy.

TABLE 7.1 (C)

PRICES INDICES

	B. Wholesale Price Index by Groups						3. Sensitive	
Groups/ Fiscal Year	General	Food	Raw Materials	Fuel, Lighting & Lubricants	Manufac-tures	Building Materials	Price Indi-cator	4. GDP Deflator
1991-92	44.84	45.42	43.78	34.09	52.38	56.72	46.26	224.33
1992-93	48.14	50.24	48.67	34.83	54.63	57.97	51.22	244.28
1993-94	56.03	57.23	62.55	40.81	63.67	66.47	57.26	274.73
1994-95	65.00	67.50	72.16	44.90	73.40	81.04	65.85	312.60
1995-96	72.22	75.44	75.95	52.95	79.88	87.33	72.90	338.48
1996-97	81.62	84.37	87.01	62.17	89.41	98.63	81.98	388.00
1997-98	86.99	90.45	93.81	69.65	91.62	98.62	88.01	413.39
1998-99	92.51	96.55	103.21	75.81	94.45	99.62	93.68	437.59
1999-00	94.15	97.09	92.39	83.16	98.76	97.15	95.39	100.00
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	108.02
2001-02	102.01	101.95	100.31	103.14	101.87	101.10	103.37	110.71
2002-03	107.77	105.62	115.51	115.95	103.67	102.90	107.06	115.61
2003-04	116.29	112.99	135.12	119.23	111.83	126.48	114.38	124.55
2004-05	124.14	125.03	110.44	138.01	113.05	143.79	127.59	133.30
2005-06	136.68	133.78	121.93	174.57	116.27	144.18	136.56	147.28
2006-07	146.17	145.67	138.85	184.10	119.91	151.93	151.35	158.60
2007-08	170.15	173.27	156.57	223.34	128.33	177.18	176.78	184.33
Jul-Apr								
2007-08	165.17	168.48	153.62	212.79	126.80	170.18	171.73	
2008-09	200.58	212.52	181.86	258.79	140.56	217.63	216.95	226.09

Source: Federal Bureau of Statistics

Note: 1) WPI and SPI 1990-91 base year series have been converted into series with a base of 2000-01
2) GDP Deflator base year 1980-81 = 100 has been changed with 1999-2000 = 100 as new base year

TABLE 7.2

MONTHLY PERCENT CHANGES IN CPI, WPI AND SPI

(Percent)

Months	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
A. CONSUMER PRICE INDEX (C.P.I) converted into Base year 2000-01														
Jul	1.38	1.40	0.62	0.86	0.69	0.56	0.52	1.09	0.57	1.38	1.62	1.61	1.01	3.34
Aug	2.02	1.30	0.65	0.87	0.47	-0.06	0.75	0.31	0.66	0.58	0.04	1.25	1.32	2.14
Sep	0.90	1.16	0.63	0.11	0.38	0.98	0.14	0.19	0.60	0.38	0.50	0.32	2.13	0.97
Oct	0.11	1.20	0.40	0.49	0.92	0.45	0.53	0.16	1.47	1.19	0.94	0.36	1.23	2.12
Nov	1.07	1.21	0.74	0.48	0.09	0.9	0.32	0.31	0.60	1.12	0.76	0.73	0.14	-0.12
Dec	0.67	0.87	0.11	0.24	-0.11	-0.45	-0.61	-0.24	0.90	-0.85	-0.27	0.47	0.58	-0.50
Jan	0.37	2.17	-0.05	-0.18	0.2	-0.16	0.06	0.06	-0.09	0.97	1.20	-0.88	1.91	-0.42
Feb	0.70	1.09	0.36	0.38	-0.02	-0.08	0.34	0.47	-0.34	0.99	0.33	1.04	0.49	0.95
Mar	1.35	-0.45	1.77	0.35	0.88	0.48	1.36	0.04	1.02	1.29	0.23	0.49	3.08	1.37
Apr	0.81	2.39	0.45	0.27	0.56	0.34	0.33	0.33	0.96	1.74	1.02	0.31	3.04	1.41
May	0.37	-0.20	0.15	-0.07	-0.11	-0.45	-0.67	-0.29	0.69	-0.44	0.45	0.92	2.69	
Jun	0.11	-0.31	0.47	-0.16	1.05	0.01	0.48	-0.21	1.12	0.10	0.59	0.20	2.10	
B. WHOLESALE PRICE INDEX (W.P.I.) with Base 1990-91														
Jul	0.99	1.59	0.33	1.14	0.07	-0.08	1.78	1.51	1.31	-1.00	1.99	1.42	1.70	4.35
Aug	1.77	1.82	0.14	1.39	0.18	0.75	0.30	1.66	0.98	-1.08	1.04	0.78	1.17	2.45
Sep	0.42	-0.05	0.33	-0.13	0.52	1.55	0.21	0.59	0.34	0.40	0.54	0.44	1.62	-0.27
Oct	-0.31	0.27	0.42	0.14	-0.29	0.90	-1.15	0.54	2.72	1.42	0.77	-0.49	1.82	-1.87
Nov	0.68	2.38	0.53	0.79	-1.44	1.18	-0.97	1.66	1.10	0.39	0.18	0.89	1.63	-5.11
Dec	0.35	1.39	0.30	0.03	-0.31	1.15	-0.65	0.70	1.39	-0.25	-0.13	0.37	-0.06	-1.97
Jan	1.12	2.30	0.01	0.59	0.30	-0.84	0.17	0.38	0.21	1.53	1.28	-1.20	1.78	0.15
Feb	0.70	0.65	0.34	0.60	1.05	-0.39	0.19	2.39	0.40	1.52	0.77	0.51	1.24	0.66
Mar	1.71	-0.29	1.73	0.28	2.12	-0.16	1.28	0.15	1.77	1.39	0.07	1.02	3.99	0.42
Apr	1.65	1.48	0.50	-0.53	0.38	0.66	0.35	-1.17	0.32	1.61	1.23	1.16	4.30	1.68
May	-0.19	0.35	0.50	0.21	-0.18	-1.38	-0.12	-1.09	0.98	-0.59	0.35	1.09	4.97	
Jun	1.17	-0.41	0.08	0.02	1.01	1.18	1.07	-0.27	0.59	0.71	63.00	1.10	2.98	
C. SENSITIVE PRICE INDICATOR (S.P.I.) converted into Base year 2000-01														
Jul	1.30	1.72	0.15	0.91	0.33	0.77	1.25	1.48	1.34	2.43	1.35	1.36	1.46	3.77
Aug	1.73	0.98	0.14	1.36	0.49	0.70	1.23	1.09	0.70	1.18	0.26	2.18	1.67	2.34
Sep	0.02	1.42	0.48	-0.49	0.16	0.99	0.91	1.04	0.75	0.29	0.23	0.41	2.63	0.51
Oct	-0.62	0.99	0.36	0.59	-0.45	0.63	0.54	-0.24	2.34	0.53	0.05	0.56	1.47	2.70
Nov	0.66	1.46	0.94	1.63	0.13	0.39	0.34	1.09	2.64	1.94	0.88	2.34	0.85	-1.35
Dec	1.03	0.78	0.08	-0.31	-0.94	-1.16	-0.73	-0.64	1.31	-0.98	-0.24	0.76	1.45	-1.69
Jan	-0.12	1.50	-0.24	-0.78	-0.23	0.15	0.15	0.23	-0.69	0.91	0.80	-1.32	2.67	-1.42
Feb	0.65	1.38	0.30	0.55	0.30	-0.55	1.29	0.42	-0.61	0.54	1.46	0.09	-1.33	0.85
Mar	1.24	-1.36	0.51	-0.25	0.24	0.27	0.57	-0.01	1.30	1.07	0.84	-0.01	3.42	0.64
Apr	1.18	3.78	0.69	-0.45	0.77	-0.13	-0.62	-0.23	-0.51	1.29	1.33	0.09	5.48	1.68
May	0.59	0.47	0.13	0.73	0.92	-0.75	-1.69	-0.61	2.14	-1.02	0.65	1.37	5.41	
Jun	0.82	-0.19	2.01	0.57	1.59	0.70	1.37	0.24	1.31	0.70	0.45	1.48	1.56	

Source: Federal Bureau of Statistic.

Note: CPI, SPI and WPI 1990-91 base year series converted into Base Year 2000-01.

TABLE 7.3 (A)

PRICE INDICES BY CONSUMER INCOME GROUPS

Income Group/ Fiscal Year	All Income Groups	Upto Rs 3000	Rs 3001 to 5000	Rs 5001 to 12000	Above Rs 12,000
			Spliced with Base Year 2000-01 = 100		
1990-91	43.20	42.43	42.85	43.18	43.09
1991-92	47.41	47.03	47.40	47.70	47.51
1992-93	52.07	52.03	52.13	52.11	51.62
1993-94	57.94	57.80	58.00	58.05	57.61
1994-95	65.48	65.86	65.73	65.16	64.18
1995-96	72.55	72.86	72.76	72.22	71.42
1996-97	81.11	81.37	81.41	80.71	79.71
1997-98	87.45	87.81	87.43	87.07	86.05
1998-99	92.46	92.71	92.67	92.18	91.41
1999-00	95.78	95.66	95.85	95.70	95.50
2000-01	100.00	100.00	100.00	100.00	100.00
2001-02	103.54	102.97	104.88	103.44	103.64
2002-03	106.75	105.95	106.70	106.68	106.83
2003-04	111.63	111.61	112.18	111.72	111.39
2004-05	121.98	123.01	123.16	122.26	121.35
2005-06	131.64	132.47	132.44	131.51	131.45
2006-07	141.87	143.52	143.42	142.05	141.19
2007-08	158.90	163.98	163.64	160.24	156.32
Jul-Apr					
2007-08	155.74	159.79	160.00	156.95	153.39
2008-09	190.54	198.79	198.44	193.51	185.56

Source: Federal Bureau of Statistics.

Note: CPI 1990-91 Base Year series have been converted into Base Year 2000-01.

TABLE 7.3 (B)

ANNUAL CHANGES IN PRICE INDICES AND GDP DEFLATOR

Fiscal Year	Consumer Price Index[1]	Wholesale Price Index[2]	Sensitive Price Indicator[1]	Annual GDP Deflator[3]
1990-91	12.66	11.73	12.59	-
1991-92	10.58	9.84	10.54	10.07
1992-93	9.83	7.36	10.71	8.89
1993-94	11.27	16.40	11.79	12.47
1994-95	13.02	16.00	15.01	13.78
1995-96	10.79	11.10	10.71	8.28
1996-97	11.80	13.01	12.45	14.63
1997-98	7.81	6.58	7.35	6.55
1998-99	5.74	6.35	6.44	5.85
1999-00	3.58	1.77	1.83	2.78
2000-01	4.41	6.21	4.84	6.72
2001-02	3.54	2.08	3.37	2.49
2002-03	3.10	5.57	3.58	4.42
2003-04	4.57	7.91	6.83	7.74
2004-05	9.28	6.75	11.55	7.02
2005-06	7.92	10.10	7.02	10.49
2006-07	7.77	6.94	10.82	7.70
2007-08	12.00	16.64	16.81	16.21
Jul-Apr				
2007-08	10.27	13.70	14.09	
2008-09	22.35	21.44	26.33	22.63

* Provisional

Source: Federal Bureau of Statistics

WPI, CPI & SPI Base Year = 1990-91 series have been converted into Base Year 2000-01.

3. GDP Deflator Base Year 1980-81=100 has been changed with 1999-2000 = 100 as new base year.

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Rs/Unit)

Fiscal Year	Wheat (Av.Qlty) Kg	Wheat Flour (Av.Qlty) Kg	Basmati* Rice (Broken Kg	Moong Pulse (Washed) Kg	Gram Pulse (Av.Qlty) Kg	Beef (Cow/ Buffalo with bone) Kg	Chiken (Farm) Kg	Mutton (Goat) (Av.Qlty) Kg	Eggs Hen (Farm) Doz.	Potato (Av.Qlty) Kg	Dry Onion (Av.Qlty) Kg	Tomato (Av.Qlty) Kg
1990-91	3.07	3.66	6.10	12.64	7.85	25.51	..	50.39	13.28	5.19	7.70	12.52
1991-92	3.62	4.20	6.97	16.16	8.70	29.62	..	53.86	15.95	6.32	4.17	8.75
1992-93	3.85	4.44	8.06	17.09	11.35	32.49	..	60.09	15.96	5.77	7.16	11.64
1993-94	4.28	4.93	8.77	17.09	11.72	35.63	..	69.94	18.69	5.81	6.88	14.64
1994-95	5.07	5.78	9.09	20.24	21.77	40.68	..	81.68	20.64	6.32	7.76	18.22
1995-96	5.14	5.90	11.27	21.86	21.67	47.29	..	91.71	21.37	10.45	7.65	14.05
1996-97	6.59	7.32	12.85	21.80	15.00	54.01	..	99.42	24.90	12.08	9.22	14.35
1997-98	7.96	8.64	13.40	28.45	20.22	55.44	57.24	103.37	29.73	9.31	10.45	20.34
1998-99	7.72	8.35	14.50	32.95	22.08	55.83	54.20	106.46	25.98	8.74	15.32	19.60
1999-00	8.19	8.92	15.71	30.05	25.07	56.78	50.90	108.64	24.27	9.38	6.85	15.25
2000-01	8.67	9.80	15.35	30.30	29.52	56.01	50.65	109.38	26.35	9.74	10.72	17.24
2001-02	8.29	9.67	15.49	34.36	34.89	55.19	52.04	111.53	28.57	11.43	9.59	17.12
2002-03	8.73	10.14	18.07	30.46	31.13	61.21	54.01	124.95	30.69	9.43	8.70	13.30
2003-04	10.25	11.71	19.04	27.98	24.17	75.45	57.50	154.31	30.03	8.58	11.09	19.10
2004-05	11.68	13.28	20.19	31.66	29.35	94.83	66.43	185.19	37.45	14.94	13.82	25.03
2005-06	11.55	13.06	20.16	47.28	31.12	106.84	66.08	202.10	35.07	18.18	12.05	19.48
2006-07	11.96	13.64	23.11	56.53	41.38	117.87	74.16	224.07	38.31	17.22	20.95	27.43
2007-08	16.44	18.07	37.77	52.67	44.78	123.30	83.39	236.49	49.45	15.22	16.28	28.50
Jul-Apr												
2007-08	15.76	17.14	34.65	52.08	41.85	122.00	82.93	234.65	49.77	14.80	16.47	31.27
2008-09	23.85	25.39	48.03	50.46	58.83	141.59	103.00	258.36	60.67	20.59	26.53	31.31

.. Not Available

(Contd.)

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data 2001-02 onward is based on 17 centres.

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.) (Rs/Unit)

Fiscal Year	Mustard Oil (Mill) Kg	Vegeta-ble Ghee (Loose) Kg	Rock Salt (Powder) Kg	Red Chillies (Av.Qlty) Kg	Sugar (Open Market) Kg	Gur (Sup. Qlty) Kg	Milk Fresh (Ltr)	Tea in Packet (Sup.Qlty) 250 Gram
1990-91	20.93	19.00	2.00	24.38	11.26	8.24	7.71	20.00
1991-92	25.85	20.53	2.17	31.05	11.62	8.67	8.82	20.04
1992-93	30.26	24.08	2.22	41.08	12.29	10.03	9.90	23.62
1993-94	33.18	29.09	2.25	39.33	12.91	10.49	11.07	27.65
1994-95	43.93	38.99	2.40	70.12	13.74	11.07	12.18	29.08
1995-96	46.50	39.38	2.79	82.32	16.76	14.54	13.67	30.33
1996-97	47.27	42.76	3.13	74.15	21.26	18.67	15.12	38.31
1997-98	49.65	45.78	3.17	62.55	19.54	18.91	16.27	49.88
1998-99	63.43	54.00	3.22	89.05	19.09	17.19	17.71	51.89
1999-00	61.13	49.14	3.35	82.72	21.11	19.81	17.91	48.95
2000-01	56.92	44.82	3.43	66.75	27.11	26.31	18.23	53.73
2001-02	59.01	49.20	3.19	78.34	22.87	23.12	17.92	57.00
2002-03	60.80	55.25	3.21	75.87	20.77	20.45	18.35	61.50
2003-04	63.51	59.84	3.22	73.80	19.01	19.79	19.21	64.68
2004-05	65.63	59.60	3.50	76.64	23.45	23.98	21.28	61.99
2005-06	66.70	58.95	3.94	70.79	31.16	35.90	23.90	62.62
2006-07	76.71	70.81	4.68	94.66	31.85	39.26	26.72	68.39
2007-08	119.71	108.43	5.12	147.84	27.92	32.87	30.45	68.28
Jul-Apr								
2007-08	114.73	103.62	5.06	136.81	27.67	33.16	29.82	66.82
2008-09	144.21	110.69	6.00	148.54	37.45	40.80	35.99	97.47

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data for Period 2001-02 onward is based on 17 centres.

(Contd.)

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSETIAL ITEMS

(Contd.) (Rs/unit)

Fiscal Year	Cigarettes (Pkt)	Coarse Latha (Mtr.)	Voil Printed (Mtr.)	Shoes Gents Concord (Bata)	Firewood (Kikar/ Babul) (40 Kgs.)	Match Box (40/ 50 Sticks) (Each)	Washing Soap 707/555 (Cake)	Life-buoy Soap (Cake)
1990-91	3.48	10.71	25.24	429.95	50.07	0.35	2.49	4.02
1991-92	3.56	12.08	27.65	149.95	55.68	0.44	2.72	4.10
1992-93	3.60	13.46	27.18	149.95	62.31	0.49	3.01	4.64
1993-94	3.61	14.14	28.56	185.78	67.51	0.49	3.52	6.00
1994-95	3.75	15.76	29.26	224.95	71.83	0.50	4.14	6.35
1995-96	3.69	18.31	27.90	299.95	78.54	0.50	5.03	7.29
1996-97	3.90	20.89	30.01	337.70	88.88	0.50	5.95	8.53
1997-98	3.79	22.24	31.34	339.00	95.00	0.50	6.18	8.58
1998-99	4.19	23.20	31.63	342.96	97.65	0.50	6.57	9.21
1999-00	5.04	23.76	32.20	381.29	99.93	0.50	6.81	9.50
2000-01	5.01	24.11	33.04	399.00	104.04	0.50	6.90	9.50
2001-02	5.82	26.81	33.30	399.00	99.30	0.51	7.37	10.02
2002-03	6.06	26.84	33.74	428.17	104.20	0.51	7.48	11.00
2003-04	6.08	28.80	34.52	499.00	118.40	0.51	7.48	10.82
2004-05	6.90	32.08	36.13	492.33	135.96	0.53	7.47	14.00
2005-06	7.23	34.26	36.74	399.00	166.03	0.62	7.73	13.93
2006-07	7.98	35.05	37.90	429.00	191.72	0.71	8.13	14.18
2007-08	8.38	39.04	40.29	499.00	220.74	0.92	9.78	17.38
Jul-Apr								
2007-08	8.38	38.44	39.51	499.00	217.40	0.90	9.49	16.91
2008-09	9.02	44.68	45.71	499.00	261.93	1.00	12.49	21.51

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres.

(Contd.)

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.) (Rs/unit)

Fiscal Year	Electric Bulb (60-W)	Cooked Beef Plate	Cooked Dal Plate	Rice Irri-6 Kg	Masoor Pulse Kg	Mash Pulse Kg	Garlic Kg	Cooking Oil Dalda 2.5 Ltr	Vegetable Ghee 2.5 Kg
1990-91	11.03	8.22	5.52	4.84	18.77	14.19	36.02	57.71	49.07
1991-92	11.98	9.35	6.08	5.66	23.70	15.75	23.15	62.83	51.74
1992-93	12.00	10.51	6.59	6.41	21.75	14.95	18.01	70.74	62.07
1993-94	12.28	11.59	7.28	6.62	19.87	14.91	27.02	87.22	77.95
1994-95	13.00	13.17	8.36	7.07	20.20	23.93	31.65	116.83	104.62
1995-96	13.29	14.48	9.43	9.09	28.01	32.79	27.14	122.50	109.82
1996-97	14.94	15.84	9.95	9.99	30.79	31.82	34.34	134.64	119.06
1997-98	14.96	16.44	10.40	10.48	34.49	28.59	36.85	148.95	131.98
1998-99	15.42	17.85	11.12	12.09	35.84	30.40	38.67	168.27	157.94
1999-00	16.00	18.30	11.35	12.51	36.03	38.38	30.16	166.93	164.95
2000-01	14.10	18.53	11.87	11.56	36.97	48.38	28.07	155.64	153.43
2001-02	14.00	18.58	12.42	11.51	38.41	44.25	39.93	170.97	169.24
2002-03	13.30	18.88	13.09	12.23	38.41	37.56	34.11	199.68	196.77
2003-04	12.69	20.95	13.86	13.06	35.40	35.57	32.82	203.98	200.28
2004-05	12.07	24.21	14.71	15.41	43.11	38.52	44.22	204.99	204.15
2005-06	11.43	26.07	15.65	16.05	45.01	52.91	58.09	204.41	203.63
2006-07	11.95	29.80	17.84	17.59	44.54	70.51	61.81	224.48	224.06
2007-08	12.68	33.26	20.46	29.32	71.41	71.36	46.18	316.32	312.97
Jul-Apr									
2007-08	12.60	32.66	19.87	25.49	64.08	71.07	48.17	301.92	299.41
2008-09	14.30	39.83	25.38	40.31	123.46	75.54	42.04	374.11	359.04

Note: (Contd.)

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.) (Rs/Unit)

Fiscal Year	Curd Kg	Tea Pre-pared Cup	Banana Doz.	Lawn Hussain Mtr.	Shirting Hussain Mtr.	Shoes Lady Bata	Chappal Gents Spang	Bread Plain M.Size	Milk Pow-der Nido 500 grams	
1990-91	9.98	1.35	11.66	33.65	30.98	156.20	33.97	4.34	217.27	
1991-92	11.22	1.54	14.71	37.64	35.79	174.95	36.95	5.01	74.59	
1992-93	12.49	1.72	19.06	39.42	39.54	174.95	36.95	5.78	84.96	
1993-94	13.86	1.99	19.28	42.38	41.90	181.68	46.31	6.55	90.40	
1994-95	15.25	2.20	21.04	44.63	45.08	191.95	55.95	7.40	105.47	
1995-96	17.16	2.55	21.36	46.25	50.59	211.90	63.83	7.99	79.01	
1996-97	18.74	3.02	20.37	52.03	53.58	248.03	78.70	9.09	91.00	
1997-98	19.91	3.30	20.18	56.02	55.25	249.00	79.00	10.31	102.40	
1998-99	21.75	3.61	21.25	72.17	56.85	269.42	79.00	10.39	105.82	
1999-00	21.87	3.74	20.88	76.27	58.28	319.00	79.00	10.96	110.00	
2000-01	22.43	4.03	22.11	77.77	59.10	319.00	79.00	11.17	114.03	
2001-02	21.90	4.18	22.14	70.79	55.17	319.00	79.00	11.14	116.00	
2002-03	23.35	4.46	21.96	69.92	55.59	342.23	79.00	11.16	88.00	**
2003-04	23.33	4.72	23.01	69.96	56.78	364.00	79.00	11.77	94.75	
2004-05	25.75	5.12	25.11	72.61	59.94	252.33	86.53	13.25	102.62	
2005-06	28.38	5.77	28.18	76.42	62.36	299.00	89.00	14.23	108.50	
2006-07	31.34	6.31	32.51	79.69	65.45	299.00	92.00	15.34	121.47	
2007-08	35.76	6.91	35.43	83.45	71.01	299.00	101.50	18.43	145.93	
Jul-Apr										
2007-08	35.00	6.80	32.36	82.15	70.49	299.00	100.00	17.93	143.95	
2008-09	42.75	8.33	39.02	90.33	78.14	371.00	127.00	23.91	167.18	

Note: Data for Period 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres.

Source : Federal Bureau of Statistics.

** The unit has changed from 500 GM to 400 GM

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS (Average of 12 Centers)

(Contd.)

Fiscal Year	Kerosene (per ltr.)	Gas Charges (100 cf)	Elect Charges (upto 50 units)	Petrol Super (per ltr.)	Tele Local Call Charges (per Call)
1990-91	2.57	-	-	-	-
1991-92	5.90	-	-	-	-
1992-93	5.96	-	-	-	-
1993-94	7.01	-	-	-	-
1994-95	7.36	-	-	-	-
1995-96	8.27	-	-	-	-
1996-97	10.66	-	-	-	-
1997-98	11.60	-	-	-	-
1998-99	11.72	-	-	-	-
1999-00	13.00	231.44	1.28	28.23	2.10
2000-01	16.84	248.55	1.46	29.34	2.22
2001-02	18.58	259.26	2.18	31.60	2.31
2002-03	22.48	259.35	2.45	33.08	2.31
2003-04	24.95	79.45 *	2.54	33.69	2.31
2004-05	29.11	84.6*	2.47	40.74	2.31
2005-06	36.19	88.92	2.14	55.12	2.31
2006-07	39.09	99.79	2.49	56.00	2.31
2007-08	43.44	97.17	2.76	57.83	2.31
Jul-Apr					
2007-08	41.71	96.49	2.69	55.59	2.31
2008-09	67.52	96.23	3.16	69.72	4.50

Note : Data for Period 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres.

- : Not Available

* : The unit has been changed form 100 CM to 100 CF

Source: Federal Bureau of Statistics.

TABLE 7.5

INDICES OF WHOLESALE PRICES OF SELECTED COMMODITES (Base Year 2000-01 = 100)

Fiscal Year	Wheat	Rice	Gram (Whole)	Sugar Refined	Vegetab-le Ghee	Tea	Meat	Vegeta-bles	Fresh Milk	Cotton	Motor Fuels
1991-92	116.48	110.40	116.50	103.64	105.52	100.82	110.71	96.82	110.71	106.04	102.50
1992-93	122.77	122.28	148.18	110.57	123.78	119.10	121.02	107.36	126.15	119.20	103.37
1993-94	136.04	130.94	220.32	115.96	151.04	136.40	140.28	143.43	142.92	168.20	123.39
1994-95	161.26	141.25	313.71	123.67	205.90	148.50	162.40	155.19	163.96	207.62	124.80
1995-96	163.26	167.12	303.57	152.97	208.27	157.91	162.86	173.71	190.39	210.57	139.42
1996-97	206.13	185.50	199.41	192.12	224.41	197.75	201.85	188.93	218.18	242.89	173.35
1997-98	246.80	197.08	260.78	175.98	241.78	255.96	210.00	231.40	216.25	245.84	188.14
1998-99	241.28	239.88	307.41	173.03	285.78	266.35	214.95	196.69	245.85	261.55	204.46
1999-00	258.66	245.11	370.24	191.58	249.13	254.60	218.60	195.92	252.28	213.72	239.48
2000-01	270.76	227.63	430.67	250.69	231.63	270.93	220.17	201.60	252.86	253.59	317.82
(Base Year 2000-01 = 100)											
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	96.10	109.64	84.23	82.36	114.12	99.28	102.04	107.57	99.79	91.31	102.90
2002-03	101.12	126.09	71.40	75.32	130.34	96.93	111.10	101.65	100.50	110.46	106.80
2003-04	191.89	138.50	74.17	67.72	141.44	96.94	137.55	116.00	105.41	144.44	111.03
2004-05	137.24	153.40	95.52	85.18	137.41	93.78	169.19	144.06	113.43	95.23	134.78
2005-06	135.61	154.78	127.43	120.70	136.94	93.99	185.95	160.14	122.83	103.91	181.46
2006-07	139.21	175.54	147.79	118.80	164.73	100.48	201.01	161.14	133.31	110.92	181.38
2007-08	190.75	285.63	139.22	98.78	249.36	100.92	207.99	163.85	154.42	136.71	192.88
Jul-Apr											
2007-08	184.30	261.29	146.14	88.79	285.66	104.30	212.64	164.42	157.80	143.57	184.39
2008-09	277.28	364.56	180.78	137.71	255.36	134.15	238.75	208.48	183.33	151.95	220.85

(Contd.)

TABLE 7.5

INDICES OF WHOLESALE PRICES OF SELECTED COMMODITIES Base Year (2000-01 = 100)

Fiscal Year	Other Oils	Fire Wood	Cotton Yarn	Matches	Soaps	Ferti-lizers	Trans-port	Leather	Timber	Cement
1991-92	100.39	111.43	105.40	107.59	105.27	109.71	103.24	109.57	114.90	108.00
1992-93	101.23	124.16	103.44	117.63	116.70	113.37	116.55	109.58	130.28	114.13
1993-94	120.72	133.68	137.83	120.69	140.04	153.70	135.89	115.54	144.50	137.61
1994-95	122.47	142.95	173.62	120.73	146.33	178.99	167.72	124.50	161.57	169.92
1995-96	141.59	153.83	184.24	122.99	171.03	198.95	216.71	138.98	175.41	166.18
1996-97	209.46	175.15	201.58	184.13	209.33	247.69	234.60	162.65	202.36	200.32
1997-98	228.68	190.80	199.64	208.14	200.54	256.19	234.81	152.12	220.08	212.05
1998-99	229.82	199.33	203.63	208.14	212.66	277.59	236.57	128.27	227.06	216.99
1999-00	272.45	207.73	200.74	205.67	222.75	316.24	255.29	133.20	239.02	212.65
2000-01	383.08	214.21	207.98	206.29	224.58	302.96	265.68	140.07	253.52	215.14
Base Year 2000-01 = 100										
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	103.59	101.33	95.35	100.55	103.89	102.26	106.66	100.00	101.45	100.42
2002-03	128.10	103.94	98.06	100.55	109.00	113.59	106.82	95.23	101.25	102.77
2003-04	139.86	115.41	121.03	105.61	110.68	123.64	108.70	93.64	121.75	102.45
2004-05	169.56	127.94	106.36	107.66	122.81	140.95	110.39	102.77	140.93	104.82
2005-06	227.55	152.23	108.07	107.67	122.05	156.16	111.71	110.65	142.05	122.67
2006-07	237.63	176.28	112.66	107.67	127.73	147.70	114.94	111.86	162.09	127.42
2007-08	264.00	205.70	112.15	111.86	147.59	215.18	114.99	121.84	170.93	111.61
Jul-Apr										
2007-08	319.08	220.14	112.15	117.33	157.76	263.31	116.88	123.91	178.38	117.84
2008-09	371.99	245.42	101.60	124.26	180.91	294.32	124.01	128.74	207.85	146.06

Source: Federal Bureau of Statistics

Chapter No. 8

Trade and Payments

8.1 INTRODUCTION

The external sector developments in 2008-09 followed a rollercoaster ride patterns: started with highest ever oil prices and unbearable commodity prices, punctuating the highs in October 2008 when current account crossed $2 billion mark on the back of soaring energy prices and uncertainties, gradually caught into the financial crisis and accentuating the lows in February 2009 with a current account surplus. The year started with first quarter current account deficit of $3.8 billion and reached to third quarter deficit of just $0.3 billion. Notwithstanding this positive development, the external sector is still prone to some downside risk as the oil prices started accelerating and outlook for worker's remittances is subject to uncertainties.

Pakistan's greater integration with the world economy is reflected by the trade openness indicator, the trade to GDP ratio, which has increased from 25.8 per cent of GDP in 1999-2000 to 36.0 per cent of GDP in 2007-08. If services trade is included, the increase is higher at 42 per cent of GDP in 2007-08 from 28 per cent of GDP in 1999-2000 reflecting greater degree of openness. With enhanced level of globalization Pakistan economy is likely to face some fallout of the global financial crisis which is impacting all global and regional players though intensity of the impact varies across countries depending upon their starting levels of macroeconomic indicators like inflation, indebtness, enabling environment etc. Pakistan is awkwardly placed to face the challenges of the global economic meltdown given its high level of external debt and unbridled inflation.

The global economic downturn is affecting the Pakistan economy through three indirect channels: the sharp drop in oil prices, has led to sharp easing of import demand pressures; the contraction in global demand, trade, and related activity, is impacting adversely demand for exports and remittances from EU and US in particular; and constricted access to the international credit markets and lower investor appetite for risk is affecting capital inflows, depressing local asset prices, and reducing already low investment level. Pakistan economy needs an integrated policy to deal with external sector vulnerabilities like removing structural rigidities in the exports and imports sectors.

8.2 EXPORTS[1]:

Export during the current fiscal year (July-April 2008-09) amounted to $ 14762.2 million as against $15222.9 million, thereby showing a decline of 3.0 percent. The major negative contributor to this year's exports came from the textile sector and petroleum group which witnessed decrease of 9.3 percent and 27.9 percent, respectively. However, non-textile exports have shown positive growth of 5.3 percent which is more than offset by negative contributions by textile sector. In spite of overall decrease in exports, the exports of food group on the back of stellar growth performance of rice registered healthy growth of 24.9 percent and all other items posted an increase of 16.9 percent during period under review. Further details suggest that with absolute increase of $ 510.3 million in

[1] The analysis of exports, imports and trade balance is based on trade data released by FBS on customs basis which is slightly different from the export, import and trade data incorporated by the SBP in BOP .

exports of food group contributed 110.8 percent in overall exports accounted for 17.3 percent in overall exports. With the exception of oil seed nut & kernels each component of food has registered an impressive growth during July-April 2008-09 compare to same period last year [See Table-8.1].

Table 8.1: Structure of Exports ($ Millions)

Particulars	July-April		% Change	Absolute Increase/ Decrease	% Share
	2008-09*	2007-08			
A. Food Group	2,560.3	2,050.0	24.9	510.3	17.3
Rice	1,680.3	1,237.0	35.8	443.3	11.4
Fish & Fish Preparation	196.1	167.2	17.3	28.9	1.3
Fruits	136.6	128.5	6.3	8.1	0.9
Spices	25.7	21.8	18.0	3.9	0.2
Oil Seeds, Nuts & Kernels	34.9	35.1	-0.6	-0.2	0.2
Meat & Meat Preparation	59.8	40.5	47.6	19.3	0.4
All other Food Items	426.8	419.8	1.7	7.0	2.9
B. Textile Manufactures	7,898.9	8,706.4	-9.3	-807.5	53.5
Raw Cotton	81.5	58.1	40.3	23.4	0.6
Cotton Yarn	909.9	1,082.9	-16.0	-173.1	6.2
Cotton Cloth	1,638.5	1,626.3	0.8	12.3	11.1
Knitwear	1,427.1	1,529.7	-6.7	-102.6	9.7
Bed Wear	1,390.8	1,583.9	-12.2	-193.1	9.4
Towels	517.0	500.7	3.3	16.3	3.5
Readymade Garments	1,010.2	1,183.6	-14.7	-173.4	6.8
Made-up Articles	408.7	436.0	-6.3	-27.3	2.8
Other Textile Materials	515.2	705.3	-27.0	-190.1	3.5
C. Petroleum Group	702.4	974.0	-27.9	-271.6	4.8
Petroleum Products	383.1	378.5	1.2	4.6	2.6
Petroleum Top Naptha	319.1	595.4	-46.4	-276.3	2.2
D. Other Manufactures	2,938.8	2,926.2	0.4	12.6	19.9
Carpets. Rugs & mats	126.0	182.1	-30.8	-56.1	0.9
Sports Goods	229.4	245.2	-6.4	-15.8	1.6
Leather Tanned	248.0	338.6	-26.8	-90.6	1.7
Leather Manufactures	458.4	582.1	-21.3	-123.8	3.1
Surgical G. & Med.Inst.	207.4	214.5	-3.3	-7.1	1.4
Chemicals & Pharma. Pro.	509.7	499.9	2.0	9.8	3.5
Engineering Goods	211.9	161.3	31.4	50.6	1.4
Cement	470.1	308.1	52.6	162.0	3.2
E. All Other Items	661.7	566.3	16.9	95.4	4.5
Total	**14762.2**	**15222.9**	**-3.0**	**-460.7**	**100.0**

*** Provisional** ***Source: FBS***

Rice remained the largest contributor to this year food and overall exports performance, contributing additional $ 443.3 million amount to this years exports and grew by 35.8 percent. Rice has improved its stake in total exports to 11.4 percent. This impressive performance of rice is owing to enormous surge in international prices of rice. Without rice the exports growth could have worsen to negative 6.5 percent and it has actually neutralized almost half of contraction in exports. This has again raises questions regarding structure of exports and reinforces the need to resort to diversification of exports. Although the international prices of rice has fallen from its peak level attained last year, the unit value of rice is still up by 48.4 percent. In quantitative terms the exports of rice has witnessed 8.5 percent negative growth owing to higher domestic prices, increased competition in the form of improved international supply and domestic supply constraints.

Textile's share in overall exports has gone down substantially but it still account for lion's share at 53.5 percent of total exports. Textile manufacturers witnessed yet another year of depressed performance and posted negative growth of 9.3 percent during the July-April 2008-09 over corresponding period of last year. With the exception of raw cotton, cotton cloth and towels all other items of textile manufacture exhibited negative growth, during the July-April 2008-09. Textile group remains the major drain on negative growth in overall exports. In absolute terms, textile sector exports decreased by $ 807.5 million during the July-April 2008-09 to comparable period of last year. This dismal performance of textile can be attributed to both price and quantity effects. During period under review global economic meltdown impacted global demand leads which resulted in declining demand for textile manufactures. Other contributory factors include; energy supply constraint, political and law and order situation and constricted credit availability. The share of textile sector has declined from 57.9 percent last year to 53.5 percent this year and it is persistently posting negative growth even before the outbreak of global economic meltdown as well as industrial slowdown. The negative growth has been witnessed in most categories of textile manufactures.

On the other hand ***non-traditional items*** are inching up their share by posting healthy growth. This implies where our comparative advantage lies, and Pakistan needs to further explore and develop these areas. The product and market-wise diversification can be crucial in this regard. Notwithstanding, good growth in non-traditional sector, the structural problems of the textile industry need to be redressed.

Export of petroleum group decreased by 27.9 percent in this period (July-April 2008-09), however its share in total exports remained intact at 4.8 percent owing to across the board deceleration. In absolute terms petroleum group witnessed a decline of $ 271.6 million. Among the categories of petroleum exports, the exports of petroleum products increased by $ 4.6 million on the back of 10.7 percent increase in its unit value and on the other hand petroleum top *naptha* decreased by the amount of $ 276 million due to lower quantum and unit value compared to same period last year. Exports of petroleum products and petroleum top *naptha* have declined by 76.3 percent and 47.7 percent, respectively during the month of April 2009.

Export of other manufactures grew by 0.4 percent in the period, its stake stood at 19.9 percent in total exports, and contributed 2.7 percent to this year overall export growth. The major contributors behind this positive growth of other manufactures are cement, which grew by 52.6 percent and added $ 162.0 million to the total exports on the back of increased external demand and enhanced capacity utilization followed by engineering goods which grew by 31.4 percent. Because of their lower weight, even their phenomenal growth could not impact overall quantum of the exports. The unit value of exports of cement exhibits an increase of 8.2 percent during the period under review.

The performance of ***all other items*** has shown significant increase of 16.9 percent and in absolute terms added $ 95.4 million to overall exports during July-April 2008-09.

8.2.i Trend in Monthly Exports

The trend in month-wise exports during July-April 2008-09 has two distinct phases. In the first phase (July-Oct 2008), they remain positive but since November 2008, the exports witnessed downward trajectory. Exports averaged at $ 1477.7 million per month during July-April 2008-09 as against average of $ 1522.3 million per month of the comparable period last year. Exports fell by 23.9 percent in April 2009 over April 2008 which has serious repercussions for the overall pace of the economic activity. In April 2009 almost all groups of exports witnessed negative growth except the category of all other items which increased by 50.5 percent. The decline was most pronounced in the textile sector with contraction of $ 213.8 million during April 2009 [See Table-8.2].

8.2.ii Concentration of Exports

Export growth is hindered owed to lack of diversification in export goods. The trend of Pakistan's export of major items remain more or less same having concentrated on five items namely cotton manufactures, leather, rice, synthetic textile and sports goods [See Table 8.3]. These five categories accounts for 73.5 percent of total exports during July-March 2008-09. Within these few items cotton manufactures remain major contributor in total exports. The exports structure suggests that the intensity of concentration is changing slowly. The share of exports of other item was 17.4 percent in 2002-03 which now increased to 26.5 percent of total exports during July-March 2008-09. Likewise, more recently, the share of rice & cotton manufactures contributed 11.3 percent and 53.3 percent in total exports, respectively during July-March 2008-09. The share of rice increased from 7.4 percent in last year and cotton manufacturers decreased from 57.5 percent of last year.

Table 8.2: Monthly Exports *($ Million)*

Month	**2007-08**	**2008-09***
July	1,471.6	1,879.4
August	1,464.6	1,564.0
September	1,484.5	1,772.1
October	1,378.2	1,475.2
November	1,539.2	1,527.1
December	1,320.2	1,256.5
January	1,464.2	1,360.7
February	1,538.1	1,266.2
March	1,771.6	1,313.1
April	1,790.8	1,362.5
Monthly Average	**1,522.3**	**1,477.7**

Source: FBS

Table 8.3:Pakistan's Major Exports *(Percentage Share)*

Commodity	**01-02**	**02-03**	**03-04**	**04-05**	**05-06**	**06-07**	**07-08**	**July-March**	
								07-08	**08-09***
Cotton Manufacturers	59.4	63.3	62.3	57.4	59.4	59.7	51.9	57.5	53.3
Leather	6.8	6.2	5.4	5.8	6.9	5.2	5.8	6.8	5.6
Rice	4.9	5	5.2	6.5	7	6.6	9.8	7.4	11.3
Synthetic Textiles	4.5	5.1	3.8	2.1	1.2	2.5	2.1	2.5	1.7
Sports Goods	3.3	3	2.6	2.1	2.1	1.7	1.6	1.6	1.6
Sub-Total	78.9	82.6	79.3	73.9	76.6	75.7	71.2	75.8	73.5
Others	21.1	17.4	20.7	26.1	23.4	24.3	28.8	24.2	26.5
Total	100	100	100	100	100	100	100	100	100

July-March (Provisional)** ***Source: FBS

The country's export of textile manufactures sustained the process of transformation towards higher value addition as the share of high value added products is rising gradually in the export basket. The high value added items like [See Table: 8.4] knitwear, bedwear and towels has increased their share in export basket from 14.6 percent to 18.3 percent, 15.9 percent to 17.5 percent and 4.6 percent to 6.5 percent, respectively since 2001-02. The pace of this transformation towards exporting high value added products is slow which is evident from the fact that, the cotton cloth with its stake of 20.7 percent in the total textile manufactures exports during July-March

2008-09. On the other side the share of value added goods (knitwear, bedwear and towels) increased to 42.3 percent in total textile manufacture exports during July-March 2008-09 as against 41.7 percent in comparable period last year.

Table 8.4: Export of Textile Manufactures *(% Share)*

Item	01-02	02-03	03-04	04-05	05-06	06-07	07-08	July-March	
								07-08	08-09*
Cotton Yarn	16.1	12.9	14	12.7	13.7	13.6	12.5	12.5	11.4
Cotton Cloth	19.6	18.6	21.3	23.3	21.6	19.3	19.4	18.5	20.7
Knitwear	14.6	15.9	18.1	18.9	17.6	18.7	18	17.8	18.3
Bed wear	15.9	18.4	17.2	16.4	20.8	19	18.3	18.3	17.5
Towels	4.6	5.2	5	5.9	5.8	5.7	5.9	5.6	6.5
Tents, Canvas & Tarpaulin	0.9	1	0.9	0.8	0.3	0.7	0.7	0.7	0.6
Readymade Garments	15.1	15.1	12.4	12.9	13.8	13.2	14	13.6	12.8
Synthetic Textiles	7.1	7.9	5.9	3.5	2	4	3.9	4.2	3.1
Made up Articles	6.1	5	5.2	5.5	4.3	4.5	5.2	4.9	5.2
Others	-	-	-	0.1	0.1	1.3	2.2	3.9	3.9
	100	100	100	100	100	100	100	100	100

*** Provisional** *Source: FBS*

8.2.iii Composition of Exports

Over the years the composition of Pakistan's exports has changed drastically in favour of manufactured goods rather than primary goods. The share of manufactured goods increased from 64 percent in 1994-95 to three-fourth share in total export during July-March 2008-09. While comparing between semi-manufactures and primary commodities the trend suggest that Pakistan most of times exports more semi-manufactures than their primary commodities. But since 2006-07 the share of primary commodities started to increase in total exports as share of primary commodities increased from 11 percent during 2006-07 to 17 percent in July-March 2008-09 in total exports, mainly because of tremendous rise in rice exports.

Table 8.5: Composition of Exports *(% Share)*

Year	Primary Commodities	Semi-Manufactures	Manufactured Goods	Total
1994-95	11	25	64	100
99-2000	12	15	73	100
2004-05	11	10	79	100
2005-06	11	11	78	100
2006-07	11	12	77	100
2007-08	14	11	75	100
July-March				
2007-08	12	11	77	100
2008-09 *	17	9	74	100

*** Provisional** *Source: Federal Bureau of Statistics*

As shown in [Table-8.5] the composition of exports on overall basis rely more on manufactured goods. The share of exports with high-technological content is negligible. Pakistan needs to revisit its structure of exports. There is dire need to shift towards higher value added and scale-intensive exports.

8.2.iv Direction of Exports

One major explanation for Pakistan's low level of exports to GDP ratio is being normally given is the failure of the trade diplomacy. The exports are destined to captive markets for the last sixty years or so and there are no serious efforts to diversify markets. The narrow range of markets is because of the fact that its major export markets are concentrated in few countries [See Table 8.6]. One of the reasons is Pakistan's economy has always remained vulnerable to external shocks. With the deepening of recent global crisis Pakistan's major exports market are likely to witness contraction of around 3 percent as predicted by the IMF. With the exception of Saudi Arabia, almost all major markets of Pakistan's export exhibits a declining trend in their respective shares in overall exports. While US accounting for 18.8 percent share continued its status of the largest export market for Pakistan's exports followed by UK with 4.8 percent share in all major exports destinations.

Table 8.6: Major Exports Markets *(Percentage Share)*

Country	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March		% Change
							07-08	08-09*	
USA	23.5	23.9	23.9	25.5	24.6	19.5	20.3	18.8	-7.4
Germany	5.2	4.9	4.8	4..2	4.1	4.3	4.4	4.1	-6.8
Japan	1.3	1.1	1.1	0.8	0.7	0.7	0.8	0.7	-12.5
UK	7.1	7.6	6.2	5.4	5.6	5.4	5.5	4.8	-12.7
Hong Kong	4.6	4.7	3.9	4.1	3.9	2.7	2.9	2.2	-24.1
Dubai	9	7.3	3.3	5.6	1.1	0	0	0	-
Saudi Arabia	4.3	2.8	2.5	2	1.7	2	1.9	2.2	15.8
Sub-Total	55	52.3	45.7	47.6	41.7	34.6	35.8	32.8	-8.4
Other Countries	45	47.7	54.3	52.4	58.3	65.4	64.2	67.2	4.7
Total	100	100	100	100	100	100	100	100	

***Provisional** *Source: FBS*

8.3 Imports

Imports declined by 9.8 percent and stood at $ 28,922.4 million during July-April 2008-09 as against $ 32,059.4 million of the corresponding period last year. The overall import bill is lower by $ 3,137 million than imports in the comparable period of last year [See Table 8.7]. Import compression measures lowering domestic demand coupled with massive fall in international oil prices have started paying dividends and imports witnessed slowdown. Beside that depreciation of rupee had also played a significant role for lower imports during current fiscal year.

With the exception of machinery group, the lower level of overall import bill is outcome of reduced imports spending on telecom ($1040.3 million), raw material ($329.9 million), consumer durables ($276.8 million), others (746.9 million), petroleum group (657.6 million) and food group ($ 107.9 million). The imports less of petroleum group and excluding petroleum and food group witnessed decline of 10.6 percent and 11.9 percent, respectively.

Further analysis reveals that food group accounting for 11.8 percent of total imports, shown a negative growth of 3.1 percent. Within food group imports, wheat with 3.3 percent stake in overall imports and 27.7 percent share in food group witnessed an increase in absolute term by $ 126.4 million mainly to augment domestic short supplies. Other food items like pulses, tea and sugar collectively added $ 78.9 million to the import bill of the first ten months of current fiscal year. Edible oil import decreases by 8.9 percent owing to decline in its quantity imported as well as international prices of edible oil during July-April 2008-09. The import of wheat in the food group has shown an increase of 53.4 percent in its quantity imported over the corresponding period of last year July-April 2007-08. Pakistan has imported exceptionally high quantity of wheat but its unit value exhibited 24.8 percent fall over the comparable period of last year indicating declining trend in the international prices of wheat.

Table 8.7: Structure of Imports ($ Million)

Particulars	July-April		Absolute Increase	% Change	SHARE
	2008-09*	2007-08			
A. Food Group	3419.6	3527.4	-107.9	-3.1	11.8
Milk & milk food	63.1	63.7	-0.5	-0.8	0.2
Wheat Unmilled	946.2	819.8	126.4	15.4	3.3
Dry fruits	69.4	67.6	1.8	2.7	0.2
Tea	198.0	167.4	30.6	18.3	0.7
Spices	57.9	63.7	-5.8	-9.2	0.2
Edible Oil (Soyabean & Palm Oil)	1194.1	1311.1	-117.0	-8.9	4.1
Sugar	27.9	13.3	14.6	109.2	0.1
Pulses	187.5	153.7	33.7	21.9	0.6
B. Machinery Group	4272.1	4249.8	22.3	0.5	14.8
Power Gen. Machines	1427.3	857.2	570.1	66.5	4.9
Office Machines	215.4	248.4	-33.0	-13.3	0.7
Textile Machinery	183.7	360.0	-176.3	-49.0	0.6
Const. & Mining Mach.	242.7	206.1	36.6	17.7	0.8
Aircraft Ships and Boats	283.0	851.0	-568.0	-66.7	1.0
Agri. Machinery	78.3	118.0	-39.7	-33.7	0.3
Other Machinery	1841.8	1609.0	232.7	14.5	6.4
C. Petroleum Group	8012.7	8670.4	-657.6	-7.6	27.7
Petroleum Products	4608.1	4650.7	-42.6	-0.9	15.9
Petroleum Crude	3404.6	4019.7	-615.0	-15.3	11.8
D. Consumer Durables	1412.3	1689.1	-276.8	-16.4	4.9
Elect. Mach. & App.	657.7	606.0	51.7	8.5	2.3
Road Motor Veh.	754.6	1083.1	-328.5	-30.3	2.6
E. Raw Materials	6042.7	6372.5	-329.9	-5.2	20.9
Synthetic fibre	238.9	240.3	-1.3	-0.6	0.8
Silk yarn (Synth & Arti)	241.2	239.9	1.3	0.5	0.8
Fertilizer	491.2	823.9	-332.6	-40.4	1.7
Insecticides	81.0	80.3	0.7	0.8	0.3
Plastic material	942.3	1068.2	-125.9	-11.8	3.3
Iron & steel Scrap	515.4	524.0	-8.6	-1.7	1.8
Iron & steel	1103.3	1039.6	63.7	6.1	3.8
Other Chemical Products	2429.4	2356.3	73.1	3.1	8.4
F. Telecom	857.1	1897.4	-1040.3	-54.8	3.0
G. Others	4905.9	5652.8	-746.9	-13.2	17.0
Total	28922.4	32059.4	-3137.0	-9.8	100.0
Excluding Petroleum Group	20909.7	23389.0	-2479.3	-10.6	72.3
Excluding Petroleum & Food Groups	17490.1	19861.6	-2371.5	-11.9	60.5

*** Provisional** *Source: FBS*

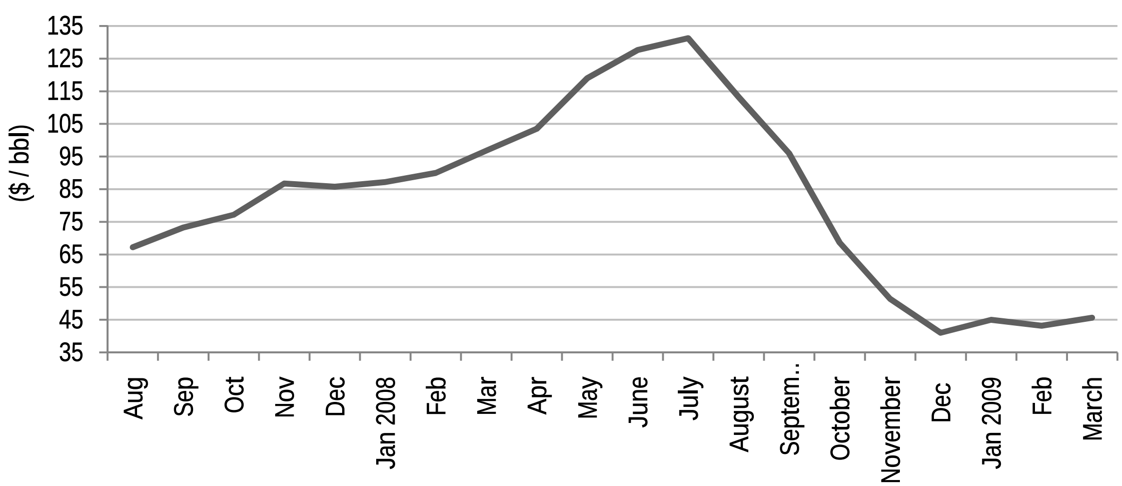
Import of machinery group remain the only positive contribution though marginal 0.5 percent growth in imports and its share stood at 14.8 percent of total imports. It contributed an additional amount of $22.3 million to the import bill during July-April 2008-09. Imports of power generating machinery amidst acute energy shortages, construction and mining machines and other machinery continued to sustain an increasing trend with growth rate of 66.5 percent, 17.7 percent and 14.5 percent, respectively. The increase in these items suggests that there is continues efforts are being made to move out of power crises faced by the country supplemented by construction and mining machinery.

The imports of power generating machinery added an additional $ 570.1 million to the declining imports on the back of rising demand for generator due to perception of continued power crises. On the other hand, import of textile machinery is witnessing a declining trend since 2004-05 with current decline of 49.0 percent during July-April 2008-09 over the comparable period last year revealing the continuous deteriorating outlook for the textile sector for past few years and declining international demand. Moreover, office and agriculture machinery collectively dragged imports by $72.7 million during July-April 2008-09 over the corresponding period of the last year.

In the backdrop of massive fall in international oil prices, the imports of petroleum group declined by $ 657.6 million during July-April 2008-09 against the same period last year. This decrease is contributed largely by petroleum crude which witnessed 10.8 percent decline in the quantitative terms and 5.1 percent in value terms. Furthermore, the import of quantity of petroleum products depicting positive growth of 1.4 percent during July-April 2008-09 despite negative growth in its unit value by 2.3 percent and thus value declined by 1.0 percent. The unit values of both categories of petroleum products start declining and witnessed a negative growth of more than 50.0 percent during April 2009. Notwithstanding decline in value terms the quantity import of petroleum products witnessed surge. Problems like inter corporate circular debt have contributed to keep imports of petroleum group low.

The monthly average prices of international oil surged from $67.2 per barrel in August 2007 to $134.1 per barrel in July 2008 and further decelerated even below $40 per barrel amidst reduced international demand (See Fig-1).

Fig-1: Trend in Oil Prices (Monthly Average)



The import of consumer durables witnessed a decline of $276.8 million during July-April 2008-09. Further analysis suggests that import of road motor vehicle decreased from $1038.1 million to $754.6 million, thereby showing a negative growth of 30.3 percent in first ten months of the current fiscal year. The electric machinery and appliances grew by 8.5 percent during the period under review.

One manifestation of negative growth of manufacturing sector is reduction to the extent of $329.9 million in the import of raw material or a negative growth of 5.2 percent. Major items behind this decline in raw materials imports are raw cotton, fertilizer manufactured and plastic material followed by iron and steel scrap and synthetic fibre. The import of raw cotton has declined by $689.4 million by recording negative growth of 63.9 percent in quantum terms and 59.1 percent in value terms. This is a reflection of poor growth performance of domestic textile industry. The fertilizer manufactured import exhibited a decline of $332.6 million due to low domestic demand owing to increased domestic production. The quantity imported of fertilizer manufactured has declined by 48.7 during July-April 2008-09.

The import of iron and steel category has increased by 6.1 percent in value terms during July-April 2008-09. This increase in value of iron steel is entirely contributed by increase in its unit value which has risen by 22.2 percent in this period. On the other hand the quantity of iron and steel witnessed a negative growth of 13.2 percent which is indicating lower demand from its major consuming sources namely construction, industrial and automobile production activities.

The telecom sector has probably reached saturation level and imports in the sector witnessed negative growth of 54.8 percent and its share declined to 3.0 percent in total imports during July-April 2008-09. In absolute terms the import in telecom sector witnessed a decline of $ 1040.3 million on the back of decline in imports of mobile phones and other apparatus to the extent of 77.1 percent and 43.5 percent, respectively.

The reflection of decreasing international prices can be seen from [See table 8.8] by comparing of current year's imports bill to import at last year's prices. Pakistan clearly gained $ 1233.2 million because of the fall in imports prices of soyabean oil, Palm oil, petroleum products, petroleum crude, fertilizer and plastic material. Country's import bill could have been inflated by $ 1149.3 million if only the unit values of items listed in the table-8.8 kept equal to its last year's level.

Table 8.8: Additional Import Bill: Rise in Import Prices (July- April 2008-09*) ($ Million)

Commodity	Actual Imports	Imports at Last Year's Prices	Additional Bill (Gains/Losses)
Soya bean Oil	68.5	92.1	-23.6
Palm Oil	1125.6	1218.9	-93.3
Petroleum Products	4608.1	4650.7	-42.6
Petroleum Crude	3404.6	4019.7	-615.1
Fertilizer	491.2	823.9	-332.7
Plastic Material	942.3	1068.2	-125.9
Medicinal Products	448	427.8	20.2
Iron & Steel	1103.3	1039.6	63.7
Total	12191.6	13340.9	-1149.3

***Provisional** *Source: FBS*

8.3.i Trends in Monthly Imports

Month-wise average imports of $ 2892.2 during July-April 2008-09 remained lower than the average imports of $ 3205.9 in the corresponding period of last year [See Table-8.9]. Month-wise imports kept on rising mainly because of unprecedented rise in oil and commodity prices during July-October 2008 but since then with the global economic meltdown monthly imports started sliding. Monthly imports contracted by 31.7 percent in April 2009 but this contraction is lower than 42.0 percent contraction in February 2009. Going forward the quantum of monthly imports will be decided by the oil prices in the international market.

Table 8.9 Monthly Imports ($ Million)

Month	2007-08	2008-09*
July	2,573.8	3,548.9
August	2,747.4	3,459.5
September	2,734.9	3,806.1
October	3,384.7	3,460.3
November	3,161.3	2,716.9
December	2,348.8	2,125.4
January	3,529.1	2,528.5
February	3,657.9	2,123.4
March	3,821.6	2,355.0
April*	4,099.9	2,798.4
Monthly Average	3,205.9	2,892.2

***Provisional** **Source: FBS**

8.3.ii Concentration of Imports

Three-fourth of the country's total imports consists of only eight categories [See Table 8.10] which indicates that Pakistan's imports are concentrated in only few items. Further analysis suggests that within these few items petroleum product accounted for major share followed by machinery. Data during July-March 2008-09 suggests that 74.5% of total imports came from these eight items namely machinery, petroleum and petroleum products, chemicals, transport equipment, edible oil, iron and steel, fertilizer and tea. The machinery group, petroleum and petroleum products, and chemicals collectively accounts for 61 percent share in total imports during July-March 2008-09, as against 57 percent in comparable period last year.

Table 8.10: Pakistan's Major Imports

Commodities	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March	
							2007-08	2008-09*
Machinery * *	18.5	17.8	22.5	18	22.1	18.5	18.4	18.9
Petroleum & Products	25.1	20.3	19.4	22.3	24	28.8	26.5	28.4
Chemicals @	15.1	16.1	15.5	13.4	13	12.3	12.4	13.5
Transport Equipments	5.6	5.6	6.2	7.7	7.6	5.5	5.9	3.7
Edible Oil	4.8	4.2	3.7	2.7	3.1	4.3	4.2	4.1
Iron & Steel	3.3	3.3	4.3	5.1	3.9	3.3	3.3	3.7
Fertilizer	2.1	1.8	2	2.4	1.5	2.2	2.7	1.5
Tea	1.4	1.2	1.1	0.9	0.7	0.5	0.5	0.7
Sub-Total	*75.9*	*70.3*	*74.7*	*72.5*	*75.9*	*75.4*	*73.9*	*74.5*
Others	24.1	29.7	25.3	27.5	24.1	24.6	26.1	25.5
Total	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*

*** July-March** **Source: FBS**
****: Excluding Transport Equipments, @: Excluding Fertilizer**

8.3.iii Composition of Imports

The overall composition of country's imports implies that the share of raw material for consumer goods maintained its higher level since 1990-91 [See Table 8.11]. More recently, the share of imports of raw material for capital good exhibiting increasing level in the country. Further details of composition of imports shows that share of imports of capital goods declined to 27 percent from 29 percent and raw material for consumer good reduced to 51 percent from 52 percent alongwith 2 percentage point increase in share of imports of consumer goods during July-March 2008-09 as against comparable period last year.

Table 8.11: Composition of Imports (% Share)

Year	Capital Goods	Raw Material for		Consumer Goods	Total
		Capital Goods	Consumer Goods		
1990-91	33	7	45	16	100
1994-95	35	5	46	14	100
99-2000	26	6	54	14	100
2000-01	25	6	55	14	100
2001-02	28	6	55	11	100
2002-03	31	6	53	10	100
2003-04	35	6	49	9	100
2004-05	36	8	46	10	100
2005-06	37	7	45	11	100
2006-07	36	7	47	10	100
2007-08	29	8	53	10	100
July-March					
2007-08	29	8	52	11	100
2008-09 *	27	9	51	13	100

*** Provisional** ***Source: Federal Bureau of Statistics***

8.3.iv Direction of imports

Pakistan's imports are concentrated in very few markets of USA, Japan, Kuwait, Saudi Arabia, Germany, U.K and Malaysia. These collectively accounts for almost 40 percent of stake in imports. Within these countries, Saudi Arabia continues to enjoy the distinction of major import origin since 2002-03. Sizeable portion of imports originates from Saudi Arabia, Kuwait and USA with the share of 13.6 percent, 7.9 percent and 4.7 percent, respectively [See Table-8.12].

Table 8.12: Major Sources of Imports **(% Share)**

Country	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March	
							2007-08	2008-09*
U.S.A.	6	8.5	7.6	5.8	7.5	6.1	6.5	4.7
Japan	6.6	6	7	5.6	5.7	4.6	4.4	3.6
Kuwait	6.6	6.4	4.6	6.2	5.7	7.5	6.7	7.9
Saudi Arabia	10.7	11.4	12	11.2	11.4	13.4	12.6	13.6
Germany	4.6	3.9	4.4	4.7	3.9	3.2	3.2	3.8
U.K.	2.9	2.8	2.6	2.8	2.3	1.9	1.9	2.2
Malaysia	4.6	3.9	2.6	3.0	3.1	3.9	3.8	4.1
Sub-Total	*42*	*42.9*	*40.8*	*39.3*	*39.6*	*40.6*	*39.1*	*39.9*
Other Countries	58	57.1	59.2	60.7	60.4	59.4	60.9	60.1
Total	100	100	100	100	100	100	100	100

Provisional** ***Source: FBS

Table 8.13: Unit Value Indices & Terms of Trade
(1990 = 100)

Year	Unit Value Indices		Terms of Trade
	Exports	Imports	
1998-99	258.4	223.3	115.7
99-2000	253.8	259.0	98.0
2000-01	271.5	298.4	91.0
2001-02	271.2	298.6	90.8
2002-03	254.0	309.5	82.1
2003-04	279.6	355.4	78.7
2004-05	288.8	392.5	73.6
2005-06	299.3	460.4	65.0
2006-07	310.0	495.3	62.6
2007-08	350.4	632.3	55.4
July-March			
2007-08	334.7	582.0	57.5
2008-09*	454.9	808.1	56.3

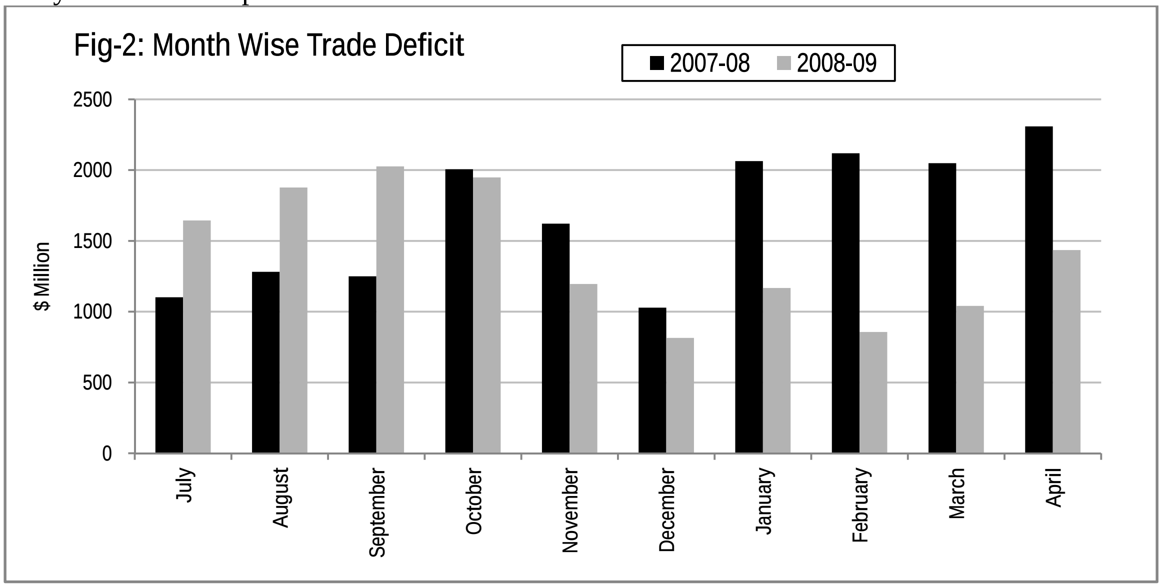
*** Provisional.** ***Source: FBS***

8.4 Terms of Trade

Terms of Trade represent the relative prices of exports in terms of prices of imports. Pakistan is witnessing persistent deterioration in terms of trade for almost two decades now. After witnessing deterioration of 11.5 percent during last year 2007-08, country's terms of trade indices with base year 1990 = 100 aggravated to 56.3 during July-March 2008-09 from 57.5 in the corresponding period of last year. Thus against the 10.0 percent deterioration in the corresponding period of fiscal year 2007-08, terms of trade deteriorated by 2.1 percent during July-March 2008-09. This deterioration in the terms of trade is the lowest ever since 2002-03 which is reflection of declining international prices of commodity and oil. The deterioration in the terms of trade has also contributed to deterioration of the current account deficit in 2007-08 and modest decline implies that current account deficit is witnessing some improvement. The reason for deterioration of terms of trade index is the unit value index of imports is rising at a faster pace than unit value of exports [See table 8.13].

8.5 Trade Balance

During the first ten months of the current fiscal year (July-April), the merchandise trade deficit has narrowed by $2.7 billion to $14,160 million as compared to $16,836 million in the same period last year thereby, showing an improvement of 15.9 percent. Improvement in trade deficit arises due to massive decline in imports on the back of import compression measures taken by government, massive decrease in international prices of oil and commodity and depreciation in the rupee value. Trade deficit has worsened during the initial months (July-September) of the year 2008-09, increasing by 62.2 percent during the month of September 2008-09 as compared to same month last year. Since October 2008 onward has gradually started to improve as trade deficit has improved by 37.9 percent during the month of April 2009 over the same month of last year (See Fig-2).



8.6 Current Account Balance

The current account deficit has improved by $2.6 billion and stood at $ 8.547 billion during July-April 2009-09 as against $ 11.173 billion in the corresponding period of last year, thereby showing an improvement of 23.5 percent [See Table 8.14]. In the month of February 2009, the current account witnessed a surplus of $ 128 million which is first monthly surplus since July 2007. However, it turned to deficit of $ 457 million in April 2009. The current account deficit was $3.8 billion in the first quarter (July-September) which has declined to $0.3 billion in the third quarter (July-March) of the year.

Table-8.14:Summary Balance of Payments ***($ Million)***

Components	July-June		July-April	
	2006-07	2007-08	2007-08	2008-09 P
Current Account Balance	-6878	-13735	-11173	-8547
Trade balance	-9711	-15045	-12313	-10794
Goods: Exports	17278	20427	16402	15981
Goods: Imports	26989	35472	28715	26775
Services Balance	-4170	-6257	-5493	-3223
Services: Credit	4140	3577	2627	2914
Services: Debit	8310	9834	8165	6137
Income Account Balance	-3582	-3909	-3090	-3612
Income: Credit	940	1613	1398	788
Income: Debit	4522	5522	4488	4400
Current Transfers Net	10585	11476	9723	9082
Of which:				
Workers remittances	5494	6451	5319	6356
Capital & Financial Account	10276	8303	6290	3608
Capital Account,	304	121	66	132
Financial Account	9972	8182	6224	3476
Direct Investment Abroad	-114	-75	-41	14
Direct Investment in Pakistan	5140	5410	3719	3206

Table-8.14:Summary Balance of Payments				($ Million)
Components	July-June		July-April	
	2006-07	2007-08	2007-08	2008-09 P
Portfolio Investment (Net)	3283	36	142	-1002
Other Investment	1663	2811	2404	1258
Net Errors and Omissions	159	-75	409	290
Overall Balance	3557	-5507	-4474	-4649
Reserves and Related Items	-3557	5507	4474	4649
Reserve Assets	-3537	5680	4614	888
Use of Fund Credit and Loans	-120	-173	-140	3761
Exceptional Financing	100	0	0	0
P: Provisional				Source: State Bank of Pakistan

The current account deficit was deteriorating up to October 2008 when it peaked to $2.2 billion in a single month. The improvement in the current account deficit started in the period November-April 2008-09 when it has shown remarkable improvement by 74 percent over the corresponding period last year on the back of reduction in trade and services account deficits. On the other hand, the current account deficit had worsened by 100.8 percent during the first four months of the current fiscal year (July-October 2008-09) owing to higher import prices for edibles and petroleum products. Trade deficit decelerated by 12.3 percent during July-April 2008-09. This improvement contributed by deceleration in import growth owing to easing of the demand pressures and helped by commodity and petroleum prices crash. Increase in worker's remittance and reduction in services account deficit leads to improvement of invisible account.

During July-April 2008-09, the services trade deficit shrank by 41.3 percent mainly because of improved receipts like proceeds of logistic support, deceleration in freight related charges and sharp fall in outflows from foreign exchange companies that were very pronounced in the first four months of the current fiscal year. ***Financial account*** after attaining height in 2006-07 has declined substantially from $ 6,224 million last year to $ 3,476 million during July-April 2008-09. This decline was a result of confluence of factors such as weakening economic fundamentals, deteriorating law and order situation, slack functioning of stock market, lack of privatization proceeds and in the presence of global financial crises the foreign investors shied away from investing as expectations of the lower degree of profitability, and host of risks and uncertainties.

Further analysis suggests that intensity of these developments influenced more to portfolio investments, and other investment and outflow from portfolio investment remains at $1,002 million which included outflow from stock market and payment of maturing Eurobonds of $500 million in the month of February 2009. Furthermore Foreign Direct Investment (FDI) amounted to $3,205 million in the first ten months (July-April) of current fiscal year (20080-9) as against $ 3,719 million in the comparable period of last year thereby showing a decline of 13.8 percent. The communication, financial business, and oil & gas exploration sectors have been the major attraction for foreign investors in Pakistan, accounting for 25.8 percent and 21.2 percent and 19.1 percent, respectively.

8.6.i Worker Remittances

Worker remittances have remained an important source of foreign exchange earnings over the years and for the last eight years or so it remained the dominant force to keep current account deficit at a manageable level. Worker remittances amounted to $ 6355.6 million in July-April 2008-09 as against $ 5319.1 in corresponding period last year, thereby showing an increase of 19.5 percent [See Table 8.15]. The crackdown on exchange companies in the month of October 2008 has implications for the worker's remittance and they exhibited a negative growth of 19.7 over October 2007 owing to difficult global environment and uncertainties surrounding domestic economy however, they recovered to their normal high double digit growth since November 2008. More than 75.0 percent of remittance during July-October 2008-09 routed through exchange companies whereas majority of the increase in remittances growth was contributed by higher inflows in the banks during November-March 2008-09. This compositional change in remittances can be attributed to litigation from the government against the undocumented fund transfers during October 2008.

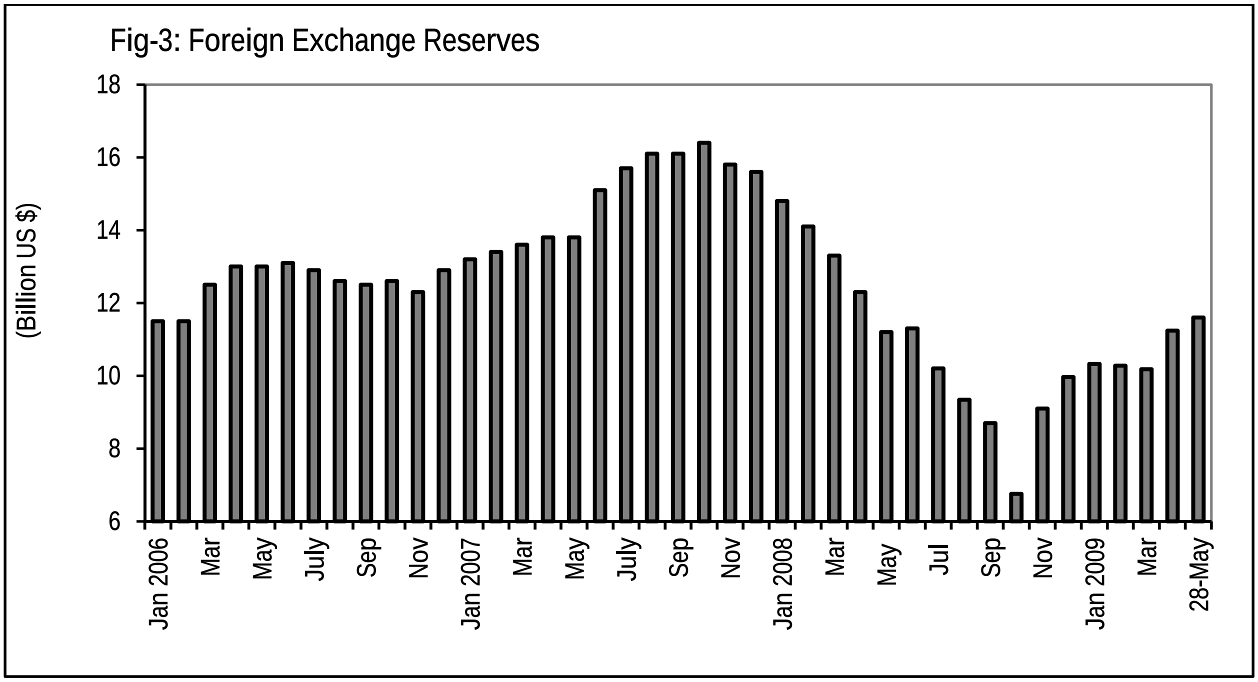
Outlook for remittances from the source countries/ regions suggests that remittance from UAE witnessed a massive growth of 50.6 percent and accounting for 21.5% stake in overall remittances during July-April 2008-09 against the comparable period of last year owing to possible reverse capital flight to the country and action against undocumented transfer of money. Around 22.6 percent of country's remittances originate from the US and they witnessed first ever negative growth of 1.9% in the last eight years due to deepening of recession in US economy. However, Saudi Arabia, other GCC countries, EU Countries and UK made a positive contribution to increase in remittances during July-April 2008-09.(See Table 8.16)

Table-8.15: Workers' Remittances			***($ Million)***
Monthly Cash Inflow*	**2007-08**	**2008-09**	**% Change**
July	495.69	627.21	26.53
August	489.51	592.3	21.00
September	516.05	660.35	27.96
October	580.24	466.13	-19.67
November	505.58	620.52	22.73
December	479.26	673.5	40.53
January	557.07	637.3	14.40
February	502.76	641.32	27.56
March	602.21	739.43	22.79
April	590.71	697.52	18.08
July-April	5,319.08	6,355.58	19.49
Monthly average	531.91	635.56	19.49
*** Including FEBCs and FCBCs**			***Source: SBP***

Table-8.16: Country/Region Wise Cash Workers' Remittances				***($ Million)***
Country / Region	**July-April***		**% Change**	**% Share**
	2007-08	**2008-09**		
USA	1463.73	1435.65	-1.9	22.6
UK	379.03	467.98	23.5	7.4
Saudi Arabia	1001.71	1264.07	26.2	19.9
UAE	907.52	1366.79	50.6	21.5
Other GCC Countries	795.18	996.02	25.3	15.7
EU Countries	147.65	196.53	33.1	3.1
Others Countries	462.23	498.09	7.8	7.8
Total	5319.08	6355.58	19.5	100.0
*** Provisional**				***Source: State Bank of Pakistan***

8.6.ii Foreign Exchange Reserves

Owing mainly to substantial improvement in Pakistan's external account for the last one quarter has its reflection on Pakistan's gross liquid foreign exchange reserves where hemorrhage was not only arrested but reserves are back to their end-June level of around $ 11.6 billion by the end of May 2009 [See fig-3]. This implies on a V-shaped recovery. Of gross reserves, the reserves held by the State Bank of Pakistan stood at $ 8.28 billion and by banking system stood at $ 3.32 billion. The trend of reserves is consisting of two distinct periods during the current fiscal year. In the first five months they persistently deteriorated and attained lowest at $ 6.4 billion by 25th November, 2008 depleted from $11.4 billion at the end of June 2008. This depletion of reserves in the five months (July-November 2008) was much higher than fall in foreign exchange reserves for the entire fiscal year 2007-08. The subsequent recovery since November 25, 2008 onward owed essentially to the inflow of $ 3.1 billion from the IMF following Pakistan's entry into a macroeconomic stabilization program than after additional capital inflows from other agencies. Pressure on reserves eased due to reduction in the incidence of current account deficit alongwith modest recovery in capital flows thereby bringing stability in the exchange rate which further improved the position of foreign exchange reserves.



The import coverage ratio declined to an uncomfortable level of 9.1 weeks as of end-October 2008 from 16.8 weeks of imports as of end-June 2008 but it improved to 18 weeks of imports by end May, 2009. Reserve adequacy in terms of weeks of imports has improved considerably in the second phase November 25-May 31, 2009.

8.7 Exchange Rate

Pakistan is managing its exchange rate under market-related float-management system where the forces of demand and supply affect exchange rate fluctuations. The depletion and accretion of foreign exchange reserves has to play some role in determination of rupee-dollar parity which also determines its parity with all other currencies. Pakistan has witnessed tremendous pressure on exchange rate during July-October 2008-09 when rupee depreciated by 16.3 percent. The reasons being substantial loss of foreign exchange reserves, massive buying by businesses seeking to avoid exchange losses on imports along with other factors like trade related outflows, political uncertainty and speculative activities in the foreign exchange market. Standard deviation of the inter bank market exchange rate was extremely volatile and in October it was 1.41 due to the fact that rupee touched record low of Rs. 83.46/US $ by mid-October 2008 .With signing of Standby Arrangements with the IMF, the rupee got back some of its lost value and with substantial import compression, improvement in overall external balance including revival of external inflows from abroad the exchange rate hovered around Rs.80.50 during April 2009. The rupee showed relatively better performance against Euro and Pound as these currencies depreciated by 1.1 and 15.4 percent, respectively against Pak rupee during Jul-Mar fiscal year 2008-09. Rupee's appreciation against the Euro and Pound was primarily driven by the weakness in the respective currencies [See Table 8.17].

Table 8.17: Average Exchange Rates and Premium

	Inter Bank Rate (Rs / $)	Open Market Rate (Rs/$)	Premium (%)	Rs/ Euro
July, 2007	60.4	60.98	0.58	82.86
January, 2008	62.41	62.47	0.06	92.99

Table 8.17: Average Exchange Rates and Premium

	Inter Bank Rate (Rs / $)	Open Market Rate (Rs/$)	Premium (%)	Rs/ Euro
February	62.65	62.76	0.11	94.86
March	62.76	63	0.24	99.05
April	63.82	64.32	0.5	100.47
May	67.78	68.29	0.51	103.48
June	67.44	68.2	0.76	107.76
July, 2008	70.83	71.29	0.46	111.39
August	74.62	74.79	0.17	111.86
September	77.32	77.27	-0.05	112.05
October	80.74	82.37	1.63	104.74
November	80.01	79.72	-0.29	99.99
December	79.11	78.95	-0.16	111.37
January, 2009	79.28	79.28	0	101.25
February	79.64	79.65	0.01	101.15
March	80.42	80.31	-0.11	106.62

Source: State Bank of Pakistan

Table 8.18: Real Effective Exchange Rate

(Rupee Price of a Basket of 21 Currencies) (2000=100)

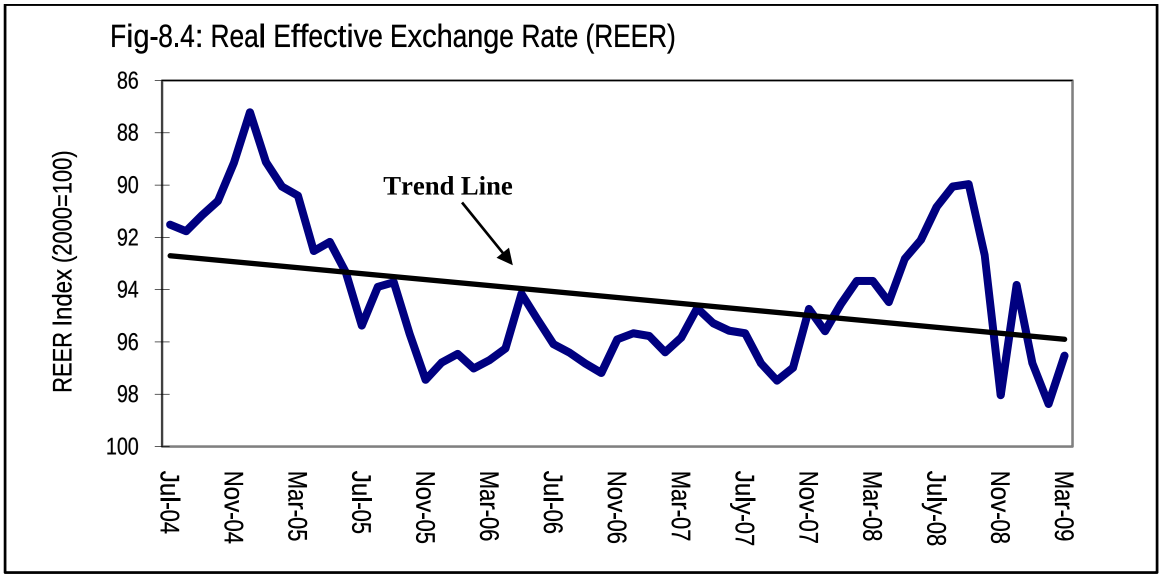
	Monthly Average
January, 2007	96.20
July, 2007	96.19
January, 2008	95.12
July, 2008	91.48
August	91.02
September	90.54
October	92.71
November	96.04
December	95.41
January, 2009	95.31
February, 2009	97.25
March, 2009	97.64

Source: SBP

8.7.i Real Effective Exchange Rate

The indices of Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) are used as indicators of external competitiveness. NEER is the weighted average of bilateral nominal exchange rates of the home currency in terms of foreign currencies. Conceptually, the REER, defined as a weighted average of nominal exchange rates adjusted for relative price differential between the domestic and foreign countries, relates to the purchasing power parity (PPP) hypothesis. During July-March 2008-09, the NEER witnessed 6.4 percent depreciation against the 10.3 percent depreciation during corresponding period last year. Pak rupee depreciated against more than half of the 13 countries basket of currencies mainly because of unabated inflationary pressures in the economy.

Movements in the Real Effective Exchange Rate (REER) are the mirror image of the cumulative movements in the NEER and relative price index (RPI) of the trading partners of Pakistan. As Pakistan's inflation is more stubborn relative to its trading partners, it resulted in appreciation of REER. The RPI went up by 11.2 percent and thus resulted in appreciation of Real Effective Exchange Rate (REER) by 4.1 percent in July-March 2008-09. The nominal depreciation of 15.2 percent in rupee-dollar parity during July-April 2008-09 has improved competitiveness of Pakistan's exports but structural rigidity and compressed global demand has contributed to negative exports growth [See Table8.18 & Fig- 8.4].



8.8 SALIENT FEATURES OF TRADE POLICY 2008-09

During fiscal year 2007-08, the country's import bill as well as trade deficit reached to a record level. Realizing the alarming situation during last fiscal year, the government, in line with its obligations under the WTO took the following measures to curtail the rising trade deficit.

- L/C margin on import of all non-essential items was imposed w.e.f. 22nd May, 2008.
- Duty on non-essential and luxury items was raised in the Federal Budget 2008-09.
- Regulatory Duty ranging from 15-50 Percent imposed on import of 397 consumer items since 27th August, 2008.

Ministry of Commerce in consultation with stake holders is endeavoring to use the trade policy as an instrument to mitigate the negative effects of this situation by pursuing the ongoing export led growth strategy more vigorously aims at bridging the trade gap by focusing on reducing the cost of doing business, enhancing productivity and competitiveness of our manufacturing sector. The trade policy also focuses on agriculture, as it is an integral source of supply of our major agri-based export products. Major incentives in the current trade policy are as under:

- To reduce cost of raw material imports and thereby making export products more competitive, the import of Job lots & Stock lots of raw material, which attract duty upto 5%, was allowed.
- To reduce the cost of manufacturing of liquefied gases, import of used cryogenic containers/cylinders by industrial consumers has been allowed subject to prior NOC from the Department of Explosives and condition that the containers/cylinders are refurbished prior to shipment, complaint with international safety standards and not older than 10 years.
- Import of cement bulker semi trailers, without prime movers in used condition and not older than 10 years allowed to cement manufacturers for transportation of bulk cement.
- To make exports more competitive in the international market, import of cheaper raw material machinery sourced from India allowed by adding another 136 items in the Positive List of items importable from India. This also includes diesel and fuel oil from India that will be cheaper due to lower transportation cost.
- Stainless steel and cotton yarn are importable from India by train. To further reduce the cost

of doing business, their import by trucks through Wagah as well allowed.

- To facilitate expatriate returning Pakistanis with limited means to create an economic opportunity for themselves as well as ease the shortage of buses on inter city routes, import of buses not older than 05 years is allowed under the Transfer of Residence scheme.

- To give access to people to cheaper academic, scientific & reference books available in India, their import from India was allowed while previously only technical professional books could be imported.

- In compliance with the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988, import of Toluene, MEK and Potassium Permanganate made subject to NOC by the Ministry of Narcotics Control.

- To prevent unscrupulous elements from selling unrefined palm oil in the market and endangering public health, only recognized manufacturers allowed to import crude palm oil for further processing and refining. Furthermore, manufacturers who import palm oil in crude form will not be allowed to sell it to non-manufacturers. However commercial importers who have invested in large bulk storages will be allowed to continue importing crude palm oil subject to a safeguard mechanism to be drawn up by FBR.

- In compliance with the Montreal Protocol, import of CFC gas based refrigerator and freezing equipments was already banned. To remove any possibility of misuse, import of CFC based compressors also banned.

- It has been decided that Plant, machinery and equipment imported to setup a unit in Duty and Tax Remission for Exports (DTRE) scheme will be exempt from duty and taxes, Inputs in DTRE will also be allowed to be imported from India, even if these are not included in the importable items from India, or manufactured locally, The period of retention of raw material and components for export under temporary importation scheme (SRO 1065) may be increased from current 12 months to 18 months i.e. at par with DTRE Scheme.

- Government’s Commitment of Decision to completely zero-rate the export by refunding whole amount paid as indirect taxes on inputs used for manufacturing for exports.

- In view of the hassle involved in getting benefits of Duty and Tax Remission for Exports scheme, decision to introduce new scheme where by a notified percentage of inputs may be allowed to be imported at zero duties against fob value of exports with flexibility to import any product among the notified list in any quantity within the overall entitlement of the exporter.

- In order to attract new investment in pharma sector, it was decided that an incentive for accelerated depreciation allowance @ 90.0 percent of the value of capital assets will be allowed in line with the industries undertaking establishment in rural areas.

- Allowing exporting pharmaceutical companies to send free samples to the extent of 10 percent of the commercial export quantity in the preceding year.

- The pharmaceutical sector allowed retaining up to 15 percent of their export earnings in foreign currency accounts.

- Gold, silver, platinum, palladium, diamond and precious stones were exempted from levy of customs duties and sales tax.

- To reduce expenditure on machinery/equipment for mining/quarrying and grinding of minerals will be allowed from India.

- Mark up support on loans for setting up in-house effluent treatment plants increased from 6.0 percent to 8.0 percent or 50.0 percent of the mark up.

- The horticulture sector being declared as an industry.
- Establishment of a farm to port cool chain as part of National Trade Corridor improvement Program. Till such time that is implemented to facilitate exporters of horticultural products support for cool chain and cold storages for horticulture will be increased to 8.0 percent or 50.0 percent of the mark up.
- Government will bear 50.0 percent of the cost registration of herbal medicinal products abroad i.e., at per with pharmaceutical products.
- Mark up support on loans for setting up of slaughterhouse increased from 6.0 percent to 8.0 percent or 50.0 percent of the mark up.

TABLE 8.1

BALANCE OF PAYMENTS

(US $ Million)

Items	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-April 2007-08	July-April 2008-09 (P)
1. Trade Balance	-2085	-1412	-1269	-294	-444	-1208	-4352	-8259	-9495	-14895	-10734	-9402
Exports (f.o.b)	7528	8190	8933	9140	10889	12396	14401	16388	17119	20207	14310	14328
Imports (f.o.b)	-9613	-9602	-10202	-9434	-11333	-13604	-18753	-24647	-26614	-35102	-25044	-23730
2. Services (Net)	-2618	-2794	-3142	-2617	-2128	-3594	-5841	-7304	-7968	-10316	-7623	-6374
Receipts	1409	1501	1464	2027	2967	2894	3837	4718	5239	5410	3810	3518
Payments	-4027	-4295	-4606	-4644	-5095	-6488	-9678	-12022	-13207	-15726	-11433	-9892
Shipment	-844	-802	-877	-809	-951	-1253	-1713	-2203	-2337	-2924	-2096	-2135
Investment Income	-1903	-2135	-2274	-2430	-2381	-2394	-2823	-3451	-4522	-5522	-3987	-4034
Others	-1280	-1358	-1455	-1405	-1763	-2841	-5142	-6368	-6348	-7280	-5350	-3723
3. Private Unrequited Transfers (net)	2274	3063	3898	4249	5737	6116	8440	9914	10102	11048	8332	8001
(Workers Remittances)	1060	983	1087	2389	4237	3871	4168	4600	5494	6451	4728	5,658
4. Current Account Balance	-2429	-1143	-513	1338	3165	1314	-1753	-5649	-7361	-14163	-10025	-7775
5. Long-term Capital (net)	1836	525	171	1280	1035	-201	2562	6016	9268	7978	4683	4090
Private Capital (net)	466	277	-68	-177	225	691	1221	4153	7088	6181	3601	3088
Official Capital (net)@	1370	248	239	1457	810	-892	1341	1863	2180	1797	1082	1002
6. Basic Balance	-593	-618	-342	2618	4200	1113	809	367	1907	-6185	-5342	-3685
7. Errors and Omissions (net)*	-1375	-2282	313	961	909	-137	-854	36	507	-1002	213	-1017
8. Balance Requiring Official Financing	-1968	-2900	-29	3579	5109	976	-45	403	2414	-7187	-5129	-4702
9. Official Assistance & Debt Relief	-1174	-996	338	-925	-520	-95	472	470	1789	1173	551	44
Medium and Short-Term Capital	-863	-221	431	-334	-180	-317	147	-193	-83	560	460	-26
Other Short-Term Assets/ Liabilities FEBC, DBC FEBC, Euro & Special US $ Bonds (Net), GDR(OG	-311	-775	-93	-591	-340	222	335	663	1872	613	91	70
10 Exceptional Financing	3966	3966	692	138	620	-55	-55	-55	100	0	0	0
11. Change in Reserves (- ve = increase)	-824	-71	-1001	-2792	-5209	-826	-372	-818	-4303	6014	4578	4658

@ Includes Official Unrequited Transfers

* Includes Private Short-term Capital

(P) Provisional

Source : State Bank of Pakistan

Table 8.2

Summary Balance of Payments

(Millions $)

Item	2006-07	2007-08	July-April 2007-08	July-April 2008-09
Current account balance	-6878	-14016	-11173	-8547
Current account balance without off. Transfers	-7403	-14443	-11600	-8693
Goods: Export f.o.b	17278	20125	16402	15981
Goods: Imports f.o.b	26989	35411	28715	26775
Trade Balance	-9711	-15286	-12313	-10794
Services (Net)	-4170	-6302	-5493	-3223
Services: Credit	4140	3590	2672	2914
Services: Debit	8310	9892	8165	6137
Income (Net)	-3582	-3905	-3090	-3612
Income: Credit	940	1613	1398	788
Income: Debit	4522	5518	4488	4400
of Which: Interest Payments	1417	2156	1690	1526
Current Transfer (Net)	10354	11497	9723	9082
Capital Account and Financial Account	10449	8778	6290	3608
Capital Account	304	69	66	132
Financial Account	10145	8709	6224	3476
Dir. Invest. In Rep. Econ.	5140	5153	3719	3206
Other Investment Assets	-585	397	943	596
Other Investment Liab.	2421	3198	1461	662
Monetary Authorities	-1	490	-10	-1
General Government	1308	2315	1202	1174
Disbursement	2669	3485	2272	2634
Amortization	1339	1149	1049	1961
Overall Balance	3730	-5780	-4474	-4649
Reserve and Related Items	-3730	5780	4474	4649
SBP Reserves (Excl. CRR & Sinking Fund)	13345	8577	10074	7792

Source: SBP

TABLE 8.3

COMPONENTS OF BALANCE OF PAYMENTS (AS PERCENT OF GDP)

Year	Exports ^	Imports ^	Trade Deficit ^	Worker's Remit-tances #	Current Account Deficit #
1980-81	10.5	19.3	8.7	7.5	3.7
1981-82	8.0	18.3	10.3	7.2	5.0
1982-83	9.4	18.7	9.3	10.1	1.8
1983-84	8.9	18.3	9.4	8.8	3.2
1984-85	8.0	19.0	11.0	7.9	5.4
1985-86	9.6	17.7	8.0	8.1	3.9
1986-87	11.1	16.1	5.1	6.8	2.2
1987-88	11.6	16.7	5.0	5.2	4.4
1988-89	11.7	17.6	5.9	4.7	4.8
1989-90	12.4	17.4	4.9	4.9	4.7
1990-91	13.5	16.7	3.3	4.1	4.8
1991-92	14.2	19.1	4.8	3.0	2.8
1992-93	13.3	19.4	6.1	3.0	7.2
1993-94	13.1	16.6	3.4	2.8	3.8
1994-95	13.5	17.2	3.7	3.1	4.1
1995-96	13.8	18.7	4.9	2.3	7.2
1996-97	13.4	19.1	5.7	2.3	6.2
1997-98	13.9	16.3	2.4	2.4	3.1
1998-99	13.3	16.1	2.8	1.8	4.1
1999-00	11.7	14.1	2.4	1.3	1.6
2000-01	12.9	15.1	2.1	1.5	0.7
2001-02	12.8	14.4	1.7	3.3	+1.9
2002-03	13.5	14.8	1.3	5.1	+3.8
2003-04	12.5	15.9	3.3	3.9	+1.3
2004-05	13.0	18.5	5.5	3.7	1.6
2005-06	13.0	22.5	9.5	2.9	4.5
2006-07	11.8	21.2	9.4	3.8	5.1
2007-08	11.7	24.3	12.6	3.9	8.5
<u>Jul-April</u>					
2007-08 *	9.2	19.3	10.1	3.2	6.7
2008-09 *	8.9	17.4	8.5	3.8	5.1

^ Based on the data compiled by FBS.

Source: FBS, SBP & E.A.Wing, Finance Division.

Based on the data compiled by SBP.

* : Provisional

TABLE 8.4

EXPORTS, IMPORTS AND TRADE BALANCE

Year	(Rs million) Current Prices			Growth Rate (%)			(US $ million) Current Prices			Growth Rate (%)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1980-81	29,280	53,544	-24,264	25.07	14.10	3.17	2,958	5,409	-2451	25.07	14.11	3.20
1981-82	26,270	59,482	-33,212	-10.28	11.09	36.88	2,464	5,622	-3158	-16.70	3.94	28.85
1982-83	34,442	68,151	-33,709	31.11	14.57	1.50	2,694	5,357	-2663	9.33	-4.71	-15.67
1983-84	37,339	76,707	-39,368	8.41	12.55	16.79	2,768	5,685	-2917	2.75	6.12	9.54
1984-85	37,979	89,778	-51,799	1.71	17.04	31.58	2,491	5,906	-3415	-10.01	3.89	17.07
1985-86	49,592	90,946	-41,354	30.58	1.30	-20.16	3,070	5,634	-2564	23.24	-4.61	-24.92
1986-87	63,355	92,431	-29,076	27.75	1.63	-29.69	3,686	5,380	-1694	20.07	-4.51	-33.93
1987-88	78,445	112,551	-34,106	23.82	21.77	17.30	4,455	6,391	-1936	20.86	18.79	14.29
1988-89	90,183	135,841	-45,658	14.96	20.69	33.87	4,661	7,034	-2373	4.62	10.06	22.57
1989-90	106,469	148,853	-42,384	18.06	9.58	-7.17	4,954	6,935	-1981	6.29	-1.41	-16.52
1990-91	138,282	171,114	-32,832	29.88	14.96	-22.54	6,131	7,619	-1488	23.76	9.86	-24.89
1991-92	171,728	229,889	-58,161	24.19	34.35	77.15	6,904	9,252	-2348	12.61	21.43	57.80
1992-93	177,028	258,643	-81,615	3.09	12.51	40.33	6,813	9,941	-3128	-1.32	7.45	33.22
1993-94	205,499	258,250	-52,751	16.08	-0.15	-35.37	6,803	8,564	-1761	-0.15	-13.85	-43.70
1994-95	251,173	320,892	-69,719	22.23	24.26	32.17	8,137	10,394	-2257	19.61	21.37	28.17
1995-96	294,741	397,575	-102,834	17.35	23.90	47.50	8,707	11,805	-3098	7.01	13.58	37.26
1996-97	325,313	465,001	-139,688	10.37	16.96	35.84	8,320	11,894	-3574	-4.44	0.75	15.36
1997-98	373,160	436,338	-63,178	14.71	-6.16	-54.77	8,628	10,118	-1490	3.70	-14.93	-58.31
1998-99	390,342	465,964	-75,622	4.60	6.79	19.70	7,779	9,432	-1653	-9.84	-6.78	10.94
1999-00	443,678	533,792	-90,114	13.66	14.56	19.16	8,569	10,309	-1740	10.15	9.30	5.26
2000-01	539,070	627,000	-87,930	21.50	17.46	-2.42	9,202	10,729	-1527	7.39	4.07	-12.24
2001-02	560,947	634,630	-73,683	4.06	1.22	-16.20	9,135	10,340	-1205	-0.73	-3.63	-21.09
2002-03	652,294	714,372	-62,078	16.28	12.57	-15.75	11,160	12,220	-1060	22.17	18.18	-12.03
2003-04	709,036	897,825	-188,789	8.70	25.68	204.12	12,313	15,592	-3279	10.33	27.59	209.34
2004-05	854,088	1,223,079	-368,991	20.46	36.23	95.45	14,391	20,598	-6207	16.88	32.11	89.30
2005-06	984,841	1,711,158	-726,317	15.31	39.91	96.84	16,451	28,581	-12130	14.31	38.76	95.42
2006-07	1,029,312	1,851,806	-822,494	4.52	8.22	13.24	16,976	30,540	-13564	3.19	6.85	11.82
2007-08	1,196,638	2,512,072	-1,315,434	16.26	35.66	59.93	19,052	39,966	-20914	12.23	30.86	54.19
July-April												
2007-08	938,428	1,978,993	-1,040,565	11.80	30.60	54.00	15,223	32,059	-16836	9.90	28.30	51.10
2008-09 P	1,147,435	2,247,049	-1,099,614	22.27	13.55	5.67	14,762	28,922	-14160	-3.03	-9.78	-15.90

P: Provisional

Source: FBS & E. A. Wing, Finance Division.

TABLE 8.5

UNIT VALUE INDICES AND TERMS OF TRADE (T.O.T) (1990-91 = 100)

(Indices)

Groups	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-March 2007-08	July-March 2008-09
All Groups												
Exports	258.40	253.77	271.47	271.18	254.02	279.65	288.84	299.31	310.03	350.40	334.74	454.93
Imports	223.32	259.03	298.44	298.56	309.52	355.43	392.45	460.38	495.33	632.30	581.97	808.09
T.O.T.	115.71	97.97	90.96	90.83	82.07	78.68	73.60	65.01	62.59	55.42	57.52	56.30
Food & Live Animals												
Exports	221.84	234.95	249.32	260.55	258.11	267.55	303.93	327.47	350.75	498.58	419.69	614.28
Imports	225.64	248.38	278.82	277.41	259.76	282.18	314.36	323.95	431.20	551.25	531.69	619.79
T.O.T.	98.32	94.59	89.42	93.92	99.36	94.82	96.68	101.09	81.34	90.08	78.95	131.38
Beverages & Tobacco												
Exports	106.30	143.34	171.44	169.82	146.52	175.33	162.96	191.13	208.44	202.67	179.78	372.70
Imports	561.35	532.21	698.92	790.14	598.00	521.88	561.23	621.67	675.14	653.41	620.37	860.45
T.O.T.	18.94	26.93	24.53	21.49	24.50	33.60	29.04	30.74	30.87	31.02	28.98	43.31
Crude Materials (inedible except fuels)												
Exports	214.68	169.85	192.12	158.90	171.58	218.86	195.64	209.97	225.52	328.53	293.26	493.21
Imports	198.56	198.06	218.95	228.14	232.37	245.01	293.06	329.71	350.19	445.35	428.87	643.89
T.O.T.	108.12	85.76	87.75	69.65	73.84	89.33	66.76	63.88	64.40	73.77	68.38	76.60
Minerals, Fuels & Lubricants												
Exports	166.47	283.63	373.65	314.40	365.14	416.09	525.75	644.33	733.54	979.83	878.39	871.98
Imports	108.55	206.30	276.87	249.66	297.20	306.38	389.16	615.00	632.08	877.47	771.50	1090.38
T.O.T.	153.36	137.48	134.96	125.93	122.86	135.81	135.10	104.77	116.05	111.67	113.85	79.97
Chemicals												
Exports	263.37	276.51	282.36	281.54	270.05	265.61	277.23	312.89	362.50	397.29	377.28	484.32
Imports	196.20	208.54	228.06	239.29	245.60	313.15	334.10	372.17	392.87	471.77	441.10	611.09
T.O.T.	134.23	132.59	123.81	117.66	109.96	84.82	82.98	84.07	92.27	84.21	85.53	79.26
Animal & Vegetable Oils, Fats & Waxes												
Exports	-	-	-	-	-	-	-	-	-	-	-	-
Imports	326.86	229.68	195.10	224.82	300.36	347.94	358.48	341.40	406.00	647.28	596.83	866.17
T.O.T.	-	-	-	-	-	-	-	-	-	-	-	-
Manufactured Goods												
Exports	275.59	266.96	279.04	281.83	248.93	274.02	284.72	289.58	300.76	318.97	311.74	390.80
Imports	226.26	224.61	251.50	244.97	240.82	287.80	301.00	340.71	375.06	427.60	406.97	549.29
T.O.T.	121.80	118.86	110.95	115.05	103.37	95.21	94.59	84.99	80.19	74.60	76.60	71.15
Machinery and Transport Equipment												
Exports	291.07	396.34	453.20	579.13	572.31	396.09	342.97	414.01	430.91	518.62	468.82	799.29
Imports	355.79	417.87	470.20	481.18	450.67	537.55	561.15	538.14	580.85	639.86	600.42	858.50
T.O.T.	81.81	94.85	96.38	120.36	126.99	73.68	61.12	76.93	74.19	81.05	81.41	93.10
Miscellaneous Manufactured Articles												
Exports	259.80	263.04	292.47	298.40	294.67	318.55	324.17	342.71	340.99	351.77	351.03	430.84
Imports	240.08	278.99	323.02	320.35	299.60	333.22	343.13	404.94	418.65	605.24	629.22	666.29
T.O.T.	108.21	94.28	90.54	93.15	98.35	95.60	94.47	82.59	81.45	58.12	55.79	64.66

- Not applicable

* Provisional

Source: Federal Bureau of Statistics.

TABLE 8.6

ECONOMIC CLASSIFICATION OF EXPORTS AND IMPORTS (A. EXPORTS)

(Rs million)

Year	Primary Commodities		Semi-Manufactures		Manufactured Goods		
	Value	Percentage Share	Value	Percentage Share	Value	Percentage Share	Total Value**
1970-71	650	33	472	24	876	44	1,998
1971-72	1,510	45	914	27	947	28	3,371
1972-73	3,366	39	2,583	30	2,602	30	8,551
1973-74	4,007	39	2,294	23	3,860	38	10,161
1974-75	4,933	48	1,308	13	4,047	39	10,286
1975-76	4,902	44	2,068	18	4,283	38	11,253
1976-77	4,622	41	1,888	17	4,783	42	11,294
1977-78	4,633	36	1,912	15	6,435	50	12,980
1978-79	5,475	32	3,489	21	7,963	47	16,925
1979-80	9,838	42	3,519	15	10,053	43	23,410
1980-81	12,824	44	3,320	11	13,136	45	29,280
1981-82	9,112	35	3,507	13	13,651	52	26,270
1982-83	10,326	30	4,618	13	19,498	57	34,442
1983-84	10,789	29	5,172	14	21,378	57	37,339
1984-85	10,981	29	6,664	17	20,334	54	37,979
1985-86	17,139	35	7,892	16	24,561	49	49,592
1986-87	16,796	26	13,214	21	33,345	53	63,355
1987-88	22,163	28	15,268	20	41,012	52	78,445
1988-89	29,567	33	16,937	19	43,679	48	90,183
1989-90	21,641	20	25,167	24	59,661	56	106,469
1990-91	25,820	19	33,799	24	78,663	57	138,282
1991-92	32,645	19	36,731	21	102,352	60	171,728
1992-93	26,133	15	36,507	21	114,388	64	177,028
1993-94	21,321	10	48,748	24	135,430	66	205,499
1994-95	28,113	11	62,624	25	160,436	64	251,173
1995-96	47,852	16	63,802	22	183,087	62	294,741
1996-97	36,452	11	66,889	21	221,972	68	325,313
1997-98	47,357	13	64,683	17	261,120	70	373,160
1998-99	45,143	12	70,288	18	274,911	70	390,342
1999-00	53,833	12	68,208	15	321,637	73	443,678
2000-01	67,783	13	81,288	15	389,999	72	539,070
2001-02	60,346	11	80,438	14	420,163	75	560,947
2002-03	71,194	11	71,323	11	509,777	78	652,294
2003-04	70,716	10	83,361	12	554,959	78	709,036
2004-05	92,018	11	86,483	10	675,586	79	854,088
2005-06	112,268	11	106,029	11	766,543	78	984,841
2006-07	113,954 r	11	121,930 r	12	793,428 r	77	1,029,312
2007-08	171,670	14	127,090	11	897,877	75	1,196,638
Jul-Mar							
2007-08	98,657	12	91,182	11	634,773	77	824,612
2008-09 (P)	173,236	17	94,379	9	767,245	74	1,034,860

r: revised

(Contd.)

**: Total may not tally due to rounding

TABLE 8.6

ECONOMIC CLASSIFICATION OF EXPORTS AND IMPORTS (B. IMPORTS)

(Rs million)

Year	Capital Goods		Industrial Raw Material				Consumer Goods		**
			Capital Goods		Consumer Goods				
	Value	Percentage Share	Value	Percentage Share	Value	Percentage Share	Value	Percentage Share	Total Value
1970-71	1,885	52	382	11	950	26	385	11	3,602
1971-72	1,482	42	367	11	851	24	795	23	3,495
1972-73	2,499	30	830	10	2,584	31	2,485	30	8,398
1973-74	3,975	30	904	7	5,386	40	3,214	24	13,479
1974-75	6,152	29	1,802	9	8,257	40	4,714	23	20,925
1975-76	7,158	35	1,261	6	7,709	28	4,337	21	20,465
1976-77	8,750	38	1,463	6	9,148	40	3,651	16	23,012
1977-78	9,316	34	1,921	7	11,023	40	5,555	20	27,815
1978-79	10,970	30	2,160	6	15,416	42	7,842	22	36,388
1979-80	16,679	36	2,916	6	19,834	42	7,500	16	46,929
1980-81	14,882	28	4,055	8	26,832	50	7,775	15	53,544
1981-82	17,504	30	4,861	8	28,710	48	8,407	14	59,482
1982-83	21,135	31	4,040	6	33,383	49	9,593	14	68,151
1983-84	24,419	32	4,525	6	37,017	48	10,746	14	76,707
1984-85	28,968	32	4,859	6	41,579	46	14,372	16	89,778
1985-86	33,195	37	4,966	5	36,353	40	16,432	18	90,946
1986-87	33,841	37	6,150	7	36,227	39	16,213	17	92,431
1987-88	40,350	36	8,021	7	48,153	43	16,027	14	112,551
1988-89	49,498	37	9,929	7	53,055	39	23,359	17	135,841
1989-90	48,420	33	10,439	7	61,562	41	28,432	19	148,853
1990-91	56,303	33	11,621	7	76,290	44	26,900	16	171,114
1991-92	96,453	42	15,167	7	88,791	38	29,478	13	229,889
1992-93	108,993	42	14,304	6	99,290	38	36,056	14	258,643
1993-94	97,301	38	15,692	6	110,291	43	34,966	13	258,250
1994-95	112,305	35	16,754	5	148,419	46	43,414	14	320,892
1995-96	140,405	35	22,541	6	180,539	45	54,090	14	397,575
1996-97	169,774	37	22,259	5	202,379	43	70,589	15	465,001
1997-98	139,618	32	23,344	5	195,528	45	77,848	18	436,338
1998-99	146,450	31	25,646	6	220,563	47	73,305	16	465,964
1999-00	140,045	26	30,712	6	287,801	54	75,234	14	533,792
2000-01	157,091	25	34,371	6	345,770	55	89,768	14	627,000
2001-02	176,702	28	39,038	6	346,865	55	72,025	11	634,630
2002-03	220,942	31	41,216	6	380,035	53	72,179	10	714,372
2003-04	316,082	35	57,310	7	441,586	49	82,847	9	897,825
2004-05	441,528	36	101,719	8	557,226	46	122,607	10	1,223,079
2005-06	631,644	37	124,480	7	769,336	45	185,698	11	1,711,158
2006-07	670,539 r	36	134,519 r	7	864,736 r	47	182,011 r	10	1,851,806
2007-08	731,017	29	202,538	8	1,322,329	53	256,187	10	2,512,072
Jul-Mar									
2007-08	504,864	29	133,318	8	896,815	52	183,427	11	1,718,424
2008-09 (P)	554,180	27	176,303	9	1,037,596	51	253,738	13	2,021,817

P : Provisional

Source: Federal Bureau of Statistics.

** Total may not be tally due to rounding

r: Revised

TABLE 8.7

MAJOR IMPORTS

(Rs. Million)

Items	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07		2007-08	July-March 2007-08	July-March 2008-09*
1. Chemicals	80,106	82,263	90,953	119,683	160,711	176,200	200,333	r	256,618	176,362	225,134
2. Drugs and medicines	13,965	13,988	12,964	15,812	17,343	20,091	26,080	r	33,867	23,511	31,093
3. Dyes and colours	7,346	7,775	8,419	9,218	11,101	13,272	14,889		18,486	12,998	15,783
4. Chemical Fertilizers	9,842	10,904	14,068	16,405	24,794	40,787	27,306	r	55,165	46,292	29,776
5. Electrical goods	7,695	7,835	12,661	14,862	21,121	30,463	39,824	r	48,148	33,430	46,826
6. Machinery (non-electrical)	88,551	96,832	119,256	140,907	254,452	334,445	368,226	r	416,538	284,480	336,152
7. Transport equipments	24,918	30,587	39,984	87,374	75,981	133,480	140,919	r	137,701	97,486	69,067
8. Paper, board and stationery	7,646	8,608	10,451	12,138	14,850	19,135	24,061	r	28,817	45,290	16,820
9. Tea	12,030	9,611	10,095	11,078	13,202	13,336	12,965		12,653	9,143	14,043
10. Sugar-refined	14,488	1,485	153	189	5,229	37,366	15,722		912	779	1,563
11. Art-silk yarn	3,509	5,054	5,375	6,793	7,730	14,204	15,164		18,474	12,966	16,378
12. Iron, steel & manu-factures thereof	20,267	24,633	28,813	35,942	62,444	96,043	89,985		105,494	86,413	109,304
13. Non-ferrous metals	5,964	6,757	8,430	10,544	15,547	20,665	27,395		25,641	18,988	17,422
14. Petroleum & products	195,611	172,578	179,317	182,332	237,387	399,667	444,610		724,333	456,341	569,488
15. Edible oils	19,045	24,034	34,288	37,917	44,975	44,212	57,996		108,427	71,937	83,730
16. Grains, pulses & flours	7,987	11,636	9,290	6,338	26,117	20,910	18,683		70,902	48,040	81,187
17. Other imports	108,030	120,050	129,855	190,293	230,095	296,882	327,648		449,896	323,968	358,051
Grand Total	627,000	634,630	714,372	897,825	1,223,079	1,711,158	1,851,806		2,512,072	1,718,424	2,021,817

* : Provisional

r: Revised

Source: Federal Bureau of Statistics

TABLE 8.8

DESTINATION OF EXPORTS AND ORIGIN OF IMPORTS

(% Share)

REGION	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
1. Developed Countries										
Exports	60.8	56.7	57.1	60.3	58.9	55.6	60.0	59.4	59.9	61.0
Imports	58.3	62.2	58.6	52.6	49.3	49.9	48.7	46.5	42.2	36.7
a. OECD										
Exports	57.2	54.9	56.7	60.0	58.6	55.3	59.7	59.5	59.6	60.6
Imports	55.7	58.7	57.0	52.1	48.5	49.0	48.1	46.1	41.6	36.1
b. Other European Countries										
Exports	0.6	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4
Imports	0.8	0.5	0.3	0.5	0.8	0.9	0.6	0.4	0.6	0.6
2. CMEA*										
Exports	3.0	1.5	1.0	0.5	0.4	0.5	0.7	0.6	0.4	0.4
Imports	1.8	3.0	1.3	1.6	2.1	1.9	1.3	0.9	1.0	1.2
3. Developing Countries										
Exports	39.2	44.3	41.9	39.2	40.7	43.9	39.3	39.6	39.7	38.6
Imports	41.7	37.8	41.4	45.8	48.6	48.2	50.0	52.6	56.8	62.1
a. OIC										
Exports	12.7	14.6	16.0	13.7	12.9	12.9	11.8	12.5	12.7	14.1
Imports	17.9	16.5	16.9	20.9	21.3	22.4	26.0	23.3	24.3	35.2
b. SAARC										
Exports	3.5	4.7	3.8	3.1	3.4	2.7	2.5	3.5	5.0	3.2
Imports	1.5	1.5	1.5	1.6	1.4	1.5	2.4	2.3	2.2	1.9
c. ASEAN										
Exports	5.1	5.6	5.2	3.7	4.0	5.3	2.5	3.2	3.2	2.8
Imports	8.9	7.3	8.5	9.5	12.6	11.2	9.0	12.6	14.1	10.2
d. Central America										
Exports	0.1	0.2	0.3	0.5	0.4	0.3	0.5	0.7	0.8	0.9
Imports	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.3	0.2
e. South America										
Exports	0.2	0.5	0.5	0.9	1.0	1.4	1.2	1.6	1.2	1.1
Imports	1.6	1.3	1.6	1.0	1.4	1.2	1.7	1.1	2.1	1.0
f. Other Asian Countries										
Exports	14.6	14.3	13.0	14.0	14.9	17.1	15.6	12.9	12.8	12.4
Imports	9.6	9.5	11.1	10.8	9.5	9.4	8.7	10.7	10.3	10.3
g. Other African Countries										
Exports	3.0	4.4	3.0	2.9	3.6	3.8	4.4	4.3	3.5	3.8
Imports	2.0	1.6	1.7	1.9	2.2	2.3	1.9	2.5	2.8	3.0
h. Central Asian States										
Exports	-	-	0.1	0.4	0.5	0.9	0.8	0.9	0.5	0.3
Imports	-	-	-	-	0.1	..	0.1	--	0.7	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(Contd..)

TABLE 8.8

DESTINATION OF EXPORTS AND ORIGIN OF IMPORTS

(% Share)

REGION	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Jul-Mar 2007-08	Jul-Mar 2008-09**
1. Developed Countries										
Exports	56.7	58.1	56.1	58.2	55.9	54.7	54.7	51.0	51.0	46.4
Imports	31.0	34.3	34.4	35.5	38.0	34.2	33.3	30.2	30.1	26.8
a. OECD										
Exports	56.3	57.6	55.6	57.6	55.2	53.8	53.8	50.0	50.0	45.5
Imports	30.5	33.7	33.5	34.7	34.7	32.4	31.5	27.1	27.1	25.7
b. Other European Countries										
Exports	0.4	0.5	0.5	0.7	0.7	0.9	0.9	1.0	1.0	0.9
Imports	0.5	0.6	0.9	0.8	3.3	1.8	1.8	3.1	3.1	1.1
2. CMEA*										
Exports	0.4	0.5	0.6	0.7	0.9	0.9	1.1	1.2	1.2	1.3
Imports	0.9	1.1	0.8	1.2	2.1	2.2	1.8	1.4	1.4	3.7
3. Developing Countries										
Exports	42.9	41.4	43.3	41.1	43.2	44.4	44.2	47.8	47.8	52.3
Imports	68.1	64.6	64.8	63.3	59.9	63.6	64.9	68.4	68.5	69.4
a. OIC										
Exports	16.5	19.2	22.3	20.7	21.9	23.3	21.6	26.4	26.4	30.5
Imports	39.3	36.0	35.2	33.7	29.2	33.7	32.0	33.4	33.4	36.3
b. SAARC										
Exports	2.9	2.5	2.4	3.2	4.6	4.4	4.8	4.4	4.4	5.5
Imports	2.9	2.4	1.9	3.1	3.2	3.3	4.5	5.0	5.0	3.6
c. ASEAN										
Exports	3.6	2.7	2.9	2.7	2.1	1.7	1.9	1.7	1.7	2.0
Imports	10.6	11.7	12.2	11.1	10.0	9.1	9.5	9.9	9.9	9.9
d. Central America										
Exports	0.8	1.0	0.9	0.9	0.9	0.9	1.1	1.0	1.1	1.1
Imports	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
e. South America										
Exports	1.2	0.9	0.7	0.8	0.9	1.0	1.4	1.6	1.6	1.6
Imports	1.6	0.7	0.6	0.6	1.1	1.4	0.8	1.8	1.8	1.2
f. Other Asian Countries										
Exports	13.0	11.4	9.9	9.4	8.7	8.9	9.2	8.4	8.4	7.8
Imports	10.6	10.9	12.5	12.3	13.7	13.7	15.9	15.7	15.7	14.9
g. Other African Countries										
Exports	4.3	3.5	4.0	3.2	4.0	4.1	4.1	4.2	4.2	3.8
Imports	2.8	2.7	2.3	2.3	2.4	2.2	1.9	2.2	2.2	3.3
h. Central Asian States										
Exports	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	..
Imports	0.1	0.1	..	0.1	0.2	0.1	0.1	0.3	0.3	0.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

.. Insignifcant

Source: Federal Bureau of Statistics

* Council for Mutual Economic Assistance.

** Provisional

TABLE 8.9

WORKERS REMITTANCES

(US$ Million)

COUNTRY	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
I. Cash Flow	1,626.92	1,252.45	1,238.51	1,093.36	1,317.73	1,227.28	1,078.05	1,237.68	875.55	913.49
Bahrain	37.20	27.75	25.42	25.92	35.90	33.23	29.16	34.31	33.31	29.36
Canada	11.26	9.86	7.54	5.65	4.91	5.67	3.59	4.14	3.46	3.86
Germany	32.62	33.12	40.64	28.88	27.71	26.06	18.98	16.62	11.93	10.47
Japan	26.84	12.96	11.62	7.13	6.90	3.65	3.05	2.65	3.09	1.58
Kuwait	15.12	44.24	60.22	47.85	57.86	45.43	38.38	52.40	106.36	135.25
Norway	21.28	16.25	15.18	11.85	13.40	11.72	7.97	7.16	5.26	5.60
Qatar	24.27	12.87	10.91	7.57	11.52	14.08	9.68	12.17	12.94	13.29
Saudi Arabia	681.97	516.16	525.94	493.65	554.08	503.22	418.44	474.86	318.49	309.85
Sultanat-e-Oman	74.98	60.35	51.67	46.07	61.49	64.44	46.11	61.97	44.67	46.42
U.A.E.	172.03	105.07	97.76	99.36	178.26	161.93	164.39	207.70	125.09	147.79
Abu Dhabi	75.71	38.74	32.47	29.32	51.99	48.98	44.91	75.13	38.07	47.30
Dubai	68.72	49.07	47.79	51.12	90.09	81.19	93.07	101.01	70.57	87.04
Sharjah	27.60	17.26	17.50	16.73	28.96	28.95	22.90	28.54	14.69	12.80
Others	-	-	-	2.19	7.22	2.81	3.51	3.02	1.76	0.65
U.K.	180.05	137.02	114.02	101.19	109.96	109.74	97.94	98.83	73.59	73.27
U.S.A	190.23	150.34	157.80	122.49	141.09	141.92	146.25	166.29	81.95	79.96
Other Countries	159.07	126.46	119.79	95.75	114.65	106.19	94.11	98.58	55.41	56.79
II. Encashment*	221.37	215.03	323.73	352.20	548.37	233.89	331.42	251.87	184.64	70.24
Total (I+II)	1,848.29	1,467.48	1,562.24	1,445.56	1,866.10	1,461.17	1,409.47	1,489.55	1,060.19	983.73

* Encashment and Profit in Pak Rs. of Foreign Exchange Bearer Certificates (FEBCs) & Foreign Currency Bearer Certificates (FCBCs)

(Contd.)

TABLE 8.9

WORKERS REMITTANCES

(% Share)

COUNTRY	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Cash Flow										
Bahrain	2.29	2.22	2.05	2.37	2.72	2.71	2.70	2.77	3.80	3.21
Canada	0.69	0.79	0.61	0.52	0.37	0.46	0.33	0.33	0.40	0.42
Germany	2.01	2.64	3.28	2.64	2.10	2.12	1.76	1.34	1.36	1.15
Japan	1.65	1.03	0.94	0.65	0.52	0.30	0.28	0.21	0.35	0.17
Kuwait	0.93	3.53	4.86	4.38	4.39	3.70	3.56	4.23	12.15	14.81
Norway	1.31	1.30	1.23	1.08	1.02	0.95	0.74	0.58	0.60	0.61
Qatar	1.49	1.03	0.88	0.69	0.87	1.15	0.90	0.98	1.48	1.45
Saudi Arabia	41.92	41.21	42.47	45.15	42.05	41.00	38.81	38.37	36.38	33.92
Sultanat-e-Oman	4.61	4.82	4.17	4.21	4.67	5.25	4.28	5.01	5.10	5.08
U.A.E.	10.57	8.39	7.89	9.09	13.53	13.19	15.25	16.78	14.29	16.18
Abu Dhabi	4.65	3.09	2.62	2.68	3.95	3.99	4.17	6.07	4.35	5.18
Dubai	4.22	3.92	3.86	4.68	6.84	6.62	8.63	8.16	8.06	9.53
Sharjah	1.70	1.38	1.41	1.53	2.20	2.36	2.12	2.31	1.68	1.40
Others	-	-	-	0.20	0.55	0.23	0.33	0.24	0.20	0.07
U.K.	11.07	10.94	9.21	9.25	8.34	8.94	9.08	7.99	8.41	8.02
U.S.A	11.69	12.00	12.74	11.20	10.71	11.56	13.57	13.44	9.36	8.75
Other Countries	9.78	10.10	9.67	8.76	8.70	8.65	8.73	7.96	6.33	6.22
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Contd.

TABLE 8.9

WORKERS REMITTANCES

(US $ Million)

COUNTRY	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-April 2007-08	July-April 2008-09
I. Cash Flow	1,021.59	2,340.79	4,190.73	3,826.16	4,152.29	4,588.03	5,490.97	6,448.84	5,316.88	6,355.13
Bahrain	23.87	39.58	71.46	80.55	91.22	100.57	136.28	140.51	116.23	127.64
Canada	4.90	20.52	15.19	22.90	48.49	81.71	87.20	100.62	82.48	65.07
Germany	9.20	13.44	26.87	46.52	53.84	59.03	76.87	73.33	62.99	80.26
Japan	3.93	5.97	8.14	5.28	6.51	6.63	4.26	4.75	4.14	3.58
Kuwait	123.39	89.66	221.23	177.01	214.78	246.75	288.71	384.58	309.70	360.31
Norway	5.74	6.55	8.89	10.19	18.30	16.82	22.04	28.78	22.99	19.58
Qatar	13.38	31.87	87.68	88.69	86.86	118.69	170.65	233.36	189.63	276.70
Saudi Arabia	304.43	376.34	580.76	565.29	627.19	750.44	1,023.56	1,251.32	1,001.71	1264.07
Oman	38.11	63.18	93.65	105.29	119.28	130.45	161.69	224.94	179.62	231.37
U.A.E.	190.04	469.49	837.87	597.48	712.61	716.30	866.49	1,090.30	907.52	1366.79
Abu Dhabi	48.11	103.72	212.37	114.92	152.51	147.89	200.40	298.38	249.54	512.52
Dubai	129.69	331.47	581.09	447.49	532.93	540.24	635.60	761.24	631.32	814.58
Sharjah	12.21	34.05	42.60	34.61	26.17	26.87	28.86	28.58	25.00	39.07
Others	0.03	0.25	1.81	0.46	1.00	1.30	1.63	1.68	1.66	0.62
U.K.	81.39	151.93	273.83	333.94	371.86	438.65	430.04	458.87	379.03	467.98
U.S.A	134.81	778.98	1,237.52	1,225.09	1,294.08	1,242.49	1,459.64	1,762.03	1,463.73	1435.65
Other Countries	88.40	293.28	727.64	567.93	507.27	679.50	763.54	695.45	462.23	498.09
II. Encashment*	64.98	48.26	46.12	45.42	16.50	12.09	2.68	2.40	2.20	0.45
Total (I+II)	1,086.57	2,389.05	4236.85	3,871.58	4,168.79	4,600.12	5,493.65	6,451.24	5,319.08	6355.58

* Encashment and Profit in Pak Rs. of Foreign Exchange Bearer Certificates (FEBCs) & Foreign Currency Bearer Certificates (FCBCs)

Source: State Bank of Pakistan

TABLE 8.9

WORKERS REMITTANCES

(% Share)

COUNTRY	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	July-April 2007-08	July-April 2008-09
Cash Flow										
Bahrain	2.34	1.69	1.71	2.11	2.20	2.19	2.48	2.18	2.19	2.01
Canada	0.48	0.88	0.36	0.60	1.17	1.78	1.59	1.56	1.55	1.02
Germany	0.90	0.57	0.64	1.22	1.30	1.29	1.40	1.14	1.18	1.26
Japan	0.38	0.26	0.19	0.14	0.16	0.14	0.08	0.07	0.08	0.06
Kuwait	12.08	3.83	5.28	4.63	5.17	5.38	5.26	5.96	5.80	5.67
Norway	0.56	0.28	0.21	0.27	0.44	0.37	0.40	0.45	0.43	0.31
Qatar	1.31	1.36	2.09	2.32	2.09	2.59	3.11	3.62	3.57	4.35
Saudi Arabia	29.80	16.08	13.86	14.77	15.10	16.36	18.64	19.40	18.83	19.89
Oman	3.73	2.70	2.23	2.75	2.87	2.84	2.94	3.49	3.38	3.64
U.A.E.	18.60	20.06	19.99	15.62	17.16	15.61	15.78	16.91	17.06	21.51
Abu Dhabi	4.71	4.43	5.07	3.00	3.67	3.22	3.65	4.63	4.69	8.06
Dubai	12.69	14.16	13.87	11.70	12.83	11.77	11.58	11.80	11.87	12.82
Sharjah	1.20	1.45	1.02	0.90	0.63	0.59	0.53	0.44	0.47	0.61
Others	0.00	0.01	0.04	0.01	0.02	0.03	0.03	0.03	0.03	0.01
U.K.	7.97	6.49	6.53	8.73	8.96	9.56	7.83	7.12	7.13	7.36
U.S.A	13.20	33.28	29.53	32.02	31.17	27.08	26.58	27.32	27.52	22.59
Other Countries	8.65	12.53	17.36	14.84	12.22	14.81	13.91	10.78	8.69	7.83
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: State Bank of Pakistan

TABLE 8.10

GOLD AND CASH FOREIGN EXCHANGE RESERVES HELD AND CONTROLLED BY STATE BANK OF PAKISTAN

(US $ Million)

	Total		Cash		Gold	
Period	June*	December*	June*	December*	June*	December*
1960	246	272	194	220	52	52
1961	257	238	204	185	53	53
1962	237	249	184	196	53	53
1963	302	279	249	226	53	53
1964	259	219	206	166	53	53
1965	200	208	147	155	53	53
1966	265	197	212	144	53	53
1967	167	159	114	106	53	53
1968	182	239	128	185	54	54
1969	299	311	245	257	54	54
1970	287	184	233	130	54	54
1971	199	171	144	116	55	55
1972	285	286	225	226	60	60
1973	463	489	396	422	67	67
1974	403	472	336	405	67	67
1975	486	418	419	351	67	67
1976	614	539	546	471	68	68
1977	431	534	363	466	68	68
1978	1010	832	696	444	314	388
1979	904	1210	414	279	490	931
1980	2019	1815	831	627	1188	1188
1981	1866	1589	1080	803	786	786
1982	1460	1527	862	971	598	598
1983	2758	2770	1975	2010	783	760
1984	2489	1715	1788	1074	701	641
1985	1190	1452	585	847	605	605
1986	1638	1446	968	793	670	653
1987	1784	1405	919	545	865	860
1988	1326	1258	479	440	847	818
1989	1227	1419	502	705	725	714
1990	1451	958	766	277	685	681
1991	1390	1208	674	500	716	708
1992	1761	1629	1069	950	692	679
1993	1369	2061	604	1371	765	690
1994	3337	3922	2545	3132	792	790
1995	3730	2758	2937	2039	793	719
1996	3251	1780	2465	1092	786	688
1997	1977	2200	1287	1567	690	633
1998	1737	1737	1125	1122	612	615
1999	2371	2080	1828	1536	543	543
2000	2149	1998	1547	1396	602	603
2001	2666	4161	2100	3595	566	566
2002	5439	8569	4772	7902	667	667
2003	10700	11532	9975	10807	725	725
2004	11883	10756	11052	9925	831	831
2005 **	11227	10976	10310	10059	917	917
2006	12939	12888	11651	11600	1288	1288
2007	15801	15361	14435	13601	1366	1760
2008	11433	8950	9476	7130	1957	1820

* Last day of the month.

** December 2005

Source: State Bank of Pakistan

TABLE 8.11

EXCHANGE RATE POSITION (Pakistan Rupees in Terms of One Unit of Foreign Currency)

Country	Currency	(Average During the Year)									
		1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Australia	Dollar	17.6004	19.1123	18.2623	20.8851	22.9083	25.4912	30.5300	29.3472	29.3962	32.5665
Austria	Schilling	2.0077	2.1433	3.3550	2.5433	2.9358	3.2639	3.4694	3.4242	3.8557	3.7715
Bangladesh	Taka	0.6281	0.6518	0.6628	0.7536	0.7673	0.8204	0.9128	0.9513	0.9686	1.0285
Belgium	Franc	0.6860	0.7327	0.8061	0.8559	1.0045	1.1185	1.1854	1.1683	1.2952	1.2866
Canada	Dollar	19.4207	21.3864	20.7982	22.5554	22.3750	24.6581	28.5449	30.4828	31.0445	35.1611
China	Yuan	4.4467	4.5781	4.5996	4.3316	3.6803	4.0354	4.6988	5.2154	5.6548	6.2470
Denmark	Krone	3.6852	3.8958	4.3059	4.5298	5.2534	5.9354	6.3775	6.3310	7.0348	6.9724
France	Franc	4.1819	4.4402	4.8939	5.2027	5.9623	6.6921	7.2196	7.1856	7.9685	7.9156
Germany	Mark	14.1248	15.0838	16.5751	17.9039	20.6804	22.9718	24.4163	24.0995	26.7081	26.5372
Holland	Guilder	12.5333	13.3928	14.7394	15.9401	18.4547	20.5247	21.7451	21.3938	23.7008	23.5571
Hong Kong	Dollar	2.8828	3.2047	3.3574	3.9011	3.9902	4.3345	5.0391	5.5762	6.0440	6.6573
India	Rupee	1.1980	0.9611	0.9405	0.9609	0.9814	0.9783	1.0894	1.1285	1.0935	1.1862
Iran	Rial	0.3357	0.3699	0.3507	0.0179	0.0176	0.0192	0.0225	0.0246	0.0266	0.0295
Italy	Lira	0.0189	0.0201	0.0190	0.0185	0.0198	0.0212	0.0250	0.0246	0.0271	0.0268
Japan	Yen	0.1639	0.1896	0.2177	0.2843	0.3277	0.3281	0.3376	0.3411	0.3797	0.4809
Kuwait	Dinar	..	86.4030	87.2127	101.5740	104.3749	112.5264	129.6859	141.7916	153.8993	169.4791
Malaysia	Ringgit	5.2463	9.3259	10.1692	11.5288	12.1848	13.2905	15.5861	12.5285	12.1327	13.6289
Nepal	Rupee	0.7143	0.5832	0.5741	0.6121	0.6178	0.6102	0.6837	0.7034	0.6858	0.7503
Norway	Krone	3.6301	3.8505	4.0096	4.1305	4.6915	5.3528	6.0509	5.8345	6.1371	6.3421
Singapore	Dollar	12.7847	14.8944	15.9865	19.0212	21.2485	23.6411	27.4575	27.0557	27.6043	30.5305
Sri Lanka	Rupee	0.5539	0.5831	0.5660	0.6120	0.6201	0.6281	0.6823	0.7038	0.6869	0.7144
Sweden	Krona	3.8414	4.1506	3.9886	3.8009	4.1543	5.0484	5.5230	5.5260	5.8006	6.0786
Switzerland	Franc	16.6698	16.9154	18.3825	20.8077	24.7362	28.0734	28.8164	29.3698	32.5174	32.5626
S.Arabia	Riyal	5.9959	6.6442	6.9407	8.0642	8.2475	9.0606	10.4440	11.5178	12.4882	13.8125
Thailand	Baht	0.8627	0.9626	1.0028	1.1567	1.2174	1.2176	1.2176	1.1562	1.2313	1.3490
UAE	Dirham	6.1231	6.7874	7.0923	8.2415	8.4214	9.2329	10.6639	11.7623	12.7583	14.0979
UK	Pound	41.5778	43.7454	42.0315	45.1600	48.6951	51.9192	63.0683	71.1450	76.8085	82.4937
USA	Dollar	22.4228	24.8441	25.9598	30.1638	30.8517	33.5684	38.9936	43.1958	46.7904 (50.0546) *	51.7709
EMU	Euro	-	-	-	-	-	-	-	-	-	-
IMF	SDR	31.1323	34.1379	35.6217	42.2162	46.1616	49.6416	55.2477	58.4654	63.6850	70.1077

(Contd...)

* Composite Rate

TABLE 8.11

EXCHANGE RATE POSITION (Pakistan Rupees in Terms of One Unit of Foreign Currency)

		(Average during the Year)								Average(Jul-Apr)	
Country	Currency	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2007-08	2008-09
Australia	Dollar	31.3747	32.1607	34.2101	41.0626	44.7141	44.7564	47.6760	56.1958	54.6118	57.2988
Austria	Schilling	3.7942	3.9960	na	na	54.8940	na	na	na	na	na
Bangladesh	Taka	1.0794	1.0826	1.0108	0.9842	0.9774	0.9121	0.8723	0.9088	0.8903 *	1.1333 *
Belgium	Franc	1.2934	1.3633	na	na	na	na	na	na	na	na
Canada	Dollar	38.4434	39.1719	38.8234	42.8526	47.5567	51.4986	53.5778	61.9742	60.9804	66.8995
China	Yuan	7.0601	7.4149	7.0613	6.9497	7.1676	7.4161	7.7526	8.6128	8.3910	11.4248
	Krone	6.9916	7.3987	8.2524	9.2250	10.1527	9.7699				
France	Franc	7.9536	8.3867	na	na	na	na	na	na	na	na
Germany	Mark	26.6543	28.1084	na	na	na	na	na	na	na	na
Holland	Guilder	23.6655	24.9556	na	na	na	na	na	na	na	na
Hong Kong	Dollar	7.4906	7.8720	7.4990	7.3970	7.6176	7.7127	7.7772	8.0273	7.9030	10.0634
India	Rupee	1.2529	1.2787	1.2219	1.2682	1.3253	1.3389	1.3746	1.5417	1.5257 *	1.6442 *
Iran	Rial	0.0332	0.0307	0.0073	0.0069	0.0067	0.0066	0.0066	0.0067	0.0066 *	0.0080 *
Italy	Lira	0.0269	0.0284	na	na	na	na	na	na	na	na
Japan	Yen	0.5109	0.4884	0.4888	0.5203	0.5558	0.5216	0.5122	0.5711	0.5573	0.7941
Kuwait	Dinar	190.4592	200.7861	194.5677	194.3681	202.3816	205.3258	209.8118	228.2954	223.2147	281.5260
Malaysia	Ringgit	15.3871	16.1621	15.3944	15.1532	15.6244	16.0515	17.0649	18.9021	18.5148	22.2050
Nepal	Rupee	0.7893	0.8033	0.7515	0.7802	0.8169	0.8296	0.8575	0.9593	0.9483 *	1.0269 *
Norway	Krone	6.4483	7.0288	8.1021	8.2191	9.1841	9.2141	9.7161	11.6417	11.3209	12.3732
Singapore	Dollar	33.1605	33.9503	33.3406	33.5098	35.6797	36.4149	39.1651	43.6846	42.5475	53.1702
Sri Lanka	Rupee	0.7026	0.6624	0.6057	0.5920	0.5813	0.5872	0.5649	0.5676	0.5521 *	0.7050 *
Sweden	Krona	5.9379	5.9117	6.6910	7.5195	8.2949	7.7867	8.6143	9.8890	9.6193	10.4350
Switzerland	Franc	34.1098	37.1824	41.4643	44.2489	49.0657	46.8551	49.2385	56.6736	55.0251	69.2856
S.Arabia	Riyal	15.5868	16.3792	15.5961	15.3488	15.8027	15.9608	16.1656	16.6973	16.4389	20.8148
Thailand	Baht	1.3438	1.4000	1.3742	-	1.4763	1.5005	1.6789	1.8860	1.8210 *	2.2454 *
UAE	Dirham	15.9133	16.7231	15.9261	15.6727	16.1586	16.2972	16.5107	17.0391	16.7725	21.2662
UK	Pound	84.7395	88.5691	92.7433	100.1672	110.2891	106.4344	117.1852	125.2948	123.8515	125.6583
USA	Dollar	58.4378	61.4258	58.4995	57.5745	59.3576	59.8566	60.6342	62.5465	61.5700	78.0495
EMU	Euro	-	54.9991	61.3083	68.6226	75.5359	72.8661	79.1763	92.1700	89.6170	106.5844
IMF	SDR	74.7760	78.0627	79.3198	83.2470	88.5631	86.9594	90.7726	98.6265	96.4585	119.1530

* : July-March

Source: State Bank of Pakistan

na : Common currency Euro is in use of these countries

Chapter No. 9

External and Domestic Debt

9.1 INTRODUCTION

The debt tolerance and debt carrying capacity vary across regions and countries. Developing countries like Pakistan are more vulnerable to economic fluctuations because of relatively weaker macroeconomic fundamentals. There is a need to analyze debt sustainability of such countries on periodic basis to determine shock absorbing capacity of the economy. Therefore, developments in both external and domestic debt are of key concern to debt management. Excessive increases in debt have caused problems for Pakistan in the past, while imprudent domestic borrowing plagued the economy during 2007-08. Vigilant debt management is required not only to ensure that present debt levels are kept under restraint, but also to project consequences of future repayment obligations. Prudent debt management practices could not undermine the importance of prudent fiscal and monetary policy. Even best debt management may not by itself avert any upheaval in case of poor macroeconomic policy sequencing.

The current fiscal year carried the legacy of high fiscal and current account deficits. Large twin deficits, high inflation, a depreciating currency and dwindling reserves were all lingering problems carried over from the previous fiscal year. Depreciation of the Rupee against the US dollar has caused substantial rise in foreign currency denominated public debt. On the internal front, borrowing from the State Bank of Pakistan continues to fuel increases not only in domestic inflation but also adding to the short-run domestic debt. The government embarked upon a plan of Economic Stabilization to regain macroeconomic stability. The measures taken under this program by the government have placed the economy on the path to recovery. Net zero borrowing from the SBP at the end of every quarter put restraint on the government's borrowing appetite from the SBP and the government successfully met this target in the last two quarters (October-March).

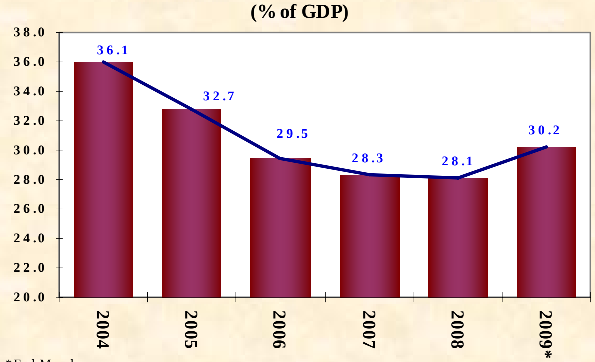
The support from the International Monetary Fund is a key impetus to this stabilization process. The effects of the stabilization started accruing as the current account has recovered substantially and hemorrhage to foreign exchange reserves not only arrested but around $3.4 billion have been added to the reserves.

9.2 EXTERNAL DEBT AND LIABILITIES

Gross external debt at a given point of time is the amount of disbursed and outstanding liabilities of residents of a country to non-residents. Countries use external debt in order to fill the gap between desired expenditure levels and domestically available resources. Governments also issue foreign currency debt in order to signal their commitment to stable exchange rates and prices. A key incentive for governments to use foreign debt heavily is that it minimizes current interest costs, but doing so leaves the country vulnerable to certain risks.

The government manages its debt in order to raise the required amount of resources subject to the lowest possible medium to long-term cost and consistent with a prudent degree of risk. Poor debt management poses risks for both the public and private sectors in the form of economic instability, insolvency, debt distress, and fiscal crisis. In order to prevent such eventuality, a government needs to identify the various risks to its debt stock, and formulate strategies to counter or minimize these risks. Risks can be classified into two main categories; market risk, and country specific risk. The stock of outstanding debt of any country is vulnerable to market risks regardless of the origin, size, average tenure, and other characteristics of the debt. Market risk is measured in terms of potential increases in debt servicing costs associated with changes in market conditions such as interest rate risk, exchange rate risk, and credit risk. Country specific factors include the economic, social, and political stability of the country, and general investor sentiment about the economy.

Fig-9.1: External Debt & Liabilities (% of GDP)



*End March

In addition to risk management, governments need to constantly monitor, sustain, and even enhance their debt carrying capacity. Furthermore, the borrowed resources must be utilized effectively and productively so that they generate economic activity. Prudent debt management is therefore, essential for preventing debt crisis. Empirical evidence suggests that external debt slows growth only if it crosses the threshold level of 50 percent of GDP or in net present value terms, 20-25 percent of GDP. Pakistan has experienced serious debt problems in the recent past and accordingly witnessed deterioration in the macroeconomic environment, leading to deceleration in investment rate and economic growth and the associated rise in the incidence of poverty.

The beginning of the current decade saw a sustained reduction of Pakistan's external debt burden. Even though total External Debt & Liabilities (EDL) was rising throughout the period, the growth of the economy was far greater than growth of the debt stock, leading to a reduction in the debt burden. In absolute terms, EDL increased from US $ 37.9 billion at end-June 2000, to $ 46.3 billion by the end of June 2008. During the same period, EDL as a percentage of GDP decreased by 24 percentage points of GDP, falling from 51.7 percent to 28.1 percent by end-June 2007 as shown in Fig-9.1. However, the last two years have seen an increase in the rate of growth of EDL, as external debt and liabilities have been increasing not only in absolute terms, but also as a percentage of some major economic indicators. This shift in momentum has highlighted the crucial role played by current account deficit and exchange rate stability on a country's debt burden. Pakistan benefited from fiscal discipline imposed in the beginning of the decade as well as a relatively stable rupee and significant foreign inflows all of which facilitated a reduction in the debt burden. However, deterioration of these same fundamentals is responsible for the increasing debt burden seen in the last two years. Measures taken in order to steer Pakistan towards economic recovery have meant that the country's stock of outstanding EDL has taken a hit. Entering into the International Monetary Fund Stand By Arrangement (IMF SBA) program has enabled Pakistan to shore up foreign exchange reserves and prevent the economy from any further depreciation, but it has also translated into a significant increase in outstanding external debt. Focusing on the absolute increase in the outstanding stock of EDL can be misleading for two main reasons. Firstly, the outstanding stock of debt must be analyzed in relation to the size of the economy and its repayment capacity (in terms of GDP and other macroeconomic indicators). Secondly, the absolute change in EDL neglects classification between an actual increase in stock and increases caused by fluctuations in international exchange rates.

Table-9.1: Pakistan: External Debt and Liabilities						
	End-June					
	2004	2005	2006	2007	2008	2009*
	(In billions of U.S. dollars)					
1. Public and Publically Guaranteed debt	29.94	31.08	32.90	35.35	40.24	40.48
A. Medium and long term(>1 year)	29.91	30.81	32.73	35.32	39.53	39.75
Paris club	13.63	13.01	12.79	12.69	13.93	13.66
Multilateral	14.35	15.36	16.82	18.69	21.58	21.84
Other bilateral	0.69	0.81	0.92	1.00	1.19	1.94
Euro bonds/Saindak Bonds	0.82	1.27	1.91	2.71	2.67	2.15
Military debt	0.20	0.19	0.13	0.08	0.04	0.01
Commercial Loans/credits	0.22	0.18	0.17	0.15	0.12	0.17
B. Short Term (<1 year)	0.02	0.27	0.17	0.03	0.71	0.73
2. Private Non-guaranteed Debt (>1 yr)	1.67	1.34	1.59	2.25	2.89	3.30
3. IMF	1.76	1.61	1.49	1.41	1.34	4.19
Total External Debt (1 through 3)	33.4	34.0	36.0	39.0	44.5	48.0
Of Which Public	*31.3*	*32.1*	*33.9*	*36.5*	*40.7*	*43.8*
4. Foreign Exchange Liabilities	2.0	1.8	1.6	1.5	1.8	2.2
Total External Debt & Liabilities (1 through 4)	35.3	35.8	37.6	40.5	46.3	50.1
	(In percent of GDP)					
Total External Debt (1 through 3)	34.1	31.1	28.2	27.3	27.0	28.9
1. Public and Publically Guaranteed debt	30.6	28.4	25.8	24.7	24.5	24.4
A. Medium and long term(>1 year)	30.5	28.1	25.7	24.7	24.0	23.9
B. Short Term (<1 year)	0.0	0.2	0.1	0.0	0.4	0.4
3. IMF	1.8	1.5	1.2	1.0	0.8	2.5
Total External Debt	34.1	31.1	28.2	27.3	27.0	28.9
4. Foreign Exchange Liabilities	2.0	1.6	1.2	1.0	1.1	1.3
Total External Debt & Liabilities (1 through 4)	36.1	32.7	29.5	28.3	28.1	30.2
Memo:						
GDP (in billions of U.S. dollars)	98.0	109.5	127.4	143.0	164.4	166.1

** End March* *Source: State Bank of Pakistan*

9.2.1 Outstanding External Debt and Liabilities

During the first nine months of the current fiscal year 2008-09, Pakistan's total external debt increased from $ 46.3 billion at end-June 2008 to $ 50.1 billion by end-March 2009 — an increase of US $ 3.8 billion or 8.2 percent. A high and persistent current account deficit implies greater financing requirement by the economy. A global environment plagued by the economic slowdown has hampered non-debt creating inflows like FDI and in constricted availability of the non-debt creating inflows; the government has to resort to multilateral and bilateral sources for its financing requirement and thus leading to the stock of outstanding external debt. In relative terms, EDL as percentage of GDP increased from 28.1 percent at end-June 2008 to 30.2 percent by end-March 2009— an increase of 2.1 percentage points. This is the highest ever rise in a single year for almost one decade [See Table-9.1**].** A significantly depressed economic growth and massive depreciation of rupee against dollar partially explains this increase in EDL as a percentage of GDP.

The big chunk of Pakistan's outstanding external debt is classified as public and publically guaranteed debt and accounts for 78.9 percent of the total outstanding EDL stock [See Table 9.2]. Out of the remaining amount 8.4 percent debt is owed to the IMF which is a leap forward from last year's stake of 3.1 percent of total EDL mainly due to disbursement of the first two trenches of the Stand By Arrangement (SBA). Private non-guaranteed debt contributes 6.6 percent to the stock of EDL and another 4.3 percent contribution came from foreign exchange liabilities.

Table 9.2: Structure of EDL (End-March 2009)	
Component	**Percent**
Public and Publicly Guaranteed	78.9
Paris club	27.2
Multilateral	43.5
Other bilateral	3.9
Short Term	4.3
Private Non-Guaranteed	6.6
IMF	8.4
Foreign Exchange Liabilities	4.3
Memo:	
Total EDLs	100.0
** EDL: External Debt and Liabilities*	*Source: SBP*

The following section highlights the developments in the various components of EDL during the first nine months of the outgoing fiscal year.

9.2.1.i Public and Publicly Guaranteed Debt

Public and publicly guaranteed debt accounts for the largest share of 78.9 percent in EDL. This component is further classified into medium to long-term debt and short term debt. During the first nine months of 2008-09, public and publicly guaranteed debt has increased by 0.6 percent or $ 233 million, rising from $ 40.2 billion at end-June 2008 to $ 40.5 billion by end-March 2009. Medium and long-term debt increased marginally by $ 54 million during the same period. Out of multilateral debt, Paris club debt registered a slight reduction of $ 273 million, and the stock of outstanding Paris club debt is currently at $ 13.6 billion. Repayment of $ 500 million on account of a Eurobond issued by the government in 2004 caused a reduction in the outstanding stock of Eurobond debt. Military debt also registered a slight decrease of $ 34 million. The stock of multilateral debt increased by $ 252 million, rising from $ 21.6 billion at the end-June 2008 to $ 2I.8 billion by end-March 2009. Short term debt increased from $ 713 million at end-June 2008 to $ 728 by end-March 2009. This increase of $ 15 million is on account of short term financing provided by the Islamic Development Bank (IDB). The first nine months of the current fiscal year have seen a very limited amount of new disbursements of Public and publicly guaranteed debt, and most of the changes in outstanding stock are due to movements in international exchange rates or disbursement from the IMF.

9.2.1.ii IMF Debt

In November 2008, Pakistan entered into a 23-month stand-by loan agreement with the IMF. The total financing approved by the IMF is approximately $ 7.6 billion. The objective of the agreement is to support the stabilization program of the government. The first tranche of $ 3.1 billion was released in November 2008, and after a successful first review of the program, a second tranche of approximately $ 847 million was disbursed by the end of March 2009. In the absence of non-debt creating inflows the SBA has provided much needed funds required to stabilize the economy by bridging the financing gap. However, the financing provided by the IMF is also the major reason behind the increase in the stock of outstanding EDL. Between June 2008 and March 2009, the outstanding IMF debt stock piled up from $ 1.34 billion to $ 4.19 billion. This implies a whopping net addition of $ 2.85 billion. The increase in the stock of IMF debt is responsible for 78 percent of the total increase in outstanding EDLs.

9.2.1.iii Private non-guaranteed debt and Foreign Exchange Liabilities

The share of private non-guaranteed debt in Pakistan's total EDLs has historically been very small. Continuing with this trend, private non-guaranteed debt accounted for 6.9 percent of the outstanding stock of EDL by March 2009. The stock of private non-guaranteed debt increased by $ 412 million; rising from $ 2.89 billion in June 2008 to $3.3 billion by end-March 2009. This category consists of private non-guaranteed loans worth $ 3 billion and non-guaranteed private sector bonds worth $ 275 million.

9.2.1.iv Foreign exchange liabilities are persistently declining since 1999 but witnessed a slight increase in 2008-09 on account of higher level of Central Bank Deposits received from friendly countries which are increasing for a second consecutive year. The outstanding stock of foreign exchange liabilities increased from $ 1.8 billion at end-June 2008 to $ 2.2 billion by end-March 2009. The increase is solely because of receipt of $ 500 million from China in the Central Bank Deposits. The rise in Central Bank Deposits has more than offset a decrease in Special $ Bonds and Foreign Currency Bonds. Foreign exchange liabilities now account for 4.3 percent of total EDL as compared to a share of 3.9 percent in 2007-08.

9.3 Composition of Foreign Economic Assistance

The total amount of foreign economic assistance received in the first nine months of 2008-09 stood at $ 7,193 million. The composition of this assistance is as follows:

9.3.i Commitments

The commitments of foreign economic assistance were $3,570 million during 2007-08, while during the first nine months of the current fiscal year i.e., July-March 2008-09, total commitments amounted to $3,896 million. About 45.4 percent of the total commitments during July-March 2008-09 were in the shape of project aid and 54.6 percent non-project aid. The share of BOP/budgetary support in total non-project aid was 90 percent, Non-food (5 percent) and Afghan Refugees & earthquake relief assistance (4 percent).

9.3.ii Disbursements

Disbursement of foreign economic assistance during 2007-08 stood at $3,580 million but decreased to $3,297 million during July-March, 2008–09. During this period, disbursement for the project aid amounted to $ 623 million or about 18.9 percent of the total disbursements. An amount of $2,674 million was disbursed for non-project aid, claiming about 81.1 percent of total disbursements, comprising $ 308 million for Non-Food aid, $2,306 million for BOP/budgetary support and $59 million for Afghan Refugees & earthquake relief assistance.

9.3.iii Sources of Aid

The major sources of foreign economic assistance to Pakistan are Bilateral and Multilateral donors. Bilateral sources provided 37.8 percent during 2007-08 and multilateral 62.2 percent of the total commitments. Contribution of bilateral and multilateral sources was 25.1 percent and 74.9 percent of total commitments, respectively during July-March 2008-09. An amount of $735.9 million was disbursed from the bilateral sources and $2,844.6 million from multilateral sources during 2007-08. Disbursement from the bilateral and multilateral sources amounted to $981.5 million and $2,315.8 million, respectively during July-March, 2008-09.

9.3.iv Project Vs Non-Project Aid

There has been a significant change in the pattern of commitments for the project and non-project aid. The share of project aid was 55.6 percent during 2007-08 which reduced to 45.4 percent by July-March 2008-09. The share of project aid in the total commitments has declined as compared to non-project aid after 1990's. Project aid was 71.5 percent and 71.7percent during the1980's and the 1990's respectively, compared to 42.8 percent during 2001-09.

9.3.v Grants and Loans

The composition of foreign economic assistance has considerably changed over the years from grants and grant-like assistance to hard-term loans. The share of grants and grant-like foreign assistance in total commitments dropped from 80 percent during the First Five Year Plan (1955-60) to 9 percent only during the year 2000-01. It, however, surged again to 20 percent of total foreign aid contracted during 2001-02 but declined to 10.6 percent in July-March 2008-09

9.3.vi **Debt Servicing during 2008-09**

Debt inflows are useful in supporting a country's balance of payments position and financing current account deficits. However, they pose an obligation to make payments in the future, thus producing a strain on the economy. The annual debt servicing payments made during the period 1999-2000 to 2003-04 on average hovered around $ 5 billion per annum. Owing largely to a combination of re-profiling of Paris Club bilateral debt on a long-term horizon, the substantial write-off of the US bilateral debt stock, the prepayment of expensive debt and the relative shift in contracting new loans on concessional terms, this amount was drastically reduced to around $ 3 billion by 2007-08. As the debt burden of an economy rises, so do the obligations to make debt service payments. An amount of $ 3.65 billion has been paid during July-March 2008-09 which implies an increase of $ 650 million in one year. Out of this amount, $ 2.83 billion was paid on account of repayment of principal amounts. A significant proportion of this increase is due to repayment of Eurobond amounting to $ 500 million made in February 2009 while $ 818 million were paid on account of interest payments. The amount rolled over increased from $ 1.2 billion in 2007-08 to $ 1.65 billion in July-March 2008-09 [See Table 9.3]

Table-9.3: Pakistan's External Debt and Liabilities Servicing

($ Million)

Years	Actual Amount Paid	Amount Rolled Over	Total
1999-00	3756	4081	7837
2000-01	5101	2795	7896
2001-02	6327	2243	8570
2002-03	4349	1908	6257
2003-04	5274	1300	6574
2004-05	2965	1300	4265
2005-06	3115	1300	4415
2006-07	2977	1300	4277
2007-08	3161	1200	4361
2008-09*	3654	1650	5304

**** July-March*** *Source: State Bank of Pakistan*

9.4 External Debt Sustainability

The idea of debt sustainability links the debt stock of a country to its repayment ability as gauged by various macroeconomic indicators. The difference between the total financing needs on the balance of payments and the projected capital inflows is known as the financing gap. In crude terms, if the financing gap is approaching zero in the long-term, debt is considered to be sustainable. Whereas if a financing gap exists, it can be filled by resorting to additional borrowing, rescheduling and debt reduction, or by accumulating arrears. Such measures lead to an escalating debt burden and eventual un-sustainability of debt.

In order to ensure sustainability, developing countries can place limits on debt obligations, given the level of capital inflows. These limits are set by assigning threshold levels to the debt stock as a ratio of economic indicators that represent the repayment capacity of the economy, such as GDP, foreign exchange reserves and foreign exchange earnings. Calculation of these indicators and subsequent comparison with international thresholds provides insight into a country's debt position. They can be used to monitor the sustainability of debt as well as an early warning system for debt distress and sustainability issues. The indicators can be divided into two groups, nominal indicators which are useful in analyzing the debt position at any given time as well as historical trends, and present value indicators which are useful in measuring current and future debt payments. By using present value indicators, it is possible to analyze future debt obligations in current terms, and project the impact they will have on the country's debt burden and sustainability.

Table-9.4: External Debt Sustainability Indicators

Year	EDL/ GDP	EDL/ FEE	EDL/ FER	STD/EDL
	(Percent)		Ratio	(Percent)
FY00	51.7	297.2	19.3	3.2
FY01	52.1	259.5	11.5	3.7
FY02	50.9	236.8	5.8	1.4
FY03	43.1	181.2	3.3	1.2
FY04	36.7	165.0	3.0	0.6
FY05	32.7	134.3	2.7	0.8
FY06	29.4	121.6	2.9	0.4
FY07	28.3	122.6	3.0	0.1
FY08	28.1	124.3	4.2	1.5
FY09*	30.2	144.3	5.1	1.5

Source: EA Wing and SBP Bulletins

*** End March 2009**

EDL: External Debt and Liabilities, FEE: Foreing Exchange Earnings, FER: Foreign Exchange Reserves, STD: Short-term Debt.

Most of the indicators of Pakistan's debt have been exhibiting a declining trend since 2001-02 onwards, with a trivial u-turn in the most difficult year of recent economic history i.e. 2007-08, especially indicators that analyze debt in relation to foreign exchange reserves. Due to sustainable debt policies and favorable rescheduling of debt, external debt and liabilities (EDL) as a percentage of GDP declined from 51.7 percent in end-June 2000 to 28.3 percent by the end of June 2007; a decline of 23.4 percentage points. Substantial external debt inflows in 2007-08, magnified by depreciation of the US dollar caused EDL to remain at 28.1 percent of GDP in the previous fiscal year. By end-March 2009, EDL as a percent of GDP stood at 30.2 percent, increasing by 2.1 percentage points.

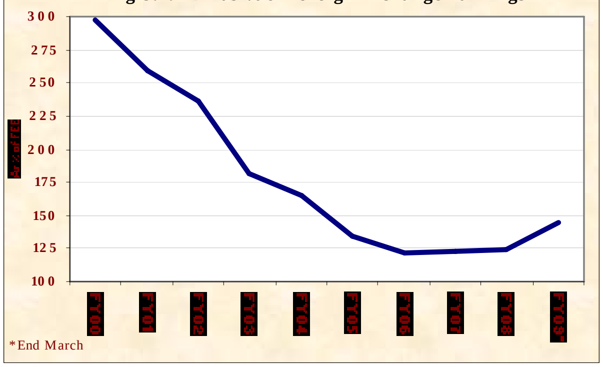


Fig-9.2: EDL as % of Foreign Exchange Earnings

EDL as a percentage of Foreign Exchange Earnings (FEE) gives a measure of a country's debt repayment capacity by comparing levels of external debt to the sum of exports, services receipts, and private unrequited transfers. EDL as a percent of FEE stood at 297.2 percent by the end of 1999-2000, and witnessed a sustained decline till end-June 2006 where it reached 121.6 percent; a reduction of 60 percentage points in 6 years. The pendulum swung to other side and EDL in relation to FEE surged gradually in 2006-07 and 2007-08 with EDL increased to 122.6 percent by end-June 2007 and further to 124.3 percent by end-June 2008. The abrupt rise came in the period July-March 2008-09, when it escalated to 144.3 percent mainly because of very weak growth in foreign exchange earnings and substantially higher net debt inflows. The deterioration of this ratio suggests that Pakistan's stock of external debt and liabilities is growing at a faster rate than its foreign exchange earnings [See Table 9.4].

As a proportion of Foreign Exchange Reserves (FER), EDL witnessed a sustained decrease from 1750 percent in 1999-2000 to 267.5 percent by end-June 2006-07. The improvement of this ratio was due to a reduction in the stock of external debt from 1999-2000 to 2003-04 coupled with a significant increase in reserves. However, EDL as a percentage of FER has increased from 267.5 percent by the end of 2006-07 to 407.3 percent in 2007-08 and further to 510 percent by end-March 2009. This increase in debt as a ratio of foreign exchange reserves can be primarily attributed to a sharp decline in the latter rather than an increase in the stock of debt. Even though financing provided by the IMF has assisted in stabilizing Pakistan's reserve position, foreign exchange reserves are significantly lower than 2007-08 while the stock of debt has been increasing at considerable pace. Regardless of the origins of the increase, it must be taken as a warning sign. Given the current domestic and international financial environment, any sustained increase in debt of the magnitude observed during 2007-08 and 2008-09 needs to be in conjunction with a growth of reserves which guarantees the country's capacity to repay the debt. Failure to match further increases in debt stock with higher reserves will bring Pakistan's level of external debt close to unsustainable levels.

Pakistan's level of Short Term Debt (STD) as a percentage of EDL has historically been lower than most other developing countries. The previous fiscal year 2007-08 has seen an increase in STD as a percentage of EDL to 1.5 percent as compared to historical value of around 0.5 percent. This was due to an increase of $ 688 million in short-term financing provided by the Islamic Development Bank. STD-to-EDL ratio remains unchanged for the first nine months of 2008-09. STD as a percentage of FER stood at 6.9 percent in March 2009 as against 6.2 percent at end-June 2008. This sustained increase is mostly due to a drawdown of reserves as increase in short term debt (short-term financing provided by the IDB) has been marginal.

Debt service as a percentage of GDP measures the extent to which a country's output is absorbed by payment of interest and principal on debt obligations. This ratio has been steadily declining, with the exception of 2003-04 where larger than usual repayments including a $ 1.17 billion repaid to the Asian Development Bank (ADB) caused the ratio to increase from 5.2 percent to 5.4 percent of GDP for the past five years. Debt Service-to-GDP ratio declined from 8.6 percent in 2001-02 to 1.9 percent by 2007-08. However, it reached 2.1 percent of GDP during July-March 2008-09. This slight increase can be attributed to repayment of $

500 million Eurobond in February 2009. As a percentage of FER, debt service declined from 173.8 percent of FER in 1999-2000 to 19.7 percent of FER by 2006-07, but registered an increase to 26.7 percent of FER in 2007-08. This ratio has significantly increased to 34.7 percent in the first nine months of 2008-09 due to depletion of foreign exchange reserves and higher debt service payments. An increasing ratio implies a growing strain on the economy's resources to make payments on its debt obligations. Keeping in mind the maturity profile of additions to the debt stock, the foreign exchange reserve position of Pakistan needs to be strengthened in order to prevent repayment difficulties in the future.

9.5 Pakistan's Link with International Capital Market

The crisis gripping financial markets worldwide has meant that capital flows have all but dried up. As uncertainty about risk prevails and investors look to shore up their losses, capital flows to emerging markets have been curtailed. Sovereigns have, in most cases, been deterred from new issuances by market sentiment and the increase in costs. Global bond issuances in 2008 totaled $ 106 billion as compared to $ 184 billion in the previous year. Sovereign issuances in Asia are also down by 40 percent as Asian countries have been forced to seek alternative methods of financing. Spreads on emerging market sovereign bonds have also widened substantially, making access to financing through capital markets, if available at all, very costly. The Emerging Market Bond Index, a benchmark index for measuring the total return performance of international government bonds issued by emerging market countries, has increased by 400 bps in one year, implying an increase in costs for tapping international debt capital markets. As negative sentiments prevail, the situation for Pakistan is compounded by weaker economic performance in 2008-09 and a highly volatile domestic security situation. The spread on Pakistani sovereign bonds as given by the EMBI have gone up by 1550 bps and have a rating of B3/CCC+. Given the severity of the crisis in international markets, and hesitance with respect to investor confidence, Pakistan has not issued any new instruments in 2008-09. However, following the government's stabilization program and a restoration of economic fundamentals, signs of recovery are visible, just as the global economy has exhibited momentum in the revival process. The government plans to continue to tap the global capital markets, when conditions are more favorable, with the aim of establishing a benchmark for Pakistan and to assure global investors of Pakistan's commitment to the development of its capital market. By regaining investor confidence and being active in international debt capital markets, spreads on Pakistani paper can be narrowed, providing the government with greater financing options.

9.5.i Recent Performance of 2017 and 2036 Eurobonds

In line with developments in global debt capital markets, Pakistan has witnessed an increase in spreads on its 2016, 2017 and 2036 Eurobonds in the first nine months of FY09. Though some stability has been regained due to initiatives taken by the government and financing provided by the IMF, it has not been enough to overcome the negative sentiment surrounding markets in general and the socio-political risk associated with Pakistan. In the absence of a credit rating upgrade for Pakistan, as compared to the issue spread of UST + 200bps, the 2017 bond is trading currently at a spread of UST +1504 bps, with the spread widening by 875 bps since 2007-08 [Table 9.5].

The 2036 bond, as compared to the issue spread of UST + 302bps and a spread of 507 bps last year, is trading currently at a spread of UST + 1361 bps. The 2036 bond was the longest ever tenor achieved by Pakistan. Both the 10 and 30 year offerings were debut offerings for Pakistan which extended the yield curve to 30 years in just 2 years. Most emerging market sovereign issuers have taken longer time to extend their yield curve from 5 to 30 years. It took Philippines 4 years and Brazil and Turkey 3 years to lengthen their yield curve to 30 years.

Table-9.5: Selected Secondary Market Benchmarks (as of May 2009)				
Issuer	**Ratings (Moody's/S&P)**	**Details (Coupon/Maturity)**	**Spread over UST (bps)**	**Bid - Yield (%)**
Pakistan	**B3/CCC+**	**7.125%/Oct 2016**	**+1519**	**18.360**
Pakistan	**B3/CCC+**	**6.875%/Jan 2017**	**+1504**	**18.210**
Pakistan	**B3/CCC+**	**7.875%/Jun 2036**	**+1361**	**17.720**
Colombia	Ba1/BBB-	7.375%/Jan 2017	+461	6.08
Turkey	Ba3/BB-	7.000%/Sept2016	423	6.61
Indonesia	Ba3/BB-	6.875%/Mar 2017	411	8.03
Venezuela	B2/BB-	8.500%/Oct 2014	639	17.45

Source: Bloomberg

9.5.ii Repayment of 2009 Eurobond

On the 19th of February 2009, the Government of Pakistan successfully repaid the maturing $ 500 million eurobond as well as $17 million on account of interest payments. This successful payment laid to rest any fears of Pakistan debt repayment capacity, and shored up investor confidence about Pakistan's ability to successfully manage its outstanding external debt obligations. The ability to make successful repayments even under adverse conditions both domestically and in international markets is testament to the resilience of the Pakistani economy.

9.6 PUBLIC DEBT

Public debt refers to all debt owed directly by the government originating from domestic and external sources. It consists of debt denominated in Rupees as well as foreign currency. Public debt is directly linked to the government's fiscal operations through the domestic component. The gap between a government's resources, i.e. tax and non-tax revenues, and its expenditure is mostly financed by mobilizing domestic debt instruments. The external position of an economy also influences the stock of public debt outstanding. External debt creating inflows acquired to finance current account deficits are reflected in the foreign currency component of public debt.

Management of public debt poses policymakers with key challenges and trade-offs. Debt is an essential tool in ensuring required levels of investment and expenditure on programs aimed at boosting productivity, economic growth, economic and social development, and the alleviation of poverty. However, accruing an excessive amount of debt has dire consequences for any economy not least of which is the future obligation to make repayments. Increases in public debt can lead to inflationary pressures on the economy if the source of the increase is domestic borrowing. Excessive public sector borrowing may squeeze available credit in the economy and have a crowding out effect on the private sector which may lead to a fall in productivity. Additionally, increasing proportions of government resources directed towards debt servicing in the future hinder allocation of funds to other sectors of the economy.

Prudent management of public debt requires that fiscal operations be carefully planned, placing a limit on present and future fiscal deficits in order to reduce borrowing requirements. Similarly, non-debt creating foreign inflows need to be encouraged to keep the foreign currency component of public debt in check. Additionally, exchange rate stability is crucial as depreciation of domestic currency increases the foreign currency component of public debt significantly.

In the midst of the financial crisis and global economic slowdown, public debt burdens of most countries have been increasing at a rapid pace. Slowdown in economic activity has reduced the amount of funds available on the one hand, while unprecedented fiscal stimuli and recovery packages have increased government expenditures exponentially on the other. According to a recent study by the IMF, "The increase in government debt ratios will be even more sizable. The debt-to-GDP ratio of advanced countries is expected to rise by 14½ percentage points over 2008–09, the most pronounced upturn in the last few decades. The one-year increase in government debt in 2009 is twice as large as that experienced during the 1993 recession. A third of this increase is due to financial sector support packages. The debt ratio for the average of the emerging economies also shows a sizable increase in 2009, the first since 2002." The majority of responses taken by advanced economies around the world to the current crisis have involved an increase in expenditure, which has led to an increase in the stock of public debt. In such cases, where the increase in debt is thought to be a temporary or one-off phenomenon, there is little cause for alarm. Debt sustainability can be maintained as long as governments are not on an explosive debt path, i.e. borrowing additional funds in order to fund debt service obligations [see Table 9.6].

Table-9.6: Trends in Public Debt

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09*
	(In billions of Rs.)							
Domestic Currency Debt	1715	1852	1979	2152	2322	2600	3209	3749
Foreign Currency Debt	1795	1766	1810	1913	2041	2213	2692	3519
Total Public Debt	3510	3618	3789	4064	4363	4814	5901	7268
	(In percent of GDP)							
Rupees Debt	39.0	38.4	35.1	33.1	30.5	30.0	31.2	28.6
Foreign Currency Debt	40.8	36.6	32.1	29.4	26.8	25.5	26.2	26.9
Total Public Debt	79.8	75.0	67.2	62.5	57.2	55.5	57.4	55.5
	(In percent of Revenue)							
Rupees Debt	275	257	246	239	212	200	214	188
Foreign Currency Debt	288	245	225	212	186	170	180	176
Total Public Debt	562	502	470	452	398	371	394	364
	(In percent of Total Debt)							
Rupees Debt	48.9	51.2	52.2	52.9	53.2	54.0	54.4	51.6
Foreign Currency Debt	51.1	48.8	47.8	47.1	46.8	46.0	45.6	48.4
Memo:								
Foreign Currency Debt ($ Billion)	29.9	30.6	31.3	32.1	33.9	36.5	40.7	43.8
Exchange Rate (Rs./U.S.$, E.O.P)	60.1	57.7	57.9	59.7	60.2	60.6	66.1	80.4
GDP (in Rs. Billion)	4402	4823	5641	6500	7623	8673	10284	13095
Total Revenue (in Rs. Billion)	624	721	806	900	1095	1298	1499	1995

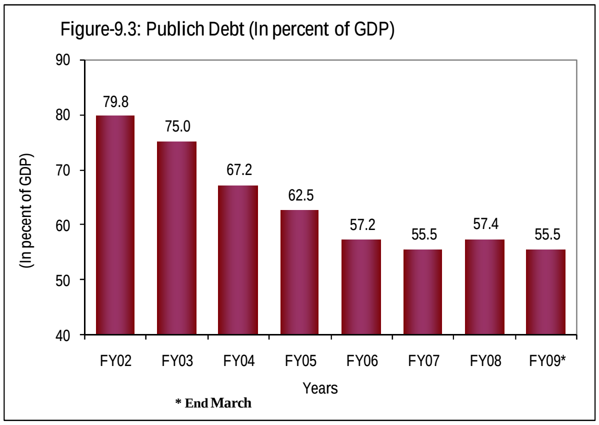
*** End-March** ***Source: SBP and EA Wing Calculations.***

Pakistan has been spared from the gravity of the current global crisis, and the impact on the financial sector has been limited, waiving any need for a stimulus package or large fiscal outlay. However, the previous fiscal year 2007-08 saw massive increases in the public debt. A deteriorating current account balance, rapidly depreciating currency and large subsidies in the face of oil and other commodity price shocks resulting in substantial spike in the fiscal deficit translated to an increase in public debt. The stabilization program implemented by the government in the current fiscal year 2008-09 and the support lent by the IMF has arrested further widening of the current account deficit, shored up foreign exchange reserves, and prevented the rapid currency depreciation. These positive developments have, however, taken time in materializing, and the persistent gap between resources and expenditure, along with the depreciation of the rupee throughout the year has translated to an increase in public debt.

9.6.i Total Outstanding Public Debt

Total public debt increased by Rs 1367 billion in the first nine months of 2008-09, reaching a total outstanding amount of Rs. 7268 billion; an increase of 23.2 percent in nominal terms. Total public debt has been growing at an average of 12 percent per year since the fiscal year 1999-2000.

The increase in total public debt is shared between rupee and foreign currency debt in the ratio of 40:60. The rise in foreign currency debt is mainly because of massive depreciation of the Pak rupee in the first quarter of the fiscal year. In absolute terms $3.1 billion are added to the public external debt in the period July-March 2009, however, big chunk of Rs. 246 billion has come from depreciation. In the first nine months of 2008-09, the depreciation of the rupee against the dollar has been responsible for approximately 18 percent addition to total increase in public debt and 30 percent to public external component. The rupee has lost 20 percent of its value against the dollar in just nine months.



The structure of public debt has also experienced subtle changes since 2001-02. The focus has been shifted more towards domestic borrowings which inched up its share from 48.9 percent in 2001-02 to 54.4 percent in 2007-08. The massive borrowing from the SBP has not only fueled inflationary pressures in the economy but also responsible for fiscal indiscipline resulting in dire consequences for debt management. The government has placed a restraint of net zero quarterly borrowing from the State Bank of Pakistan (SBP).

9.6.ii Dynamics of Public Debt Burden

In order to view debt burden in relation to the resources of an economy and the government, it is useful to analyze the debt burden in the context of other macroeconomic indicators. Changes in the public debt burden of an economy are influenced by the cost associated with borrowing funds, the rate of inflation, and the real growth rates of pubic debt and government revenues. Periods of higher cost of borrowing coupled with higher growth rates of public debt in periods where growth of revenues was relatively stagnant have yielded an increase in the public debt burden.

A look at some of the main factors behind the surge in public debt over the last two decades reveals some important structural follies. The rise appears to be largely contributed by the high real cost of borrowing and stagnant government revenue. Total public debt consists of debt payable in rupees and debt payable in foreign exchange. The real cost of borrowing for these two components of public debt is measured differently. [as shown in Table-9.7], the real cost of Pakistan's domestic debt has varied substantially over time. The inflation is a crucial component in the determinant of real cost of borrowing while depreciation affects positively to real cost of borrowing on external debt. During the first five years of the decade (2000-05), the real cost of borrowing for domestic debt was 4. 2 percent owing to lower inflation but in the last four years (2005-09) the real cost of borrowing declined to negative 0.3 percent partly due to rising inflationary pressures in the economy as well as the declining nominal cost of borrowing.

Table 9.7: Real Cost of Borrowing

(Percent)

	External Debt	Domestic Debt	Public Debt
1980s	3.4	1.0	2.3
1990s	2.7	3.2	2.9
1990-I	-3.0	-1.9	-2.4
1990-II	-5.5	5.7	5.6
2000-05	0.2	4.2	2.9
2005-2009*	-2.7	-0.3	-0.9

Source: EA Wing calculations

*** Jul. 2005 - end Mar. 2009**

During the first five years of the current decade (2000-05), the real cost of borrowing for foreign exchange denominated loan increased to 0.2 percent mainly because of lower inflation and rupee appreciation. However, it turned to negative 2.7 percent in the last four years (2005-09). During 2004-09, the depreciation of rupee along-with higher inflation contributed to negative incidence of real cost of borrowing. The low implied cost of external borrowing has contributed to overall declining trend in real cost of borrowing during the last nine years.

As a result of the sharp fluctuation in the real cost of borrowing for both domestic and foreign debt, the dynamics of the growth in public debt also changed over the last two decades. The changing dynamics of public debt is well-documented in Table-9.8. The economy generated primary fiscal surplus in the first five years (2000-05) owing to lower interest payments in the period. However, it turned into deficit in the period (2005-09). The encouraging thing is that during 2008-09, the economy is going to generate modest primary surplus of 0.5 percent of GDP. The real growth of debt registered an increase of 0.3 percent in 2000-05 which accelerated to 1.4 percent in 2005-09. The revenues kept healthy average growth rate of 5.8 and 5.9 percent in these two time periods. The combined effect of healthy growth in revenues and modest growth in real debt growth resulted in a sharp decline in the country's debt burden during the last nine years. In order to assess the cost of borrowing, an implied interest rate is calculated as interest payments in 2007-08 divided by the stock at the end of previous financial year. In the 2007-08 the real revenue witnessed modest growth of 2.5 percent against 5.5 percent real growth in public debt. Both revenue and public debt grew fractionally by 0.4 and 0.7 percent in 2008-09. An analysis of the dynamics of the public debt burden provides useful lessons for policy-makers to manage the country's public debt. First, every effort should be made to maintain a primary surplus in the budget. Second, the interest rate and inflation environment should remain benign. Third, the pace of revenue growth must continue to rise to increase the debt carrying capacity of the country. Center to all these lessons is the pursuance of prudent monetary, fiscal and exchange rate policies which are complementary in nature for prudent debt management in any country.

Table-9.8: Dynamics of Public Debt Burden

	Primary Fiscal Balance	Real Cost of Borrowing	Real Growth of Debt	Real Growth of Revenues	Real Growth of Debt Burden
	(Percent of GDP)	(Percent per year)			
1980s	-3.7	2.3	10.6	7.6	3.0
1990s	-0.3	2.9	4.9	2.9	2.0
1990-I	-1.8	-2.4	3.6	3.2	0.4
1990-II	1.1	5.6	6.2	2.5	3.7
2000-05	1.0	2.9	0.3	5.8	-5.5
2005-09*	-1.1	-0.9	1.4	4.9	-4.5

Source: EA Wing calculations

*** Jul. 2005 - end Mar 2009.**

In order for the public debt to GDP ratio to increase, the growth in public debt needs to exceed the nominal growth of GDP. This implies that inflation is a key factor in determining the movements of this ratio. If the price level is high, nominal GDP is inflated, and the accumulation of debt is outpaced by the nominal growth rate of GDP. In inflationary times, real interest rates are also lower, leading to a further reduction in the debt burden. For 2008-09, the nominal growth rate of GDP has been 28 percent, whereas growth in the stock of public debt was 16.5 percent, leading to a reduction in the public debt-to-GDP ratio by 1.9 percentage points.

9.7 Domestic Debt

Domestic debt has always been fundamental part of a government's borrowing strategy. A government faces an inter-temporal trade-off between short-term and long-term costs that should be managed carefully. Excessive reliance on short-term paper may leave a government vulnerable to volatile debt service costs in the event of rising interest rates, and the risk of default in case a government cannot roll over its debts at any cost. It may also constrain the central bank from raising interest rates to address inflation or support the exchange rate because of concerns about the short-term impact on the government's financial position. As in the case of Pakistan the SBP exercises its independence and hiked the interest rates several times which proved too costly for servicing debt. On the other hand, over reliance on longer-term fixed rate financing also carries risks, because it tempts governments to deflate the value of such debt in real terms by initiating surprise inflation. The government in the current fiscal year benefited from enormous surge in inflation as debt-to-GDP ratio went down instead of absolute nominal borrowing of just below half a trillion.

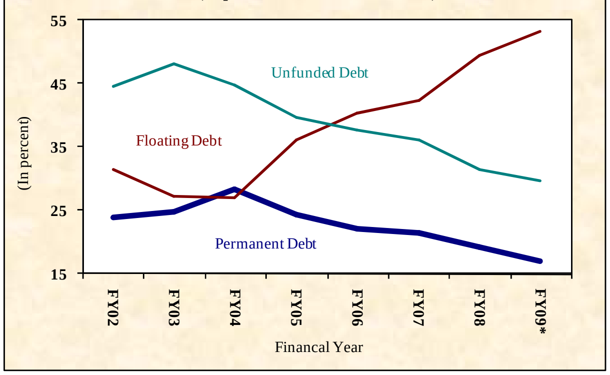
Over the medium term, a strategy for developing the market for government securities can relieve constraints and permit the issuance of a less risky debt structure, and this should be reflected in the overall debt management strategy. In the 2007-08, the failure of the debt management compelled to borrow excessively from the SBP. The diversification of domestic debt may also lessen pressure on external borrowing as well. In this context, gradual increases in the maturity of new fixed rate domestic currency debt issues may raise cost in the short run, but they reduce rollover risk and often constitute important steps in developing domestic debt markets.

In Pakistan, borrowing from domestic and external sources account for almost same stake in overall debt. In fact, government has increasingly focused on the domestic part over the last few years. This tendency is portrayed by a growing contribution of domestic debt mainly because of non-availability of the external financing. The outstanding stock of domestic debt accounts for 51.6 percent of total public debt by end-March 2008-09.

9.7.1 Outstanding Domestic Debt

The total domestic debt is positioned at Rs 3758.6 billion at end-March 2009 which implies net addition of Rs.541.4 billion in the nine months of the current fiscal year. In relation to GDP the domestic debt stood at 28.7 percent of GDP which is lower than end-June 2008 level at 31.3 percent. The domestic debt grew by 16.8 percent which lower than last years' growth of 23.3 percent. The increase in domestic debt is lower than nominal GDP growth which helped reduction of 2.6 percentage points of GDP and augurs well in order to foster private investment, maintain fiscal sustainability and ultimately promote economic growth.

Figure-9.4: Structure of Domestic Debt (In percent of total domestic debt)



The composition of major components shaping the domestic debt portfolio has undergone a complete transformation from a high dominance of unfunded debt to an increasing dependence on floating component of domestic debt. Since 2004, the unfunded category comprising about 45 percent of the aggregate debt stock has declined to 31.2 percent of the total. The share of permanent debt has also decreased over the same period and it stood at 17.1 percent by end-March 2009 (See Fig -9.4). Contrary to this, the share of floating debt increased by a whopping 26.2 percentage points in the period 2004 to March 2009. A detailed explanation of each section follows:

9.7.1.i Permanent Debt

The stock of permanent debt consists of various medium to long term instruments at the government's disposal outside the National Savings Scheme. These include Pakistan Investment Bonds (PIBs), Prize Bonds, and *Ijara Sukuk* apart from such discontinued schemes as Federal Investment Bonds. At the end of March 2009, permanent debt stood at Rs 660.4 billion, exhibiting an increase of Rs. 43.7 billion or 7.1 percent up from the previous fiscal year [See Table-9.9].

A large volume of the government's permanent debt originates from PIBs. The outstanding stock of PIBs stood at Rs 411.6

billion at the end-June 2008 and increased slightly by Rs 9.7 billion or just above 2 percent to reach Rs 421.3 billion by end-March 2009. PIBs now represent 64 percent of the outstanding stock of permanent debt and 11 percent of total domestic debt. The stock of PIBs also witnessed the largest increase out of all the instruments classified under permanent debt (with the exception of the *Ijara Sukuk* which was introduced in 2009), followed by Prize Bonds which increased by Rs 6.9 billion to reach Rs 189.7 billion during the same period.

Table 9.9. Trends in Domestic Debt

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09*
	(In billions of Rs.)							
Permanent Debt	424.8	468.8	570.0	526.2	514.9	562.5	616.7	660.4
Floating Debt	557.8	516.3	542.9	778.2	940.2	1107.7	1589.6	1923.5
Unfunded Debt	792.1	909.5	899.2	854.0	881.7	940.0	1010.9	1174.7
Total	**1774.7**	**1894.5**	**2012.2**	**2158.4**	**2336.8**	**2610.2**	**3217.2**	**3758.6**
	(In percent of GDP)							
Permanent Debt	9.7	9.7	10.1	8.1	6.8	6.5	6.0	5.0
Floating Debt	12.7	10.7	9.6	12.0	12.3	12.8	15.5	14.7
Unfunded Debt	18.0	18.9	15.9	13.1	11.6	10.8	9.8	9.0
Total	40.3	39.3	35.7	33.2	30.7	30.1	31.3	28.7
	(In percent of Total Debt)							
Permanent Debt	23.9	24.7	28.3	24.4	22.0	21.5	19.2	17.6
Floating Debt	31.4	27.3	27.0	36.1	40.2	42.4	49.4	51.2
Unfunded Debt	44.6	48.0	44.7	39.6	37.7	36.0	31.4	31.2
Memo:								
GDP (in billion of RS.)	**4401.7**	**4822.8**	**5641**	**6500**	**7623**	**8673**	**10284**	**13095**

*** Jul-March** *Source: Budget Wing, Ministry of Finance*

In 2009, the PIB market took off in the month of August 2008. Despite the addition of some new features including a newly-issued 7-years paper with coupon rates revisited, a dull market response prevailed in the first auction of the fiscal year, obvious by offers of as low as Rs 6 billion against the target of Rs 20 billion. The short term nature of the interest rate perceptions surrounding the market in addition to credit crunch confronting the banking sector did not let banks opt for long-term government securities. Nonetheless, the second auction held in February 2009 following the announcement of two percent discount rate hike in November 2008 revived the PIBs. As per expectation, overwhelming participation was witnessed in view of the likely cut in the interest rates. A somewhat equal amount of Rs 20.0 billion out of the total offers of Rs 56 billion was mopped up against the target of Rs 20 billion. The easing private sector demand pressures accompanied by the associated progress in macroeconomic variables also had implications for high-quality, risk-free sovereign credit. In contrast to these issuances, the government retired the scheduled maturity of Rs. 16.2 billion in October 2008.

The Government of Pakistan issued its first 3-Year *Ijara Sukuk* Bond in the month of September 2008 in order to diversify the investor base and tape enormous potential of Islamic finance. The purpose of issuance was to raise money from Islamic banking which has grown substantially in Pakistan in recent years. Moreover, issuance of *Sukuk* has emerged out as an acceptable addition to limited investment avenues for Islamic banks to meet their SLR eligibility. So far, three auctions, one in each quarter, have been conducted by the SBP. Collectively, Rs 27.8 billion was mopped up against the total target of Rs. 30 billion. On aggregate, Rs 38.3 billion was offered which is evident of profound interest exhibited by the market.

9.7.1.ii Floating Debt

Floating debt consists of short term domestic borrowing instruments such as Treasury Bills and central bank borrowing through the purchase of Market Related Treasury Bills (MRTBs). The high fiscal deficit incurred by the government in 2007-08 led to an unprecedented increase in the stock of floating debt, with borrowing from the SBP being the instrument of choice to finance the significant gap between government expenditure and revenues. The fiscal year 2007-08 saw floating debt to increase to Rs 1589 6 billion; more than double the amount outstanding five years ago. At the end of March 2009, floating debt increased to Rs 1923.5 billion, registering an enlargement of Rs 286 billion or 17.4 percent in nine months. The slowdown in the rate of increase of floating debt can be credited to the policy of zero quarterly borrowing from the SBP followed by the government on top of successful Treasury Bills auctions in the third quarter of 2008-09. The reduction in this type of borrowing is advantageous as it not only halts the massive increase in the stock of domestic debt, but also reduces inflationary pressures on the economy.

The outstanding stock of MRTBs grew from Rs 1052.6 billion at the end of 2007-08 to Rs 1227.3 billion by end-March 2009 — an increase of Rs 175 billion or 14 percent in nine months. By comparing this growth rate to an increase of 133 percent last year, the impact of the zero quarterly borrowing strategy is clearly visible. The T-bills increased by Rs 159.2 billion or 30 percent during the first nine months of the current fiscal year and the stock as of March 31, 2009 rested at Rs 695.6 billion as against Rs 536.4 billion at end-June 2008. This positive position is a complete reversal of the negative growth of 18 percent in the T-bills stock witnessed previous year.

Persistent monetary tightening to curtail skyrocketing inflation resulted in a shift to short-term views of the market, more so post-May 2008. Banks, in anticipation of further raise in interest rates, displayed complete concentration of bids in 3-months T-bills. Another factor supplementing subdued auction results was the liquidity constraints faced by banks due to foreign exchange outflows, increase in reserve requirements, and slower growth in their deposit base. Put it another way, it was the slump in external financing and inability of the government to mop up ample money from non-SBP sources, that explicate the higher dependence on borrowings from the central bank.

However in the second quarter of 2008-09, the policy discount rate was sharply moved up by 200 bps on November 12, 2008 as part of the prior action under IMF macroeconomic stabilization program. This measure boosted interest in government papers in the latter part of the year. Enhanced liquidity and declining credit demand are reasons for better input to these auctions. Banks’ inclination to government papers over private sector lending truly echoes their shift towards quality, given the thorny problem of mounting non-performing loans. In order to lock-in higher rates on the back of expectations of a peak-out in the interest rate cycle, banks switched to a long view and offered huge bids in longer-tenor MTBs. This profound interest, consecutively, allowed the government to restrain its borrowings from the central bank through MRTBs.

9.7.1.iii Unfunded Debt

The wide array of instruments that fall under the National Savings Scheme is referred to as unfunded debt. The stock of unfunded debt stood at Rs 1174.7 billion on end-March 2009, having increased by Rs 163.8 billion or 16.2 percent in nine months. This huge magnitude of accrual depicted a rise in retail investors’ interest in the non-marketable funding source to reap optimal return in uncertain environment. A quarterly review of the profit rates on various schemes augmented to this trend.

The largest investment was in Special Saving Certificates and Accounts which increased by Rs 82 billion or 36 percent to reach a total amount outstanding of Rs 310 billion by end-March 2009. Significant investments were made in *Bahbood* Savings Certificates as well, with the outstanding stock increasing by Rs 57.6 billion or 25 percent to reach a total of Rs 286.6 billion. Significant increases were also seen in Pensioners Benefit

Accounts and Regular Income Scheme whereas the stock of Defence Savings Certificates and Savings Accounts both witnessed reductions.

9.7.2 Domestic Debt Burden

During 1999-2000 to 2005-06, fiscal control and soaring growth rates surfaced out to be prime reasons behind shrinkage in interest payments as a percentage of major macro-economic indicators analogous to a cut in the external debt. Since 2006-07, domestic debt witnessed a sharp rise along with the related interest payments. Higher fiscal deficits and enormous slippages in the revenue and expenditure targets remained key problems. Supplementing to the intensity of the situation was a policy overhang and the monetization of the deficit through central bank borrowings.

Table-9.10: Domestic Debt & Domestic Interest Payments Burden

Year	Domestic Outstanding Debt	Interest Payments	Domestic Interest Payment (in percent of)				
			Tax Revenue	Total Revenue	Total Expen-diture	Current Expenditure	GDP
	(In billions of Rs.)		(Percent)				
1990-91	448.2	35.7	27.5	20.8	13.7	18.2	3.5
1994-95	807.7	77.9	30.2	24.1	18.2	22.5	4.2
1999-2000	1642.4	210.2	51.8	41.0	29.6	33.5	5.5
2001-02	1774.7	189.5	39.6	30.4	22.9	27.1	4.3
2002-03	1894.5	166.9	30.0	23.2	18.6	21.1	3.4
2003-04	2012.2	161.5	26.4	20.3	16.9	20.8	2.9
2004-05	2158.4	176.3	26.7	19.6	15.8	20.4	2.7
2005-06	2336.8	191.4†	25.2	18.8	14.4	19.6	2.7
2006-07	2610.2	287.5	32.3	22.1	16.0	20.9	3.3
2007-08	3217.2	443.1	42.2	29.6	19.5	23.9	4.3
2008-09*	3758.6	551.0	41.8	30.5	23.0	29.4	4.2

*** End March** *Source: Budget Wing (MoF) and EA Wing*

Interest payments as a percentage of revenue (tax as well as total revenue) gauge the absorbing capacity of government revenues in terms of interest payments on domestic debt. The growth in revenues outperformed that of interest obligations, resulting in a diminution of interest payment as a percent of tax revenue from 51.8 percent in 1999-2000, to 25.2 percent in 2005-06. In the same spell, interest payments as a percentage of total revenues attenuated from 41 percent to 18.8 percent. As a percentage of total expenditure, interest payments decreased from 29.6 percent in 1999-2000, to 14.4 percent in 2005-06. However, interest payments have grown rapidly in the previous two fiscal years, amounting to 32.3 percent of tax revenue and 22.1 percent of total revenue in 2006-07. Interest payments grew by 19 percent in 2007-08, reaching Rs. 443.1 billion which was 42.6 percent of tax revenue and 29.6 percent of total revenues. Interest payments on domestic debt accounted for 16.0 percent of total expenditure in 2006-07, and 19.5 percent in 2007-08. Interest payments as a percentage of GDP observed a parallel turnaround of trends. The afore-mentioned ratio in percentage terms decreased from 5.5 percent in 1999-2000 to 2.7 percent in 2005-06, then increased in 2006-07 to 3.3 percent and increased to 4.3 percent in 2007-08 [See Table 9.10].

For the first nine months of the current fiscal year 2008-09, interest payments stood at Rs 551 billion which sums to 41.8 percent of tax revenues and 30.5 percent of total revenues estimated for 2008-09. As a percentage of total expenditure budgeted for 2008-09, interest payments are currently 23.0 percent. The interest payments on domestic debt stood at 4.2 percent of the projected GDP for 2008-09.

TABLE 9.1

PUBLIC AND PUBLICLY GUARANTEED MEDIUM AND LONG TERM EXTERNAL DEBT DISBURSED AND OUTSTANDING As on 31-03-2009

(US $ million)

S.No.	Country/Creditor	Debt Outstanding as on 31-03-2009
I.	Bilateral	
	a. Paris Club Countries	
1	Austria	70.620
2	Belgium	34.900
3	Canada	450.290
4	Finland	5.940
5	France	2,180.600
6	Germany	1,808.520
7	Italy	104.620
8	Japan	6,377.240
9	Korea	484.370
10	Netherlands	116.560
11	Norway	23.220
12	Russia	123.180
13	Spain	80.120
14	Sweden	155.450
15	Switzerland	100.030
16	United Kingdom	9.110
17	USA	1,530.370
	Sub-Total I.a. Paris Club Countries	13,655.140
	b. Non-Paris Club Countries	
19	China (including Defense)	1,456.500
20	Kuwait	97.500
21	Libya	5.000
22	Saudi Arabia	262.000
23	United Arab Emirates	121.000
	Sub-Total I.b. Non-Paris Club Countries	1,942.000
	Total I. (a+b)	15,597.140
II.	Multilateral & Others	
24	ADB	10,261.000
25	EIB	67.000
26	IBRD	1,888.000
27	IDA	9,244.000
28	IDB	160.000
29	IFAD	165.000
30	NORDIC Development Fund	16.000
31	NORDIC Investment Bank	9.200
32	OPEC Fund	25.100
	Total II: Multilateral & Others	21,835.300
III.	Bonds	
33	Eurobonds	2,150.000
	Total III: Bonds	2,150.000
IV.	Commercial Banks	166.500
	Grand Total (I+II+III+IV)	39,748.940

Source:Economic Affairs Division

TABLE 9.2

COMMITMENTS AND DISBURSEMENTS OF LOANS AND GRANTS (BY TYPE)

(US $ million)

	Project Aid		Non-Project Aid								Total	Total
			Non-Food		Food		BOP		Relief	Relief		
Plan/ Fiscal Year	Commit- ments	Disburse- ments	Commit- ments	Disburse- ments	Commit- ments	Disburse- ments	Commit- ments	Disburse- ments	Commit- ments	Disburse- ments	Commit- ments	Disburse- ments
VI. 5th Plan												
1978-79	1,064	599	190	213	55	50	86	86	-	-	1,395	948
1979-80	1,002	808	121	161	55	21	419	419	61	61	1,658	1,470
1980-81	591	676	182	103	73	66	16	16	111	111	973	972
1981-82	887	536	320	174	110	89	10	10	293	293	1,620	1,102
1982-83	1,115	744	174	299	120	80	-	-	178	178	1,587	1,301
Sub-Total	4,659	3,363	987	950	413	306	531	531	643	643	7,233	5,793
VII. 6th Plan												
1983-84	1,580	695	166	149	88	177	-	-	155	155	1,989	1,176
1984-85	1,804	903	161	125	196	79	-	-	150	150	2,311	1,257
1985-86	1,810	1,055	186	93	163	245	-	-	135	135	2,294	1,528
1986-87	2,035	1,006	331	205	130	57	-	-	130	130	2,626	1,398
1987-88	1,903	1,223	390	219	230	218	-	-	164	164	2,687	1,824
Sub-Total	9,132	4,882	1,234	791	807	776	-	-	734	734	11,907	7,183
VIII. 7th Plan												
1988-89	1,979	1,262	663	537	392	542	146 @	146 @	132	132	3,312	2,619
1989-90	2,623	1,312	201	386	258	287	217 @	217 @	140	140	3,439	2,342
1990-91	1,935	1,408	346	451	134	136	50	50	111	111	2,576	2,156
1991-92	2,219	1,766	43	316	322	284	-	-	105	105	2,689	2,471
1992-93	1,204	1,895	182	232	454	309	-	-	57	57	1,897	2,493
Sub-Total	9,960	7,643	1,435	1,922	1,560	1,558	413	413	545	545	13,913	12,081
IX. 8th Plan												
1993-94	1,822	1,961	-	15	329	251	411	303	19	19	2,581	2,549
1994-95	2,714	2,079	3	23	279	258	-	211	29	29	3,025	2,600
1995-96	2,219	2,151	57	21	395	383	-	-	10	10	2,681	2,565
1996-97	1,351	1,821	1	1	405	409	-	-	2	2	1,759	2,233
1997-98	776	1,552	1	1	578	622	750	625	1	1	2,106	2,801
Sub-Total	8,882	9,564	62	61	1,986	1,923	1,161	1,139	61	61	12,152	12,748
1998-99	1,382	1,620	-	-	185	270	650	550	2	2	2,219	2,442
1999-00	456	2,045	284	130	564	64	0	0	0.2	2	1,305	2,241
2000-01	433	1,042	469	340	0	13	658	687	2	3	1,562	2,083
2001-02	1,013	825	332	333	40	31	2,259	1,546	0	21	3,644	2,755
2002-03	811	845	47	192	22	9	1,085	867	8	8	1,973	1,921
2003-04	1,176	575	350	8	12	0	913	743	0	3	2,451	1,330
2004-05	2,379	880	115	296	0	0	1,087	1,531	0	2	3,581	2,709
2005-06	1,213	878	25	169	22	10	1,186	1,069	1,949	1,040	4,395	3,167
2006-07	923	865	225	25	0	12	2,152	2,007	550	388	3,850	3,297
2007-08	1,710	697	353	500	0	0	957	1,512	550	871	3,570	3,580
2008-09 July-Mar	1,770	623	100	308	18	0	1,913	2,306	95	59	3,896	3,297

Source: Economic Affairs Division

- nil

@ IMF Loan.

TABLE 9.3

ANNUAL COMMITMENTS, DISBURSEMENTS, SERVICE PAYMENTS AND EXTERNAL DEBT OUTSTANDING (Medium and Long Term)

(US $ million)

Fiscal Year	Debt outstanding (end of period) Dis-bursed	Undis-bursed*	Transactions during period Commit-ments	Disburse-ments**	Service Payments** Principal	Interest	Total	Debt Servicing as % of Export Receipts	Foreign Exchange Earnings	GDP
1960-61	171	..	479	342	11	6	17	15	..	0.4
1961-62	225	..	429	304	20	11	31	27	..	0.7
1962-63	408	..	645	501	34	13	47	22	..	1.0
1963-64	661	..	526	541	44	18	62	27	..	1.2
1964-65	1021	..	832	706	37	25	62	26	..	1.1
1965-66	1325	..	537	533	41	33	74	29	..	1.1
1966-67	1696	..	628	623	52	44	96	35	..	1.3
1967-68	2099	..	561	729	62	46	108	31	..	1.3
1968-69	2532	..	656	594	93	65	158	44	..	1.8
1969-70	2959	..	555	564	105	71	176	52	..	1.8
1970-71	3425	..	873	612	101	81	182	43	..	1.7
1971-72	3766	..	143	409	71	51	122	21	..	1.3
1972-73	4022	..	543	355	107	86	193	24	18	3.0
1973-74	4427	..	1268	498	118	79	197	19	14	2.2
1974-75	4796	1854	1115	976	144	104	248	24	16	2.2
1975-76	5755	1811	951	1051	141	108	249	22	14	1.9
1976-77	6341	1914	1111	960	175	136	311	27	15	2.1
1977-78	7189	2041	963	856	165	162	327	25	11	1.8
1978-79	7792	2514	1395	948	234	203	437	26	12	2.2
1979-80	8658	2586	1658	1470	350	234	584	25	12	2.5
1980-81	8765	2579	973	972	360	243	603	20	11	2.1
1981-82	8799	2921	1620	1102	288	203	491	20	9	1.6
1982-83	9312	3087	1587	1301	390	244	634	24	10	2.2
1983-84	9469	3436	1989	1176	453	274	727	26	11	2.3
1984-85	9732	4321	2311	1257	513	275	788	32	13	2.5
1985-86	11108	5242	2294	1528	603	303	906	30	14	2.8
1986-87	12023	6113	2626	1399	723	378	1101	30	16	3.3
1987-88	12913	7070	2687	1824	691	426	1117	25	15	2.9
1988-89	14190	7372	3312 @	2619 @	685	440	1125	24	14	2.8
1989-90	14730	8279	3439 @	2342 @	741	491	1232	25	14	3.1
1990-91	15471	9232	2576	2156	782	534	1316	22	14	2.9
1991-92	17361	9461	2689	2471	921	592	1513	22	13	3.1
1992-93	19044	9178	1897	2493	999	649	1648	24	15	3.2
1993-94	20322	9014	2581	2549	1105	673	1778	26	16	3.4
1994-95	22117	9806	3025	2600	1323	752	2075	25	17	3.4
1995-96	22292	7761	2681	2565	1346	791	2137	25	17	3.4
1996-97	22509	8583	1759	2233	1510	741	2251	27	18	3.6
1997-98	22844	6164	2106	2801	1600	723	2323	27	18	3.8
1998-99	25423	5076	2219	2442	955	399	1354	20	14	2.6
1999-00	25359	3421	724	1189	893	508	1401	18	12	2.1
2000-01	25608	2860	903	1538	974	583	1557	21	14	2.8
2001-02	27215	3504	2372	1420	745	462	1207	13	8	1.7
2002-03	28301	3811	1469	1328	793	546	1339	12	7	1.6
2003-04	28900	5392	1726	1035	2336	659	2995	24	14	3.1
2004-05	30813	4975	2545	1946	871	600	1471	10	6	1.3
2005-06	32407	5838	3077	2080	982	599	1581	10	5	1.2
2006-07	35182	6277	3034	2644	968	644	1612	9	5	1.1
2007-08	39530	6540	2725	3080	1062	704	1766	9	5	1.1
2008-09 P	39749	7451	3385	2926	815	505	1320	7	4	0.8

.. Not available, * Excluding grants, @ Inclusive of IMF(SAF) Loan

Source: Economic Affairs Division

** Excluding short term credits, commercial credits, bonds and the IMF.

TABLE 9.4

DEBT SERVICE PAYMENTS OF FOREIGN MEDIUM AND LONG TERM LOANS (Paid in foreign exchange)

(US $ million)

Fiscal Year	Kind	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
I. PARIS CLUB COUNTRIES												
1 Australia	Principal	147.880	147.891	105.534	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-
	Interest	5.431	6.692	4.680	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-
2 Austria	Principal	0.000	0.000	0.030	0.000	0.000	0.695	0.376	1.223	1.145	2.680	1.698
	Interest	0.000	0.656	0.703	0.353	2.072	3.207	4.212	3.637	3.634	4.483	2.153
3 Belgium	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.623	10.326	0.281
	Interest	0.000	1.267	1.654	0.864	3.102	1.413	1.767	1.859	2.003	2.266	0.952
4 Canada	Principal	15.947	15.318	8.097	0.000	0.000	0.000	0.302	0.841	1.289	1.662	0.833
	Interest	2.360	1.302	1.073	0.740	1.317	1.438	2.766	4.436	5.584	5.359	4.257
5 Denmark	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Interest	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
6 France	Principal	7.018	0.000	0.203	0.034	0.000	28.766	10.636	24.921	31.366	35.983	14.355
	Interest	4.477	8.767	15.315	16.508	47.516	61.557	82.615	81.489	87.430	99.483	42.720
7 Finland	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.024	0.055	0.084	0.108	0.041
	Interest	0.000	0.131	0.307	0.157	0.111	0.088	0.164	0.286	0.364	0.360	0.104
8 Germany	Principal	38.726	9.551	5.741	0.854	3.834	7.925	2.64	12.749	15.294	16.202	6.846
	Interest	11.406	6.532	7.493	7.403	18.903	17.575	20.981	29.826	32.225	36.354	15.070
9 Italy	Principal	0.512	3.121	2.262	1.115	2.136	0.316	0.541	0.642	21.415	24.039	0.205
	Interest	0.270	0.620	1.778	0.982	2.718	2.753	3.605	2.331	1.168	1.294	0.465
10 Japan	Principal	14.796	0.538	38.689	46.279	70.319	396.646	48.114	65.577	49.280	46.528	42.547
	Interest	11.725	59.970	73.006	28.445	36.224	129.721	149.982	86.805	91.573	103.564	137.479
11 Korea	Principal	0.000	0.000	0.123	0.000	0.000	44.834	45.272	96.485	55.725	56.254	29.886
	Interest	0.000	5.063	13.040	5.232	0.000	24.884	23.787	38.168	40.759	22.623	9.770
12 Norway	Principal	0.401	1.874	2.938	0.000	2.125	2.124	3.877	4.064	12.124	12.124	1.251
	Interest	0.287	1.314	2.577	0.543	1.797	1.537	1.321	2.196	0.598	0.460	0.580
13 Netherlands	Principal	0.000	0.936	1.016	0.710	1.102	0.000	0.221	0.528	0.679	0.654	0.275
	Interest	0.043	0.630	0.952	0.637	1.337	2.419	1.894	3.050	3.223	3.656	3.130
14 Russia	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.937	18.958	2.751	2.859	1.364
	Interest	0.000	0.000	3.098	3.457	0.000	0.000	3.367	23.375	6.566	6.436	3.165
15 Sweden	Principal	0.591	0.000	1.737	0.000	0.000	0.000	0.412	0.957	1.862	2.768	1.434
	Interest	1.689	2.207	3.407	4.693	1.987	1.962	3.553	7.063	9.262	9.042	2.711
16 Spain	Principal	0.000	0.000	0.000	0.000	0.000	0.098	0.580	1.369	1.051	0.857	0.392
	Interest	0.041	0.659	1.185	0.860	1.681	1.753	2.372	2.911	3.222	3.149	1.249
17 Switzerland	Principal	4.790	0.000	0.000	0.000	0.000	0.000	0.253	0.555	0.943	1.467	0.725
	Interest	1.081	0.000	1.541	0.867	0.941	0.803	1.319	1.530	2.244	3.363	1.631
18 USA	Principal	275.138	125.515	43.244	7.839	11.402	1.721	10.492	19.645	28.396	20.261	9.500
	Interest	24.907	17.825	59.906	33.115	61.619	56.098	64.334	61.191	63.618	62.136	27.542
19 UK	Principal	0.000	2.644	6.470	3.845	5.643	36.203	0.959	1.916	1.076	0.110	0.072
	Interest	0.000	1.129	8.954	2.153	2.552	6.537	0.545	0.598	0.655	0.382	0.256
TOTAL (I)	Principal	505.799	307.388	216.084	60.676	96.561	519.328	125.636	250.485	229.103	234.882	111.705
	Interest	63.717	114.764	200.669	107.009	183.877	313.745	368.584	350.751	354.128	364.410	253.234

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TABLE 9.4

DEBT SERVICE PAYMENTS OF FOREIGN MEDIUM AND LONG TERM LOANS (Paid in foreign exchange)

(US $ million)

Fiscal Year	Kind	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
II. NON-PARIS CLUB COUNTRIES												
1 China	Principal	0.958	11.932	163.019	90.810	35.228	14.798	13.868	18.967	14.148	14.148	13.074
	Interest	0.000	8.136	29.702	20.699	25.661	13.980	13.310	7.377	11.623	10.060	8.473
2 Czecho - slovakia	Principal	0.000	0.000	3.767	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Interest	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3 Kuwait	Principal	0.262	0.000	1.478	1.226	3.030	5.395	5.733	7.054	7.079	7.408	5.355
	Interest	0.058	0.000	0.000	0.000	0.900	2.195	2.032	2.203	2.369	2.438	1.800
4 Libya	Principal	1.156	0.000	0.000	0.000	0.000	0.000	0.000	0.000	14.229	1.823	0.100
	Interest	0.185	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.789	0.060	0.029
5 Saudi Arabia	Principal	1.230	0.000	0.000	0.000	13.079	5.424	5.373	3.383	0.000	0.000	0.833
	Interest	0.037	0.000	0.466	0.057	2.900	1.285	1.122	1.162	1.168	1.171	0.584
6 UAE	Principal	3.606	0.000	0.000	0.000	1.000	1.000	0.000	0.000	0.000	0.000	0.000
	Interest	2.297	0.000	0.000	0.336	0.824	0.824	0.678	1.015	1.784	2.122	2.123
TOTAL (II)	Principal	7.212	11.932	168.264	92.036	52.337	26.617	24.974	29.404	35.456	23.379	19.362
	Interest	2.577	8.136	30.168	21.092	30.285	18.284	17.142	11.757	18.733	15.851	13.009
III. MULTILATERAL												
1 ADB	Principal	198.963	237.655	247.044	241.442	265.981	1370.429	245.272	236.757	261.303	330.746	290.259
	Interest	142.195	156.565	151.188	151.668	172.738	179.919	75.061	74.020	89.089	119.058	97.158
2 IBRD	Principal	169.766	222.773	227.914	233.789	249.499	287.173	322.704	294.377	273.293	296.781	243.627
	Interest	156.640	182.812	153.780	132.161	110.541	94.797	77.419	99.280	110.839	111.589	64.652
3 IDA	Principal	53.737	62.631	66.534	72.592	83.452	97.926	112.724	118.566	127.293	143.618	126.149
	Interest	28.138	28.850	27.935	30.054	39.885	45.063	51.049	50.918	59.761	73.878	64.170
4 IFAD	Principal	6.300	8.245	7.685	7.354	7.504	7.712	7.962	7.468	8.362	8.413	7.188
	Interest	2.457	2.376	2.206	1.996	1.751	2.106	2.043	1.802	1.827	1.951	1.433
5 IDB	Principal	4.090	23.213	23.246	23.083	9.679	3.208	2.956	3.504	4.066	6.942	4.544
	Interest	0.363	5.040	3.955	2.061	1.046	0.731	0.612	0.795	1.690	3.726	4.126
7 IDB (ST)	Principal	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	25.000	791.501
	Interest	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	22.866	28.026
TOTAL (III)	Principal	432.856	554.517	572.423	578.260	616.115	1766.448	691.618	660.672	674.317	811.500	1463.268
	Interest	329.793	375.643	339.064	317.940	325.961	322.616	206.184	226.815	263.206	333.068	259.565
IV. DEVELOPMENT FUNDS												
1 NORDIC	Principal	0.914	1.755	1.918	2.023	2.232	2.375	2.519	2.442	2.482	2.562	1.281
	Interest	1.594	1.806	2.087	1.065	0.723	0.565	0.685	0.917	1.007	0.875	0.281
2 OPEC Fund	Principal	8.417	8.098	8.003	6.597	6.504	5.178	4.800	4.561	4.204	4.935	2.849
	Interest	0.919	0.804	0.749	0.754	0.707	0.595	0.546	0.591	0.571	0.495	0.387
3 Turkey (EXIM Bank)	Principal	0.000	0.000	0.000	0.000	9.959	0.000	12.900	25.800	12.900	0.000	0.000
	Interest	0.000	4.797	5.981	2.514	0.388	0.000	1.875	2.776	0.648	0.000	0.000
4 E.I. Bank	Principal	0.000	0.000	0.000	0.000	0.000	0.637	0.679	1.345	2.094	2.600	1.583
	Interest	0.000	0.118	0.254	0.234	0.939	1.722	2.592	3.324	4.262	3.847	1.626
TOTAL (IV)	Principal	9.331	9.853	9.921	8.620	18.695	8.190	20.898	34.148	21.680	10.097	5.713
	Interest	2.513	7.525	9.071	4.567	2.757	2.882	5.698	7.608	6.488	5.217	2.294
V. GLOBAL BONDS												
1 Euro Bonds	Principal	17.650	0.000	0.200	0.000	155.458	155.459	155.458	155.459	0.000	0.000	500.000
	Interest	56.619	62.237	62.685	62.340	62.023	39.181	57.644	91.561	145.000	207.667	151.439
2 Saindak Bonds	Principal	0.000	0.000	0.000	7.716	4.526	0.000	0.000	0.000	0.000	4.527	0.000
	Interest	0.000	0.000	0.000	1.533	6.544	0.000	0.000	0.000	0.000	0.282	0.000
3 US Dollar Bonds	Principal	0.000	0.000	0.000	21.903	21.903	21.903	21.903	21.903	0.000	21.903	21.963
	Interest	0.000	0.000	0.000	16.573	7.118	4.594	3.326	4.414	0.000	5.684	3.680
TOTAL (I+II+III+IV+V)	Principal	17.650	0.000	0.200	29.619	181.887	177.362	177.361	177.362	0.000	26.430	521.963
	Interest	56.619	62.237	62.685	80.446	75.685	43.775	60.970	95.975	145.000	213.633	155.119
	Total	74.269	62.237	62.885	110.065	257.572	221.137	238.331	273.337	145.000	240.063	677.082

Contd..

TABLE 9.4

DEBT SERVICE PAYMENTS OF FOREIGN MEDIUM AND LONG TERM LOANS (Paid in foreign exchange)

(US $ million)

Fiscal Year	Kind	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
V. OTHERS												
1 NBP's	Principal	0.000	0.000	0.000	0.000	0.000	0.000	3.111	2.945	2.979	3.016	2.988
	Interest	0.000	0.000	0.000	0.000	0.870	0.866	0.981	1.118	1.077	0.804	0.335
2 Bank of Indosuez	Principal	0.000	3.810	5.130	3.195	9.585	6.245	0.000	0.000	0.000	0.000	0.000
	Interest	0.000	0.473	2.262	0.975	1.012	0.213	0.000	0.000	0.000	0.000	0.000
3 NBP Bahrain	Principal	0.000	5.000	0.000	0.000	0.000	9.286	4.286	0.000	0.000	4.286	3.571
	Interest	0.000	1.240	0.000	8.500	1.410	0.621	0.983	0.469	0.000	0.474	0.111
4 ANZ Bank	Principal	0.000	0.000	2.500	2.500	0.000	0.000	0.000	4.286	4.286	0.000	0.021
	Interest	0.000	0.000	1.392	1.535	0.000	0.000	0.000	0.552	0.856	6.657	4.048
5 Cash (ST)	Principal							16.280	16.280	17.280	16.280	66.280
	Interest							7.416	10.370	11.370	9.105	5.766
TOTAL (V)	Principal	0.000	8.810	7.630	5.695	9.585	15.531	23.677	23.511	24.545	23.582	72.860
	Interest	0.000	1.713	3.654	11.010	3.292	1.700	9.380	12.509	13.303	17.040	10.260
TOTAL (I+II+III+IV+V)	Principal	955.198	892.500	974.322	745.287	793.293	2336.114	886.803	998.220	985.101	1103.440	2194.871
	Interest	398.600	507.781	582.626	461.618	546.172	659.227	606.988	609.440	655.858	735.586	693.481
Grand Total (P+I)		1353.798	1400.281	1556.948	1206.905	1339.465	2995.341	1493.791	1607.660	1640.959	1839.026	2888.352

Source: Economic Affairs Division

TABLE 9.5

TERMS OF FOREIGN LOANS/CREDITS CONTRACTED BY PAKISTAN

Lending Country/Agency		2005-06 Amount (US $ Million)	2005-06 Interest Rate/ Commission(%)	2005-06 Amortization (years)	2006-07 Amount (US $ Million)	2006-07 Interest Rate/ Commission(%)	2006-07 Amortization (years)
A.	Paris Club Countries						
	1. Germany				5.8	0.75	40
	2. Korea	17.3	2	30	-	-	30
	3. Japan	244.7	1.3	30	198.2	1.3	30
	4.France				50.2	LiborEuro months-200bps	20
	Sub-Total (A):	262.0			254.2		
B.	Non-Paris Club						
	1. China	322.3	1.5	5_20			
	2. Kuwait				38.1	2.5	24
	3.Saudi Arabia				133.1	Libor6month+60bps	2
	4.U.A.E						
	Sub-Total (B):	322.3			171.2		
C	Multilateral						
	1. Islamic Development Bank	146.0	1.25 & 5.1	15-25	425.0	LIBOR 6 months '+ 60 bps	2
	2. IDA	1165.8	0.75	35	912.1	0.75	35
	3. ADB	832.8	1 & 1.5	15-40	1386.1	1 & 1.5	15-32
	4.OPEC	-	-	-	10	1.25	20
	5. IBRD	319.2	LIBOR+50bps	15-20	100.0	LIBOR6months+60bps	20
	6. IFAD	53.6	0.8	35.0	-	0.75	35
	Sub-Total (C):	2517.4			2833.2		
	Total (A+B+C)	3101.7			3258.6		

Lending Country/Agency		2007-08 Amount (US $ Million)	2007-08 Interest Rate/ Commission(%)	2007-08 Amortization (years)	2008-09 Amount (US $ Million)	2008-09 Interest Rate/ Commission(%)	2008-09 Amortization (years)
A.	Paris Club Countries						
	1. Germany	460.4	0.2-1.3	30-40	262.1	0.75	40
	2.Japan	12.1	0	39			
	Sub-Total (A)	472.5			262.1		
B.	Non-Paris Club						
	1. Saudi Arabia	40.0	2	26	125.0	3.25	3
	2. China	327.7	3	15	-	-	-
	3. Korea	20.0	1	30	205.0	0.1	30-40
	Sub-Total (B)	387.7			330.0		
C	Multilateral						
	1. IDA	259.3	0.75+4.9	35	605.7	0.75	35
	2. ADB	1436.0	1-1.5&Libor+60bps	15-24	1259.1	Libor+0.6	24
	3. OPEC	5.3	2.5	20	15.0	Libor+1.85	20
	4. Islamic Development Bank	127.1	3.8	15	243.2	Libor+0.55&3.825	
	5. IDB Stort-term	352.8	5.8	1	596.5	LIBOR+2.5&1	1
	6. IBRD				173.6	0.75	30
	7.IFAD	36.3	0.75	40			
	Sub-Total (C)	2,216.8			2,893.1		
	Total (A+B+C)	3077.0			3485.2		

Source: Economic Affairs Division

TABLE 9.6

GRANT ASSISTANCE AGREEMENTS SIGNED

(US $ million)

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 Jul-Mar
I. Paris Club Countries										
1. Australia							0.1			
2. Austria							0.7			
3. Canada	4.7	5.7			13.8	4.5				5.5
4. Germany		3.5	3.7			21.0	13.5	37.3		
5. Japan	1.9		65.1	50.7	46.0	113.5	67.8		6.72	41.6
6. Netherlands			15.7			0.7				
7. Norway				6.1	10.4	2.4				
8. Korea	0.2									
9. Switzerland				8.5			1.5			
10. UK	90.5	16.5	45.7	145.7	67.1	45.3	189.1		136.87	142.5
11. USA	147.0	80.8	630.6	87.1	141.8	647.5	514.3	269.4	45.93	194.6
12. Italy	2.6	-	-	-	-	-	-	-		
Sub-Total (I)	246.8	106.6	760.7	298.2	279.1	834.9	786.9	306.7	189.5	384.2
II Non Paris Club Countries										
1. China	7.7	6.6	43.1		0.2	12.1	-			
2. Iran	-	-	-	-	-	-	-	-		
3. UAE	-	-	-	-	-	-	-	-		
4. Oman		50.0								
5. Saudi Arabia				100.0	50.0		200.0		300.0	
Sub-Total (II)	7.7	56.6	43.1	100.0	50.2	12.1	200.0	-	300.0	-
III Multilateral										
1. ADB	2.8	1.5								
2. EEC / EU		9.0	70.4	22.1	1.2			58.1		25.2
3. Islamic Development Bank	0.4	0.3		0.3						
4. IDA	75.2		1.1	0.5	12.4	1.5		1.7		
5. IBRD	0.5	1.0	1.0	10.1			0.5			
6. UN and Specialised Agencies	-			-	-	-	-	-		
7. UNDP Special Grant	38.1	11.8	27.4	11.5	31.7	4.2	1.9			
8. World Food Programme			26.6			68.7	11.4			
9. UNFPA		3.2	5.9							
Sub-Total (III)	117.0	26.8	132.3	44.4	45.3	74.4	13.8	59.8	-	25.2
IV Relief Assistance for										
A. Afghan Refugees			-	7.8			1.5	3.4	1.98	1.8
B. Earthquake										
1. AFGHANISTAN	-	-	-	-	-	-	0.5	-		
2. ALGERIA	-	-	-	-	-	-	1.0	-		
3. AUSTRIA	-	-	-	-	-	-	0.7	-		
4. AZERBAIJAN	-	-	-	-	-	-	1.5	-		
5. BHUTAN	-	-	-	-	-	-	0.1	-		
6. BRUNEI	-	-	-	-	-	-	0.6	-		
7. CHINA	-	-	3.6	6.0		-	24.3	10.2		
8 .CYPRUS	-	-	-	-	-	-	0.1	-		
9. INDONESIA	-	-	-	-	-	-	1.0	-		
10. JORDAN	-	-	-	-	-	-	1.0	-		
11. MALAYSIA	-	-	-	-	-	-	1.0	-		
12. MOROCCO	-	-	-	-	-	-	1.5	-		
13. OMAN	-	-	-	-	-	-	5.0	-		
14. PAK-TURK FOUNDATION	-	-	-	-	-	-	4.0	-		
15. SAUDI ARABIA	-	-	-	-	-	-	-	133.3		
16. SOUTH KOREA	-	-	-	-	-	-	0.5	-		
17. THAILAND	-	-	-	-	-	-	0.5	-		
18. TURKEY	-	-	-	-	-	-	150.0	-		
19. UK	-	-	-	-	-	-	-	67.7		
20. ADB	-	-	-	-	-	-	80.0	-	0.22	
21. WB (IDA)										
22. Germany							18.0			
23. IDB	-	-	-	-	-	-	0.3	-		
24. MAURITIUS							0.0			
Sub-Total (IV)	-	-	3.6	13.8	-	-	291.6	211.2	0.22	-
Grand Total (I+II+III+IV)	371.5	190.0	939.7	456.4	374.6	921.4	1,292.3	581.1	491.7	411.2

Source: Economic Affairs Division

TABLE 9.7

TOTAL LOANS AND CREDITS CONTRACTED

(US $ million)

Lending Country/Agency	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 (Jul-Mar)
A. Paris Club Countries										
1. Austria		-	16.0	-	-	-		-		
2. Australia	63.7	-	-	-	-	-		-		
3. Belgium	-	-	-	-	-	-		-		
4. Canada	-	-	-	-	-	-		-		
5. France (Regular))										
(Earthquake)	-	-	-	-	-	-		50.2		
6. Germany			4.4			102.6		6.0		262.1
7. Japan (Regular)			32.6	26.0			245.0	198.0	460.4	596.5
	-	-	-	-	-	-		-		
8. Netherlands	-	-	-	-	-	-		-		
9. Norway	-	-	-	-	-	-		-		
10. Spain			1.9							
11. Sweden	2.0	-	-	-	-	-		-		
12. UK	-	-	-	-	-	-		-		
13. USA	500.0	-	9.0	-	-	-		-		
14. Italy									12.1	
Sub-Total (A)	565.7	0.0	63.8	26.0	0.0	102.6	245.0	254.2	472.5	858.6
B. Non-Paris Club Countries:										
1. China (Regular)	18.1	44.4	280.0	118.2		683.1	322.0		328.0	
(Earthquake)	-	-	-	-	-	-		-		
2. Korea (Earthquake)							17.0		20.0	205.0
3. Kuwait	-	-	-	-	-	34.0		38.1		
4. Saudi Arabia	-	-	-	-	25.0	-		133.1	40.0	125.0
5. Turkey (EXIM Bank)	-	-	-	-	-	-		-		
6. Abu Dhabi Fund	-	-	265.0	-	-	-				
Sub-Total (B)	18.1	44.4	545.0	118.2	25.0	717.1	339.0	171.2	388.0	330.0
C. Multilateral:										
1. IBRD (Regular)	-	-	-	-	53.0	349.3	319.0	100.0		173.6
(Earthquake)	-	-	-	-		-		-		
2. IDA (Regular)	88.5	347.6	833.5	269.4	690.7	601.8	1166.0	772.1	259.1	605.7
(Earthquake)								139.9		
3. ADB (Regular)	51.8	411.9	876.1	1040.9	885.3	765.4	832.9	1386.0	1436.4	1259.1
(Earthquake)	-	-	-	-	-	-		-		
4. IFAD (Regular)		17.4	14.2		22.3		54.0		36.3	
(Earthquake)	-	-	-	-	-	-		-		
5. European Investment Bank					50.0					
6. OPEC Fund		10.0	15.0	15.0				10.0	5.1	15.0
7. IDB (Regular)	284.3	502.6	356.3	47.3	350.0	123.4	146.0	200.0	127.1	243.2
(Earthquake)								225.1		
8. KPC		38.0								
9. IDB (ST)									352.5	
Sub-Total (C)	424.6	1917.8	3185.9	1372.6	2051.3	1839.8	2517.9	2833.1	2216.5	2296.6
Grand-Total (A+B+C)	1008	1962	3795	1517	2076	2660	3102	3259	3077.0	3485.2

Source: Economic Affairs Division

Chapter No. 10

Education

10.1 INTRODUCTION

Education is extensively regarded as a route to economic prosperity being the key to scientific and technological advancement. Hence, it plays a pivotal role in human capital formation and a necessary tool for sustainable socio-economic growth. Education also combats unemployment, confirms sound foundation of social equity, awareness, tolerance, self esteem and spread of political socialization and cultural vitality. It raises the productivity and efficiency of individuals and thus produces skilled manpower capable for leading the economy towards the path of economic development. Education also originates confidence which empowers people to defend their rights, improve health status and good governance in implementation of socio-economic policies. The multifaceted impact of education makes it an essential element for policy framework. Developing countries dependent on fiscal resources need to redesign their educational policies based on macroeconomic indicators and keen inter-sectoral competition for promoting productivity in different sectors of the economy by developing highly skilled manpower and eventually addressing their developmental needs for rapid industrialization. At the highest policy level within the potential of the government, it is readily conceded that investment in the quantity and quality of education by enhancing educational facilities within the minimum possible time contributes a lot to the accumulation of efficient human resource and sustained socio-economic growth. The trickle down effects of education especially basic (primary and secondary) education reduces poverty by increasing the productivity of the poor thus equipping people with the skills they need to participate actively in the society.

10.2 INVESTMENT ON EDUCATION

Investment in Terms of GDP

Being an important component of social sector, government is adopting most feasible strategies for the growth of educational sector including dependence on the available financial resources, paradigm of structural development and essential elements of policy framework. Public expenditure on education as a percentage to GDP is lowest in Pakistan due to fiscal resources constraint that paved the way to synchronization in terms of GDP allocation. The trend of investment on Education in terms of GDP has been 2.50 % and 2.47 % in the years 2006-07 and 2007-8 respectively whereas it is estimated to be 2.10 % during the 2008-09. It is on the lower side in accordance to its requirement given the importance of the sector but seems appropriate in terms of current financial situation of the economy.

Budgetary Allocations

The budget allocation has increased by 8.6 % in 2008-09 as against an increase of 17 % in 2007-08. The budgetary allocations for Education since 2000-01 is given in Table 10.1.

For 2007-08, an allocation of Rs. 6508.78 million was made in Public Sector Development Program (PSDP) for Ministry of Education. However, the original allocation was reduced to Rs. 4384.94 million where as Rs. 3788.06 million were got released. In addition to this, government has also released Rs. 525 million, which made the total release as Rs. 4313.6 million for the financial year 2007-08. PSDP allocation for the current financial year (2008-09) stood at Rs. 6269.652 million but due to financial constraints it has been reduced by 33% to Rs. 4162 million.

Table-10.1: Expenditure on Education

Year	(In Billion Rs.)			Expenditure on Education	
	Current	Development	Public Sector Expenditure on Education	As % of GDP	% of Total Expenditure
2000-01	69.5	6.4	75.9	1.82	10.6
2001-02	70.4	8.5	78.9	1.79	9.5
2002-03	79.5	10.4	89.9	1.86	10.0
2003-04	94.3	29.9	124.2	2.20	13.0
2004-05	106.6	33.4	140.0	2.15	12.5
2005-06	128.9	41.9	170.8	2.24	12.2
2006-07	159.9	56.6	216.5	2.50	12.0
2007-08	190.2	63.5	253.7	2.47	9.8
2008-09 *	200.4	75.1	275.5	2.10	11.52

***Estimated**

Source: Provincial and Federal Budget Documents ,Ministry of education

Foreign Funding

The efforts for materializing assistance of 1974 million US dollars succeeded during the last few years for improvement of education in the country. This assistance is sought in the form of kind, grant, loan, etc. from Islamic Development Bank, World Bank, Asian Development Bank, European Union, UNICEF, UNESCO, UNDP, UNFPA, ILO, WFP, US AID, CIDA of Canada, DFID of UK, GTZ of Germany, JICA of Japan, NORAD of Norway, AUS AID of Australia, etc. In addition, Canadian Government is providing $ 450 million (Canadian dollars) for development of Teachers' Education throughout the country. Similarly, Government of Germany has also provided Rs. 7.0 billion approx. for improvement of Elementary Education System in NWFP and School libraries in Punjab Provinces.

10.3. LITERACY

Our education system has to meet the basic learning needs of our society emphasizing basic literacy and life skills, increasing access and completion of quality education, address gender problem , geographical and structural disparities, and enhance the efficiency of education governance. According to Pakistan Social and Living Measurement (PSLM) Survey (2007-08), the overall literacy rate (age 10 years and above) is 56% (69% for male and 44% for female) in 2007-08 compared to 55% (67% for male and 42% for female) in 2006-07. Literacy remains higher in urban areas (71%) than in rural areas (49%) and more in men (69%) compared to women (44%). When analyzed provincially, literacy rate in Punjab stood at 59 % followed by Sindh (56%), NWFP (49%) and Balochistan at 46%. The literacy rate of Punjab and Balochistan has improved considerably during 2006-07 to 2007-08 (Table 10.2).

According to the PSLM Survey 2007-08, the overall school attendance (age 10 years and above) is 58% (71% for male and 46% for female) in 2007-08 compared to 56% (68 % for male and 44% for female) in 2005-06. Province-wise school attendance (age 10 and above) for 2007-08 as against 2005-06 shows Punjab to be on the top (62% Vs 59%) followed by Sindh (58% Vs 56%), Balochistan (42 % Vs 34 %) and NWFP (51% Vs 51 %) to be at the lowest level. School attendance (age 10 years and above) remains higher in urban areas (73%) than in rural areas (51%) and more in men (71%) compared to women (46%) (Table 10.3).

Table 10.2: Literacy Rate 10+, GER & NER Trends in Pakistan & Gender Parity Index (GPI)										
REGION/ PROVINCE		Literacy rates (10 years & above)			GER Primary (age 5-9)			NER Primary (age 5-9)		
		2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Pakistan	Male	65	67	69	94	99	97	56	60	59
	Female	42	42	44	80	81	83	48	51	52
	Both	**54**	**55**	**56**	**87**	**91**	**91**	**53**	**56**	**55**
	rural	44	45	49	80	84	83	47	52	51
	urban	71	72	71	106	106	106	65	66	66
	GPI	**0.65**	**0.63**	**0.64**	**0.85**	**0.82**	**0.86**	**0.86**	**0.85**	**0.88**
Punjab	Male	66	67	70	98	106	102	60	64	62
	Female	47	48	48	89	95	92	53	59	59
	Both	56	58	59	94	100	97	57	62	61
	GPI	0.71	0.72	0.69	0.91	0.90	0.90	0.88	0.92	0.95
Sindh	Male	67	67	69	88	88	87	54	56	55
	Female	42	42	42	71	68	72	47	43	46
	Both	55	55	56	80	79	80	50	50	51
	GPI	0.63	0.63	0.61	0.81	0.77	0.83	0.87	0.77	0.84
NWFP	Male	64	67	68	93	96	94	51	56	55
	Female	30	28	33	70	67	71	42	41	41
	Both	46	47	49	83	82	83	49	49	49
	GPI	0.47	0.42	0.49	0.75	0.70	0.75	0.82	0.73	0.75
Balochistan	Male	54	58	66	79	89	88	39	49	47
	Female	20	22	23	50	52	59	27	32	35
	Both	38	42	46	65	72	75	34	41	41
	GPI	0.37	0.38	0.35	0.63	0.58	0.67	0.69	0.65	0.74

Source: Pakistan Social & Living Standard Measurement Survey 2007-08

TABLE 10.3: POPULATION THAT HAS EVER ATTENDED SCHOOL- BY PROVINCE & REGION									
REGION and PROVINCE	Percentage of the Population (10 Years and Older)								
	2005-06			2006-07			2007-08		
	Male	Female	Both	Male	Female	Both	Male	Female	Both
URBAN AREAS:	**80**	**64**	**72**	**80**	**66**	**73**	**81**	**65**	**73**
PUNJAB	82	67	75	81	69	75	80	69	74
SINDH	79	64	72	81	65	74	82	66	74
NWFP	78	49	63	78	49	64	80	52	65
BALOCHISTAN	73	38	57	75	41	60	78	39	60
RURAL AREAS:	**61**	**33**	**47**	**63**	**32**	**48**	**65**	**36**	**51**
PUNJAB	63	39	51	66	40	53	68	44	55
SINDH	55	19	38	54	17	37	59	22	41
NWFP	68	31	48	68	26	47	68	30	48
BALOCHISTAN	40	12	27	49	13	33	51	15	34
OVERALL:	**68**	**44**	**56**	**69**	**44**	**57**	**71**	**46**	**58**
PUNJAB	70	49	59	71	50	60	72	51	62
SINDH	68	43	56	68	43	56	70	44	58
NWFP	70	33	51	70	30	50	70	34	51
BALOCHISTAN	48	18	34	55	20	39	59	22	42

Source: Pakistan Social & Living Standard Measurement Survey2007-08

Nationally, the Gross Enrolment Rate (GER), sometimes referred to participation rate, which is the number of children attending primary school (age 5-9 years) divided by the number of children who ought to be attending. The GER in case of both male and female shows no change and it remained 91% between 2006-07 and 2007-08. Balochistan has shown noticeable increase in the respective period (Table 10.2).

The Net Enrollment Rate (NER) refers to the number of students enrolled in primary school of primary school age divided by the number of children in the age group for that level of education. The NER as a whole in 2007-08 is 55% as compared to 56% in 2006-07. All the provinces have shown a decreasing trend, interestingly, rural areas exhibited higher rates in comparison to urban areas (Table 10.2).

The Gender Parity Index (GPI) is the ratio of females' enrolment to the males' enrolment. A GPI of more than one indicates that, in proportion, to every male in the school, there is more than one female. The GPI for Pakistan as a whole in 2007-08, is 0.64 compared to 0.63 in 2006-07. Province-wise GPI is high in Punjab (0.69) followed by Sindh (0.61), NWFP (0.49) and Balochistan (0.35). (Table 10.2). The lower GPI in NWFP and Balochistan calls for immediate attention by the policy makers at both federal and provincial levels.

10.4 LEVEL OF EDUCATION

i) Pre-Primary Education

Pre-Primary Education constitutes Early Childhood Education (ECE), Prep or Kachi classes of children having age of 3-4 years. A decrease of 0.25% in Pre-Primary enrolment (7.403 million) in 2007-08 over 2006-07 (7.423 million) has been observed and during 2008-09, it is estimated to increase by 1.2%.

ii) Primary Education (Classes I – V)

A number of 157,899 Primary Schools with 438,823 Teachers are functional (Table 10.4).Moreover, 124 new schools have been added since July 2007.GPI in Primary Education stood at 0.85.

iii) Middle Education (Classes VI-VIII)

40,837 Middle Schools with 320,609 Teachers are functional (Table 10.4) and 489 new schools have been added since July 2007.GPI remained 0.77 in Middle Education.

Fig-10.1: Enrolment at each level

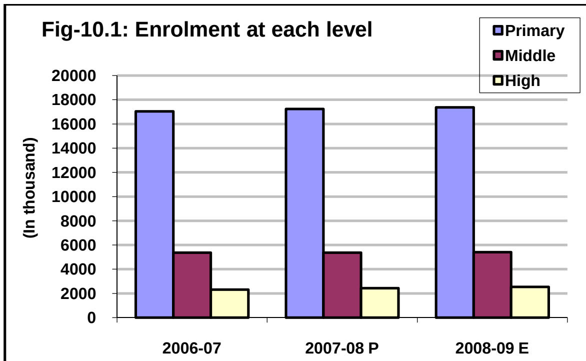


Fig-10.2: Institution at each level

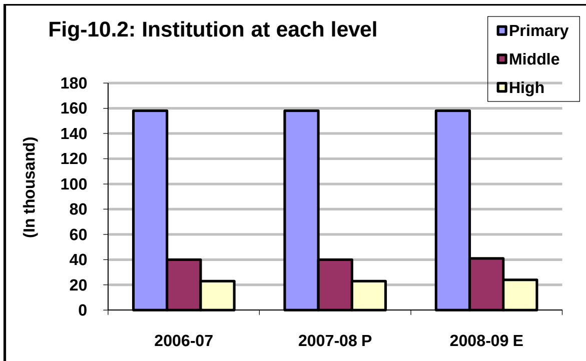
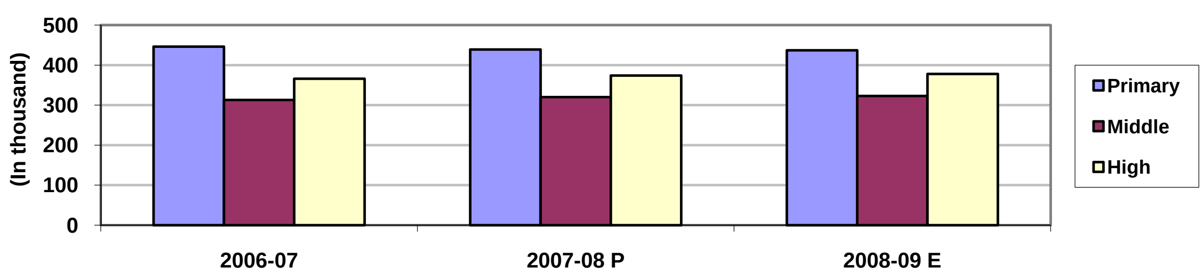


Fig-10.3: Teachers at each level



iv) Secondary Education (Classes IX-X)

23,967 Secondary Schools with 374,249 Teachers are functional (Table 10.4). 353 new schools have been added since July 2007 and GPI has been 0.75 in Secondary Education.

v) Higher Secondary / Inter Colleges (Classes XI-XII)

An enrolment of 1.0 million is estimated in 2008-09 over 961,661 in 2007-08 and 902,448 in 2006-07. 3,218 Higher Secondary Schools / Inter Colleges with 74,222 Teachers are functional (Table 10.4). 74 new schools / Inter Colleges have been added since July 2007. GPI has been 0.99 in Higher Secondary Education.

vi) Degree Colleges Education (Classes XIII-XIV)

An enrolment of 361,072 is expected in 2008-9 in Degree Colleges over 352,302 in 2007-8 and 348,814 in 2006-07. 1,198 Degree Colleges with 20,976 Teachers are functional (Table 10.4). 21 new Degree Colleges have been added since July 2007 and GPI has been 1.55 in Degree Colleges.

vii) Universities Education (Classes XV onwards)

An enrolment of 741,092 is estimated in 2008-09 in Higher Education over 640,061 in 2006-07. Four new Universities have been added since July 2007, making the total number to 124 universities with 46,893 Teachers in both Private and Public Sectors (Tables 10.4). GPI has been 0.86 in University Education. Over the past three years, 17 new universities had been granted Charters. Majority of these have been opened in areas where Higher Education opportunities were previously unavailable. Twenty-three new and advance disciplines were launched. Furthermore, 11 foreign institutions were allowed to operate in Pakistan through franchising / collaborative arrangements with local institutions of higher education.

Table 10.4: Number of Mainstream Institutions, Enrolment and Teachers by Level

Year	Enrollment			Institutions			Teachers		
	2006-07	2007-08 P	2008-09 E	2006-07	2007-08 P	2008-09 E	2006-07	2007-08 P	2008-09 E
Pre-Primary	7,423,162	7,403,982	7,493,494	--	--	--	--	--	--
Primary* Mosque	17,041,937	17,233,231	17,366,169	158,375	157,899	158,023	445,835	438,823	437,106
Middle	5,367,608	5,365,907	5,400,435	40,094	40,837	41,326	313,488	320,609	323,894
High	2,315,216	2,435,708	2,536,608	23,554	23,967	24,320	366,606	374,249	378,269
Higher Sec./ Inter	902,448	961,661	997,703	3,095	3,218	3,292	71,246	74,222	75,821
Degree Colleges	348,814	352,302	361,072	1,166	1,198	1,219	20,768	20,976	21,112
Universities.	640,061	741,092	741,092[R]	120	124	124[R]	44,537	46,893	46,893[R]
Total	34,039,246	34,493,883	34,896,573	226,404	227,243	228,304	1,262,480	1,275,772	1,283,095

Source: Pakistan Education Statistics 2006-07, 2007-08and 2008-09, EMIS- MoE Islamabad

P: Provisional, E: Estimated, R: Last Year Data Repeated

Gender Differences in the Education Sector:

Gender disparity in literacy and enrollment is one of the key focuses of the government. In Pakistan, status of women has improved in recent years but gender inequality remains pervasive. This inequality starts early within the family and keeps women at disadvantageous position throughout their lives. However, their potential has not been fully recognized because of discriminatory social norms, missing incentives, and legal impediments. This discrimination is aggravated due to lack of access to educational institutions, educational expenses and household duties. Due to parental ignorance, misapplied dogma and obscurantist beliefs, girls are more likely to be kept out of school and hence receive less education than boys

Pakistan is committed to achieve Millennium Development Goals including elimination of disparity at all levels of education by the year 2015. The Medium Term Development Framework 2005-10 (MTDF) makes a serious effort to include gender concerns in its strategies and overall sectoral programs. Massive financial support is required to build educational and other infrastructure and trained staff to achieve these goals. Diverse programs and strategies, ranging from compensatory programs such as stipends at primary, middle and secondary levels, free text books and nutritional support to school girls are also required for enhancing the educational status of women.

10.5 VOCATIONAL AND TECHNICAL EDUCATION

The second national level Survey (i.e. 2008-09) being conducted by National Vocational & Technical Education Commission (NAVTEC) for public and private sector institutions is currently in progress. The summary of statistics based on national Survey 2006-07 is given in Table 10.5 & 10.6.

Table-10.5: Summary Statistics *(In numbers)*

	Governemnt			Registered Private			Total
	Male	Female	Co-ed.	Male	Female	Co-ed.	
Institutes	469	452	219	218	46	118	1,522
Enrolment	92,074	101,523	55,847	33,816	14,525	16,403	314,188
Teaching Staff by Ownership of Institutes	7,119	2,712	2,814	3,138	246	1,392	17,409

a. ***Information on teaching staff by gender is not available; hence instructional staff/teaching staff information with respect to male and female institutions is provided.***

Table-10.6: TEVT Institutions by Province, Ownership and Stream *(In Numbers)*

	Government			Registered Private			Total
	Commerce	Technical	Vocational	Commerce	Technical	Vocational	
AJK	-	1	23	-	1	7	32
Punjab	116	164	328	45	118	32	803
Sindh	42	72	145	2	27	13	301
NWFP	19	25	65	52	33	5	199
Balochistan	2	5	93	-	-	32	132
Islamabad	-	10	4	-	1	3	18
FATA	4	5	4	-	-	-	13
FANA	-	2	11	-	-	11	24
Total	183	284	673	99	180	103	1522
Grand Total		**1140**			**382**		**1522**

Source: NAVTEC Survey (2006-07)

National Skills Strategy 2008-2013

The vision of the strategy is “Skills for Employability, Skills for All”. The flagship strategy emphasizes a paradigm shift from time bound curriculum based training to flexible competency based training by creating a demand-driven training system. The strategy is meant to build a skill development system that can be benchmarked against international standards. The main objectives are as follows:

i. Streamlining Policy Making.

ii. Enhancing role of private sector.

iii. Apprenticeship Training.

iv. Online Performance Evaluation System.

v. Public-Private Partnership.

vi. Provision of Small Grants for partner training institutions.

vii. Mobile Training Units for broadening accessibility to far flung areas .

Innovative Programmes for TVET

a. President's "Funni Maharat Programme"

Under the Presidential directive, NAVTEC is establishing 130 new vocational training/ Institutes in 79 uncovered tehsil of Sindh, Punjab, NWFP, Baluchistan, AJ&K and FANA. Through this initiative 47765 persons will be trained in 2.5 years at a cost of Rs. 1.17 billion.

b. Prime Minister's "Hunarmand Pakistan Programme"

NAVTEC, in the light of Prime Minister Directions, has taken the initiative of different short-term skill development courses mostly up to six months duration. The training is being provided to those belonging to the disadvantaged economic strata. No tuition fee or other charges are demanded and instead a stipend is given while they are enrolled. With the cooperation of seventy three public sector training providers 49,988 persons have been trained and 34,332 and under training.

Accreditation

Since accreditation of TVET Institutions is a fundamental function of NAVTEC, a MoU was signed with Asia Pacific Accreditation Commission (APACC) in June 2006 to enter international collaboration for accreditation. Accreditation by APACC will benefit the member countries in the following manner.

1. Greater workforce mobility and mutual recognition of qualification in Asia and the Pacific region.
2. Quality and employable workforce in member countries through APACC.
3. Coordination among its network of institutions, agencies and other stakeholders.

NAVTEC was established with an aim to meet the need for skilled people in the country and to develop the potential of youth by providing them marketable skills. In this regard, the budget allocated for development activities stands at Rs. 2.0 billion for the FY 2008-09.

10.6 HIGHER EDUCATION COMMISSION

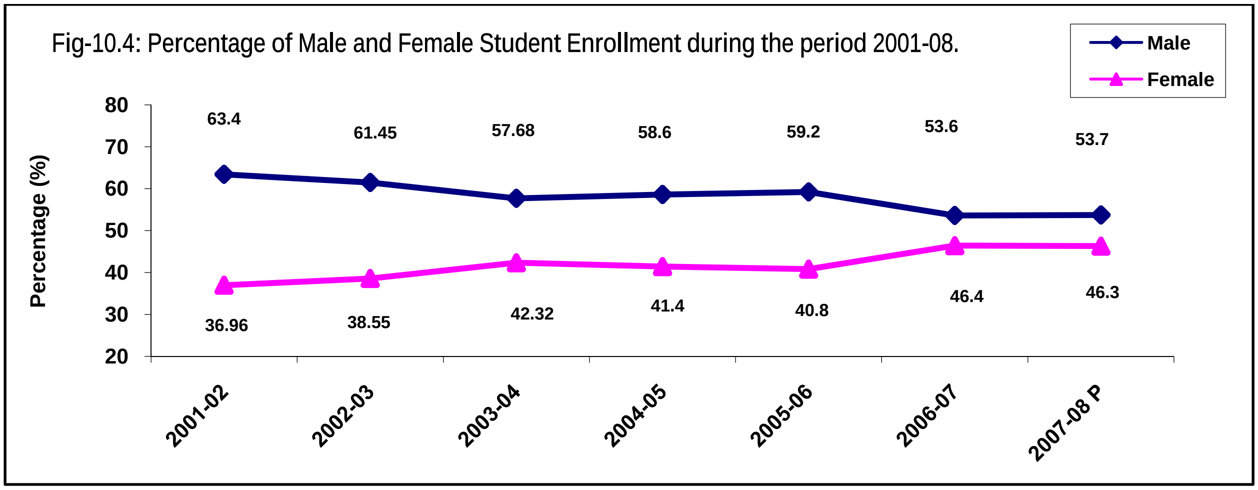
During the last years, Higher Education Commission awarded charter to 28 new universities and degree awarding institutions in public and private sector during . Enrollment at the Universities and Degree Awarding Institutions increased by 124 percent i.e. from 331745 in year 2002-03 to 741092 in the year 2007-08. Sector-wise detail is given in Table-10.7.

Table-10.7: Enrollment at Universities/DAI+ Constituent Colleges by Sector

Year	Distance Learning	Public	Private	Total
2001-02	89749	142652	43873	**276274**
2002-03	108709	167775	55261	**331745**
2003-04	159257	202871	61108	**423236**
2004-05	187557	216454	67953	**471964**
2005-06	199660	242879	78934	**521473**
2006-07	272272	276226	91563	**640061**
2007-08 P	305962	331664	103466	**741092**

Source: HEC

Due to the policy of providing equal opportunity for all at the institutions of higher education, the gender gap among the students has reduced considerable. Fig.10.5 reflects the narrowing of gender gap over the years.



Pakistani universities produced 613 Ph.D during 2008 as compared to 420 Ph.Ds during 2007-08 and the trend over the year can be seen in Fig-10.5. Students who had gone overseas for MS and Ph.D on HEC scholarships have started coming back and serving the country.

Funding of Higher Education

Public spending on higher education increased from Rs. 7723.402 million during 2002-03 to Rs. 28741.677 million during 2006-07 showing an increase of 272.14 percent. Economic crisis in the country started in year 2007-08 and got worse during 2008-09, impact of which was also felt by higher education sector and public spending on higher education decreased to 2.8 percent in 2007-08 and further to 34.1 in 2008-09. Development and Non Development expenditure of HEC over the years is Given in Table-10.8.

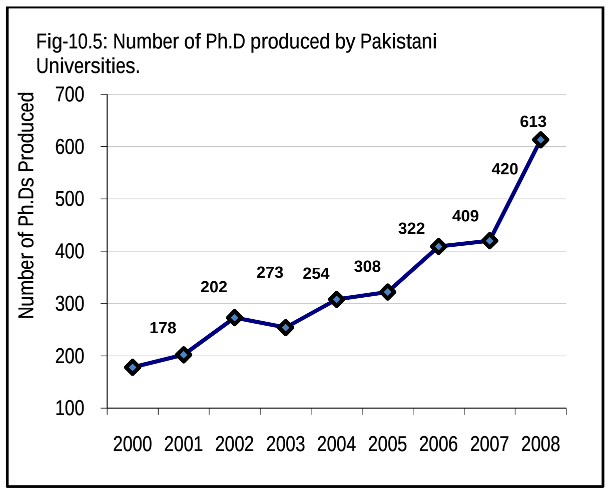


Table-10.8: Development and Non Development Expenditure on Higher Education *(Million Rs.)*

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Released Recurring	3,443.393	5,304.647	6,995.608	10,493.412	14,332.521	12,536.498	10,248.176
Released Development	4280.009	4968.450	8940.076	10890.877	14409.156	15390.455	8167.760
Released Total	**7723.402**	**10273.097**	**15935.684**	**21384.289**	**28741.677**	**27926.953**	**18415.936**

Source: HEC

Human Resource development

In order to improve the quality of graduates produced by the universities, emphasis was given on providing new facilities, improving the existing infrastructure, providing better labs with state of the art equipment for researchers, providing facility of digital library, improving the qualification of existing faculty, hiring of qualified faculty members under the Foreign Faculty Hiring and Tenure Track system of faculty appointment.

Impact of Financial Crises

Financial crises faced by the country hit hard on the higher education sector. Number of new development projects was reduced from 116 during 2007-08 to 29 during 2008-09. Overall spending on development projects was reduced to 8167.760 million during 2008-09 from 15390.455 million during 2007-08. Adversely hit were the research and development projects, overseas scholarships for Ph.D and MS leading to Ph.D, post doctoral fellowship and local Ph.D scholarships etc.

10.7. ON-GOING PROGRAMMES AND PROJECTS

The government is making serious efforts to improve the access and quality of education by enhancing educational facilities within the minimum possible time. The government has launched various milestone oriented policies according to educational development phases and status. The present status of implementation of the policies, and subsequent main plans, programs and projects in the education sector for boosting up the educational development and system is briefly presented as under:-

- The Government is providing free textbooks in all Public Schools up to Primary level. Furthermore, to promote female participation at Primary level, the Government has endowed incentive to female students in the shape of scholarship (Rs. 200 per month).

- The government has taken several substantial initiatives for teacher's education and professional development. During fiscal year 2007-08, 20660 Elementary School Teachers had been trained. At higher level, Higher Education Commission (HEC) has provided training services to 3,726 faculty members of different universities.

- The existing Scheme of Studies for Classes I-XII has been revised to make education purposeful, job oriented and at par with international standards. The salient features are:

  - Early Childhood Education has been made a part of the new Scheme of Studies for the children of 4 + years of age.

  - Islamiyat, Social Studies and Science have to be integrated in one subject under the name "General Knowledge".

  - Islamiyat will be taught as a separate compulsory subject from Class-III to XII. In addition, Advanced Islamic Studies has been included at Secondary School Certificate (SSC) and Higher Secondary School Certificate (HSSC) levels in Humanities Group.

  - Arts ad Crafts, and Library have been included to provide for foundation skills and activities at Primary and Middle levels.

  - English is to be taught from class-I onwards as a compulsory subject alongside Urdu.

  - At Middle level, computer education (Applied Technology) has been included. All Middle Schools will have computer Laboratories in three years time to be able to teach Computer Education from Class-VI. A new Science Group of Computer Science has been included at HSSC level.

  - Medium of instruction for all Science subjects will be English.

  - The list of elective subjects in Humanities Group at SSC level has been rationalized.

  - Pakistan Studies has been made as an elective subject at HSSC level.

- Ministry of Education and UNICEF Islamabad have signed an Annual Work Plan in January 2008, amounting to US $

555,000 for the year 2008, which aims at improving the survival, development, protection and participation of children in Pre-Primary and Primary education.

- In order to implement the new Scheme of Studies, National Curriculum of I-XII classes have been developed in 23 subjects.

- Instead of combined examination, year wise examination system at Secondary School Certificate level has been re-introduced with effect from 2008 examinations. It had also been decided that the academic session will again end in March as before and start from April of a year.

- Ministry of Education has prepared for the first time the curriculum for 'Literacy', which focuses on income generating skills. The subject was included in the Scheme of Studies 2006. The Curriculum of Environmental Studies for Classes IX-X was developed and notified in consultation with the concerned Provincial Education Departments for its implementation.

- To implement a decision of the Cabinet, National Textbook and Learning Materials Policy and Plan of Action was got notified with prime objective for introduction of multiple textbooks with the involvement of private sector publishers and to ensure timely availability of textbooks before the start of each academic session.

- The quality of students has been got assessed in the subject of Mathematics of grade-IV and in Science & Social Studies of grade-VIII under "National Education Assessment System" project.

- Availability of scholarships plays a vital role in promoting Human Capital. Therefore, the government has launched scholarship programs at Federal and Provisional levels. Currently, 3,237 scholars are studying (under PhD Scholarship Program) in HEC recognized universities in the past four years. The foreign scholarship programs have been geared towards improving research in key areas, particularly in areas relating to engineering, applied and pure sciences. HEC has sent 2,600 scholars for studies abroad under PhD scholarship program up to 2007-08. 69 scholars proceeded abroad under Cultural Exchange Programme in year 2007-08.

- The local and foreign scholarships are managed by the Ministry up to under graduate levels through two programs named 'Cultural exchange and Scholarships under Commonwealth" while these at higher levels are dealt by Higher Education Commission (HEC). About 192 scholarships are offered by selected donor countries each year according to the following detail:

  - **Cultural Exchange Programme:** Usually China, Turkey, Romania, Russia, Greece, Mexico, Jordan, Syria, Egypt, Tunis, Yemen, etc. offer these Scholarships. The rates of scholarships are low and therefore, GOP is paying subsidy to the scholars @ US $ 200 for Master and US $ 300 for Ph. D. candidates. The offers from China have increased from 24 to 77 scholarships for academic session 2008 while that from Al-Azhar University, Cairo has gone up from 24 to 30 per year.

  - **Commonwealth Scholarship Scheme:**

  - UK, Canada, Brunei Darussalam, New Zealand and Malaysia only offer these scholarships.

  - Governments of Malaysia and Republic of Korea have offered 5 and 2 scholarships respectively for undergraduate studies.

- Government of Bangladesh is offering nine seats each year for MBBS/BDS for admission in Bangladeshi Medical Colleges on self-finance basis under SAARC quota. The selected students pay fees at par with Bangladeshi students.

Students from other countries

Ministry of Education is implementing the following scholarship schemes for students from other countries:

- 100- Scholarships to students from Bangladesh.
- 1000-Scholarships to students from other countries under Cultural Exchange Programmes (These scholarships are granted according to the provisions given in the signed agreements / cultural exchange programmes. The agreements have been signed with 63 countries.

Local Scholarships

Few schemes for local scholarships are in implementation as per detail given below:

- The top position holders in Matriculation and Intermediate examinations, including ‘O’ and ‘A’ levels, are accorded awards each year under the President’s directive. The number and awards under each category follows as under:
    - Awards to top position holders in ‘O’ & ‘A’ level examination @ Rs. 50,000 per subject
    - Awards to overall top position holders in the matriculation Examination from each Board of Intermediate and Secondary Education of the country @ Rs. 50,000 per student
    - Awards to overall top position holders in the Intermediate examination (HSSC) from each Board @ Rs. 200,000 per student
- A special scheme for the students of Balochistan and FATA titled “Provision of Quality Education Opportunities for the students of Balochistan and FATA” under the directives of Prime Minister and President has been launched in 2007 at a capital cost of Rs. 481 million. The scheme provides for 330 scholarships per year in the following categories:
    - Cadet Colleges/Public Schools …….70 scholarships
    - Polytechnic/Commercial Colleges…….230 scholarships
    - Private Institutions …30 scholarships
- The President’s Special Programme for Provision of Quality Education facilities for 200 tribal students from FATA and settled areas outside NWFP is in way of implementation.
- 40 Merit Scholarships are also granted per year for the students belonging to the minorities of the country as per detail below:
    - 10 scholarships in Medicine
    - 10 scholarships in Engineering
    - 20 scholarships in MA / M Sc

TABLE 10.1

NUMBER OF EDUCATIONAL INSTITUTIONS BY KIND, LEVEL AND SEX

Numbers

	Primary* Schools (000)		Middle Schools (000)		High Schools (000)		Secondary Vocational Institutions		Arts and Science Colleges		Professional Colleges		Universities	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
1992-93	130.6	40.3	11.8	5.4	8.7	2.8	602	316	800	293	260	109	27	-
1993-94	134.1	42.4	12.1	5.5	9.2	3.0	474	218	824	303	260	112	28	-
1994-95	139.6	44.4	12.6	5.7	9.5	3.2	487	221	863	317	271	116	34	-
1995-96	143.1	40.5	13.3	4.4	9.5	2.4	577	224	909	338	286	124	38	-
1996-97	149.7	52.1	14.5	6.3	9.9	3.3	578	225	1,141	382	310	129	41	-
1997-98	156.3	58.1	17.4	7.5	11.1	3.9	574	223	1,056	400	315	139	45	-
1998-99	159.3	53.1	18.1	7.2	12.4	3.3	580	228	1,137	433	336	153	46	-
1999-00	162.1	55.0	18.4	7.6	12.6	3.4	612	233	1,222	464	356	161	54	-
2000-01	147.7	54.3	25.5	12.0	14.8	4.6	630	236	1,710	691	366	171	59	-
2001-02	149.1	55.3	26.8	12.8	15.1	4.6	607	239	1,784	731	376	177	74	-
2002-03	150.8	56.1	28.0	13.5	15.6	4.8	585	230	1,855	768	386	186	96	-
2003-04	155.0	57.6	28.7	13.9	16.1	5.1	636	252	1,989	822	426	206	106	-
2004-05	157.2	58.7	30.4	14.8	16.6	5.3	2,859	1,460	1,604	684	677	331	108	-
2005-06	157.5	59.8	39.4	19.3	22.9	8.1	3,059	-	2,996	1,484	1,135	664	111	-
2006-07	158.4	60.9	40.1	17.5	23.6	9.0	-	-	3,095	1,420	1,166	631	120	-
2007-08 (P)	157.9	64.4	40.8	18.0	23.9	9.3	-	-	3,218	1,489	1,198	649	124	-
2008-09 (E)	158.0	66.0	41.3	17.6	24.3	9.7	-	-	3,292	1,491	1,219	644	124	-

P: Provisional - not available E: Estimated

* : Including Pre-Primary & Mosque Schools

Notes

1. All figures include Public and Private Sector data
2. Figures of 2008-09 is based on estimation.
3. Figures of 2007-08 is based on Provincial/Regional EMIS's database
4. Female institutions includes percentage of mixed institutions.

Sources:

1. Figures of Primary, Middle, High and Higher Sec. from 1992-93 to 2006-07 is based on Annual Pakistan Education Statistics Reports, AEPAM, Islamabad.
2. Figures of Inter Colleges and Degree Colleges from 2004-05 to 2006-07 is based on Annual Pakistan Education Statistics Reports, AEPAM, Islamabad.
3. Figures of Private Schools data from 1992-93 to 1999-2000 is based on 8th Five Year Plan 1993-98, Planning Division, Pakistan.
4. Figures of Private Schools data from 2000-01 to 2004-05 is based on 'Census of Private Education Institution 1999-2000, Federal Bureau of Statistics, Islamabad.
5. Figures of Private Schools data of 2005-06 onwards on 'National Education Census, 2005', AEPAM, Ministry of Education, Islamabad.
6. Figures of Universities from 1992-93 to 2007-08 was download from website of HEC, Islamabad.

TABLE 10.2

ENROLMENT IN EDUCATIONAL INSTITUTIONS BY KIND, LEVEL AND SEX

Year	Primary Stage (I-V) (000 No)		Middle Stage (VI-VIII) (000 No)		High Stage (IX-X) (000 No)		Secondary Vocational (000 No)		Arts and Science Colleges (000 No)		Professional Colleges (Number)		Universities (Number)	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
1992-93	10271	3696	3,040	994	1,168	357	93	24	422	151	281,200	100,400	68,301	14,856
1993-94	10898	4123	3,305	1,123	1,315	421	84	18	405	149	270,000	99,600	77,119	19,342
1994-95	11900	4708	3,816	1,347	1,525	514	86	15	422	166	281,600	110,400	80,651	21,174
1995-96	11657	4590	3,605	1,270	1,447	480	86	14	440	179	293,600	119,600	82,955	23,105
1996-97	13088	5350	3,726	1,357	1,521	520	92	15	457	191	304,800	127,600	91,883	25,050
1997-98	14182	5861	4,032	1,532	1,658	605	90	18	478	201	318,400	134,000	93,780	24,848
1998-99	14879	5149	4,098	1,586	1,703	639	75	17	509	234	312,000	140,400	91,637	25,469
1999-00	15784	5660	4,112	1,615	1,726	653	91	17	562	263	316,800	148,800	114,010	27,369
2000-01	14105	5559	3,759	1,706	1,565	675	83	14	582	283	305,200	149,600	124,944	36,699
2001-02	14560	5871	3,821	1,506	1,574	644	83	15	582	285	300,400	148,000	276,274	101,770
2002-03	15094	6132	3,918	1,551	1,589	658	94	19	625	306	320,800	158,400	331,745	128,066
2003-04	16207	6606	4,321	1,737	1,800	709	101	23	691	338	329,007	163,059	423,236	178,723
2004-05*	17258	7219	4,550	1,863	1,880	756	177	86	662	321	261,955	130,896	471,964	195,555
2005-06	16834	7288	5,262	2,169	2,133	882	239	90	854	428	325,993	198,208	521,473	212,997
2006-07	17042	7416	5,368	2,241	2,315	949	284	-	902	456	348,814	212,085	640,061	294,997
2007-08 (P)	17233	7539	5,366	2,259	2,436	1,003	-	-	962	480	352,302	214,206	741,092	342,125
2008-09 (E)	17366	7623	5,400	2,289	2,537	1,043	-	-	998	497	361,072	219,539	741,092	342,125

P: Provisional E: Estimated - not available

Notes:

1. All figures include Public and Private Sector data.
2. Figures of 2008-09 is based on estimation.
3. Figures of 2007-8 is based on Provincial/Regional EMIS's database.
4. Figures of Inter Colleges and Degree Colleges for 2006-07 and 2007-08 is estimated and based on NEC 2005-06

Sources:

1. Figures of Primary, Middle, High and Higher Sec. from 1992-93 to 2006-07 is based on Annual Pakistan Education Statistics Reports, AEPAM, Islamabad.
2. Figures of Inter Colleges and Degree Colleges from 1992-93 to 2003-04 is based on Economic Survey of Pakistan, 2006-07.
3. Figures of Inter Colleges and Degree Colleges for 2004-05 and onwards is based on Annual Pakistan Education Statistics Reports, AEPAM, Islamabad.
4. Figures of Private Schools data from 1992-93 to 1999-2000 is based on 8th Five Year Plan 1993-98, Planning Division, Pakistan.
5. Figures of Private Schools data from 2000-01 to 2004-05 is based on 'Census of Private Education Institution 1999-2000', Federal Bureau of Statistics, Ibd.
6. Figures of Private Schools data of 2005-06 and onwards is based on 'National Education Census, 2005', AEPAM, Ministry of Education, Islamabad.
7. Figures of Universities from 2001-02 to 2007-08 was download from website of HEC, Islamabad (www.hec.gov.pk)

TABLE 10.3

NUMBER OF TEACHERS IN EDUCATIONAL INSTITUTIONS IN PAKISTAN, BY KIND, LEVEL AND SEX

	Primary Schools (Thousands)		Middle Schools (Thousands)		High Schools (Thousands)		Secondary Vocational Institutions (Number)		Arts and Science Colleges (Number)		Professional Colleges (Number)		Universities (Number)	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
1992-93	332.5	122.5	119.0	66.3	165.6	68.1	9,153	2,605	25,485	9,138	8,269	3,058	5,728	747
1993-94	359.1	138.6	132.8	78.2	217.4	88.5	7,965	1,603	27,666	9,825	8,754	3,178	5,217	918
1994-95	375.2	146.7	144.6	80.9	227.6	102.6	6,949	1,708	29,843	10,515	9,128	3,264	5,316	939
1995-96	377.5	145.1	159.1	85.0	217.6	89.8	7,291	1,799	32,898	11,729	9,969	3,657	5,417	927
1996-97	374.3	151.7	156.7	91.4	224.7	98.8	7,422	1,845	32,190	11,690	9,950	3,660	5,162	919
1997-98	397.0	164.7	168.4	101.0	252.9	112.9	6,923	1,870	39,267	15,767	10,930	4,105	5,515	976
1998-99	422.6	173.8	178.5	108.2	231.6	107.5	7,133	1,858	35,187	14,298	10,777	4,139	4,911	837
1999-00	402.4	169.8	193.9	117.6	247.8	115.8	9,253	1,959	39,268	15,764	11,065	4,221	5,914	1,174
2000-01	408.9	183.6	209.7	127.8	260.3	125.3	9,441	1,959	48,054	21,506	11,019	4,218	5,988	1,302
2001-02	413.9	183.5	230.1	139.3	270.2	126.1	7,192	1,863	55,146	23,016	10,598	4,164	5,160	1,247
2002-03	433.5	191.7	236.3	145.8	278.0	131.9	7,273	1,623	57,681	24,146	11,164	4,410	6,180	1,375
2003-04	432.2	195.3	239.4	146.6	276.9	134.2	8,535	1,957	57,881	24,190	11,245	4,505	37,428	-
2004-05	450.1	206.5	246.7	151.5	282.1	138.6	11,521	4,481	57,661	24,366	12,399	5,192	37,469	-
2005-06	444.0	201.0	310.8	201.6	362.2	197.4	14,565	4,658	69,425	33,959	20,568	10,485	37,509	-
2006-07	445.8	203.1	313.5	203.3	366.6	200.5	17,364	-	71,246	34,996	20,768	10,587	44,537	-
2007-08 P	438.8	205.1	320.6	208.2	374.2	207.0	-	-	74,222	37,159	20,976	10,693	46,893	-
2008-09 E	437.1	206.4	323.9	210.4	378.3	210.2	-	-	75,821	38,226	21,112	10,762	46,893	-

P: Provisional E: Estimated - not available

Note:

1. All figures include Public and Private Sector data.
2. Figures of 2008-09 is based on estimation.
3. Figures of 2007-08 is based on Provincial/Regional EMIS's database.
4. Due to non-availability of teacher's data of Private Schools from 1992-93 to 1999-00, figures have been adjusted on the basis of backward estimation
5. Figures of Inter colleges and Degree colleges for 2007-08 is estimated and based on NEC 2005-06

Sources:

1. Figures of Primary, Middle, High and Higher Sec. from 1992-93 to 2006-07 is based on Annual Pakistan Education Statistics Reports, AEPAM, Islamabad
2. Figures of Inter Colleges and Degree Colleges from 1992-93 to 2004-05 is based on Economic Survey of Pakistan, 2006-07
3. Figures of Inter Colleges and Degree Colleges for 2004-05 to 2007-08 is based on Annual Pakistan Education Statistics Reports, AEPAM, Islamabad
4. Figures of Private Schools data from 1992-93 to 1999-2000 is based on 8th Five Year Plan 1993-98, Planning Division, Pakistan
5. Figures of Private Schools data from 2000-01 to 2004-05 is based on 'Census of Private Education Institution 1999-2000', Federal Bureau of Statistics, Ibd
6. Figures of Private Schools data of 2005-06 and onwards is based on 'National Education Census, 2005', AEPAM, Ministry of Education, Islamabad
7. Figures of Universities from 2003-04 to 2005-06 was download from website of HEC, Islamabad (www.hec.gov.pk)
8. Figures of Universities for the year 2006-07 to 2007-08 is based on estimation

Chapter No. 11

Health and Nutrition

Since health is an integral part of human development, therefore it remained the focus of attention of the government during 2008-09 because healthy population is the human asset of a country which is turn contributes efficiently to the economic and social development. In Pakistan, despite a good progress over the years, peoples are still suffering from various health lacknings like limited access to heath facilities, wide spread malnutrition, poverty and poor living conditions. The health development activities contrast sharply in relation to other countries at similar level of development and per capita income and reflects a backlog of many un-meet needs. These concerns are over due and require an urgent attention.

The most immediate health problems of the country are: inadequate sanitation facilities, Unsafe water, Poor living conditions, poverty and low literacy rate with women being the worse affectees whose lack of knowledge often render them and their children vulnerable to various diseases. Malnutrition is a major public health problem that disproportionately effects women , girls. and infants. The un-timely deaths or disability from high prevalence of communicable diseases which could easily be prevented and treated adversely effect the working capability of an average household. The incidence of newer diseases like Cancer and HIV/ AIDS reveal a striking un-met requirements for which appropriate policy response and institutional changes are required to bring accelerated development and better health management.

Pakistan requires progress in economic and policy sector to reduce the burden of diseases not simply in health care but much have to be done in agriculture, education, transportation, environment, public health sector and other relevant areas in order improve the nation’s overall health.

The national regime in line with the global recommendations and the United Nation mandate is committed to attain the health related millennium development goals (MDGs) on child mortality, maternal mortality, HIV/AIDS, T.B and malaria. The MDGs agenda of reforms have already been adopted as a framework of development activities to reduce poverty, hunger and to tackle the problems of ill health through investing in health care, education, diseases prevention, coverage and quality of life by the year 2015. In light of these considerations, a number of measures are underway to achieve Pakistan's health sector goals and to bring a visible change in health status of the country. Various health programs like children development program, Nutrition, Immunization, T.B and Malaria control. etc are being implemented with objectives to ensure sustainable development in health, nutrition and family planning etc. Consequently, immunization coverage has been increased and the country focus on producing more doctors have led to marked improvement. During the year under review, emphases was laid on the provision of primary health care, better utilization of the existing health facilities and continuing the programme of nutrition and preventable disease. However, the infant mortality rate is still high and remained at 73 per 1000 live birth. Other social indicators also reflect comparatively poor performance as is depicted in table-11.1.

The present government has taken several policy initiatives to fulfill its commitment to meet the needs of healthcare needs of the people of Pakistan. This has necessitated reformulating a new national health policy with the vision to provide Efficient, Equitable and Quality Health Care Services at the door steps of the population. The Health Policy 2009 has focused on preventive programs targeting poor and disadvantaged groups of communities. The reforms proposed in the policy has addressed inadequacies in primary and secondary healthcare services and laid down an agenda for improvement in district health system, including removal of professional and managerial gaps and distortions. These elements will continue in the context of paradigm shift from healthcare reforms to wider health sector linkages with social determinants of health. The draft National Health Policy 2009 has focused on health sector investments as part of poverty alleviation, and accords priority to primary and secondary healthcare services.

Table-11.1: Social Indicators

Country	Life Expectancy Year 2007**	Infant Mortality Rate per 1000** Year 2007	Mortality Rate under 5 per 1000 Year 2007**	Population Avg. Annual (%) Growth 2008***
Pakistan	**65**	**73**	**90**	**1.8***
India	65	54	72	1.5
Sri Lanka	72	17	21	0.9
Bangladesh	64	47	61	2.0
Nepal	64	43	55	2.1
China	73	19	22	0.6
Thailand	71	6	7	0.6
Philippines	72	23	28	1.7
Malaysia	74	10	11	1.7
Indonesia	71	25	31	1.2

Source: World Development Indicator 2009

11.1 Health Expenditure

The main modes of health financing in Pakistan is public sector and 0.5 percent of its GNP is spent on health. The government recognizes the need to enhance allocations in this area and mainstreaming alternative approaches to health financing. Public sector's fiscal allocation was increased from Rs 60 billion in 2007-08 to Rs 74 billion in 2008-09. Of which Rs.33.00 billion were development and Rs 41.10 billion as current expenditure. During this time, the government spendings on health as a percentage of the GNP stood at 0.55 percent which in term of GNP spells a 23 percent increase over last year.

Fig-1: Health & Nutriation Expenditure

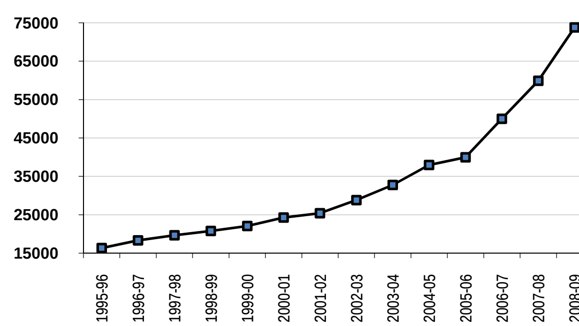


Table 11.2: Health & Nutrition Expenditures (2000-01-2008-09) **(Rs.billions)**

Fiscal Years	Public Sector Expenditure (Federal and Provincial): Total Health Expenditures	Development Expenditure	Current Expenditure	Percentage Change	Health Expenditure as % of GDP
2000-01	24.28	5.94	18.34	9.9	0.58
2001-02	25.41	6.69	18.72	4.7	0.57
2002-03	28.81	6.61	22.21	13.4	0.59

Table 11.2: Health & Nutrition Expenditures (2000-01-2008-09)					(Rs.billions)
Fiscal Years	Public Sector Expenditure (Federal and Provincial)			Percentage Change	Health Expenditure as % of GDP
	Total Health Expenditures	Development Expenditure	Current Expenditure		
2003-04	32.81	8.50	24.31	13.8	0.58
2004-05	38.00	11.00	27.00	15.8	0.57
2005-06	40.00	16.00	24.00	5.3	0.51
2006-07	50.00	20.00	30.00	25	0.57
2007-08	60.00	27.22	32.67	20	0.57
2008-09	74.00	33.00	41.10	23	0.55

Source: Planning and Development Division

11.2 Health Facilities

In Pakistan health services are provided through (I) the health care delivery systems and (II) public health intervention. The former include basic health units (BHUs) and rural health centres (RHCs) forming the core of primary health care while public health intervention includes a number of public health programs which are federally led with provincial implementation and institutional mechanism. According to Health Division, there were 948 hospitals in 2008 with over 133,956 registered physicians and over 65387 registered Nurses, 9012 Dentists and 10002 LHWs. Table below highlights other selected health facilities indicators. The country's focus on producing more Doctors has led to marked improvement in the Doctor-to- population ratio. The population to facilities ratio in respect of a doctor is for 1212 persons, a dentist for 18010 persons and availability of one hospital bed for 1575 persons.

Table-11.3: Health Facilities			
Health Manpower	Upto 2006-07	Upto 2007-08	Upto 2008-09
Registered doctors	123,125	127,859	133,956
Registered dentists	7,438	8,195	9,012
Registered nurses	57,646	62,651	65,387
Population per Doctor	1,251	1,225	1212
Population per Dentist	20,702	19,121	18010
Population per Bed	1,508	1,517	1575

Source: Ministry of Health

11.3 Physical Targets and Achievements During 2008-09

The government has been expanding the scope of health delivery services in view of its actual demand. New infrastructures are being built in the health sector to meet the increasing demand of the people. The targets for the health sector during 2008-09 included establishment of 40 Basic Health Units (BHUs) and 15 RHCs. The manpower target included the addition of 5000 new doctors, 450 dentists, 3500 Nurses, 5500 Paramedics and 450 Traditional Birth Attendants. Under the preventive Program, about 8.5 million children were targeted to be immunized and 25 million packets of ORS were to be distributed during 2008-09.

In order to achieve the targets, the Government has taken a number of steps and among them, training of 4500 doctors,400 dentists,3200 nurses and construction of 35 basic health units (BHUs) and 13 rural health centres have been completed. In the meantime 850 BHUs and 40 RHCs have been strengthened/improved . In the government hospitals, 4300 beds have been added in the existing ones. Besides, efforts are underway to address the currently prevailing services challenges through focus on primary health care delivery by revitalizing BHUs and RHCs.

Physical targets and achievements for 2008-09 are given in the following table

Table–11.4: Physical Targets and Achievements During 2008-09

Sub-Sector	Targets (Nos)	Estimated Achievements (Nos)	Achievements (%)
A. Rural Health Programme			
i. New Basic Health Units (BHUs)	40	35	87
ii. New Rural Health Centres (RHCs)	15	13	86
iii. Upgradation of existing RHCs	45	40	88
iv. Upgradation of existing BHUs	900	850	94
B. Beds in Hospitals/RHCs/BHUs	4500	4300	95
C. Health Manpower Development			
i. Doctors	5000	4500	90
ii. Dentists	450	400	80
iii. Nurses	3500	3200	90
iv. Paramedics	5500	5000	90
v. Training of TBAs	500	450	
vi. Training of LHWs	100000	96000	96
D. Preventive Programme			
i. Immunization (Million Nos)	9	8	94
ii. Oral Rehyderation Salt (ORS) *(Million Packets)*	25	24	96

Source: Planning & Development Division

11.4 Health Programs

Not withstanding improvement in doctors/dentist to population ratio, it must be recognized that Pakistan's key health indicators still lag behind in relation to international targets articulated within the millennium declaration which makes a case for reform measure within the health sector. Public health intervention include a number of public health program. These include the National Program for prevention and control of T.B, Malaria, HIV/ AIDs and child health care program etc. To bring a visible change in health status of the country, the government of Pakistan has intensified its efforts. The following core programmes are being implemented with a much sharper focus on the poor and underprivileged segments of the society.

11.4.i Expanded Program on Immunization (EPI)

EPI aims at protecting children by immunizing them against Childhood Tuberculosis, Poliomyelitis, Diphtheria, Pertussis, Measles, Tetanus and also their mothers against Tetanus. The Program has progressed significantly over the time in terms of immunization coverage and disease reduction through its own system of surveillance, regular monitoring, evaluation of strategy and sufficient trained manpower across the country. This ensures the commitment of the Government for provision of vaccines, syringes, cold chain equipment, transport, printed material and launching of health education/motivation campaign. Major objectives of the program include:-

- Reduction of mortality resulting from the seven EPI target diseases by immunizing children of the age 0-11 months and women of child bearing age.
- 90% routine immunization coverage of all EPI antigens with at least 80% coverage in every district by 2012.
- Interruption of polio virus transmission by 2010.
- Elimination of Neo-natal tetanus by 2015.
- Reduction of measles mortality by 90% by 2010 .

11.4.ii National Aids Control Program (NACP)

The National AIDS control program along with its provincial counterparts is a national responsibility to the rising epidemic of HIV/AIDS in Pakistan. The Program since its implementation i.e. 1988 has undergone many policy changes that reflect the overall change in the HIV/AIDS epidemic.

Currently 7400 people are estimated living with HIV/ Aids in the country with the HIV prevalence rate of I % and 4900 deaths by the epidemic upto the year 2008. Till date 4500 HIV positive cases have been reported to the National and Provincial AIDS Control Programs. It includes 2000 full blown AIDS. Around 850 are receiving free treatment trough 12 AIDS Treatment Centres.

Several socioeconomic conditions conducive to spread of HIV/AIDS exist in Pakistan .These include poverty, low level of education and migration to higher prevalence countries which led to increased exposure to the disease. Significant factors that increase Pakistan's vulnerability to the epidemic include inadequate blood transmission, screening, high level of professional blood Donors, migrants and refugee population. Among reported infections, contaminated blood and blood products is the primary mode of transmission followed by injecting drug use and mother-to-child transmission. This serves to underline the need for rapidly scaling up intervention among vulnerable groups to prevent spillover into the general population.

The investment in HIV/AIDS prevention and control activities have increased over the years. The NACP has taken the lead in streamlining health services management to strengthen the quality and delivery of care at Federal and provincial levels.. The NACP also conducts public awareness campaigns, disseminates informational materials and develops guidance for improving care and support, clinical management, surveillance, and blood safe; and intervention effectiveness. Blood banking is managed through both public and private sectors, with the majority of demands being met by the Private Sector. A total of 1.5 million Blood Bags are transfused annually in the country of which 66% is contributed by the private sector. Screening reports are received on a quarterly basis from the public sector institutions/blood banks and is then compiled at the National AIDS Control program. Pakistan has shown its commitment of fighting the spread of HIV/ Aids for example Pakistan. Medium term Development framework 2005-10 includes among its goals, the halving of HIV/ Aids prevalence in most-at-risk population (MARPs)

11.4.iii National Program for Malaria Control

Malaria is one of the most devastating tropical disease in the world. It is particularly dangerous for young children and for pregnant women and their unborn children, although others may be seriously affected in some circumstances. About 250 to 300 million cases of malaria occur annually. New anti-malarial drugs and more efficient diagnostic techniques are being tested to cope with the problem. Malaria is a curable and preventable disease, but it still kills many people.

Pakistan launched Malaria eradication campaign with the help of WHO in 1960. But eradication of malaria could not be achieved because of socio-economic and epidemiological factors and so it poses a potential threat to the health of millions of people. On the advice of WHO, Malaria Eradication Programme was converted into Malaria Control Programme. The current project is an extension of on- going Malaria Control Programme. The goal of the programme is to improve the health status of the population by effectively controlling malaria through implementation of the Roll Back Malaria strategies. The five year plan is a step towards achieving the WHO global RBM target of 50% reduction in the malaria burden by the year 2010. Considerable progress has been made with regard to involvement of NGOs, awareness and operational research.

11.4.iv National T.B. Control Programme (NTCP)

Tuberculosis, or TB, is an infectious disease transmitted from person to person via droplets from the throat and lungs of people with the active respiratory disease. Millions of people around the world each year die of this curable disease. Tuberculosis (TB) is a major public health problem in Pakistan. The country ranks 6th globally among the 22 high disease burden countries. In Pakistan, the total No. of TB cases stands at 76,668. The percentage of TB case detection rate is 51%, treatment success rate is 87% while cure rate is 74%. The problem gets more complicated with majority of population living in extremely poor conditions, meagre resources and limited provision of healthcare facilities. The Pakistan government has therefore given high priority to TB control and constantly expanding the WHO recommended TB control strategy (DOTS) across the country. Though Pakistan has achieved the outcome target indicators of Millennium Development Goals, that is detection of TB at 70 per cent and successful treatment of 85 per cent cases but still efforts are needed to decrease number of TB cases in Pakistan.

The NTCP aims to reduce TB prevalence and mortality rates by 50 percent by 2015. Pakistan's efforts to control TB are supported by over 12 international partners, along with an extended network of health workers and volunteers working at the grassroots level.

11.4.v Prime Minister Program for Prevention and Control of Hepatitis in Pakistan (2005-2010)

Prime Minister Program for Prevention and Control of Hepatitis in Pakistan (2005-2010) was launched on August 29th 2005 to decrease substantially the Prevalence, morbidity and mortality due to hepatitis viral infections in the general population by utilizing the existing heath infrastructure. The total cost of the program in Rs. 2.59 billion for financial years 2005 till 2010.

The goals set under the program aim to achieve 50 percent reduction in hepatitis prevalence by 2010 through establishment of Hepatitis Surveillance System, provision of drugs for hepatitis B & C patients, provision of hepatitis vaccination for high risk population, provision of essentials for ensuring safety of blood and blood products at all blood transfusion centers, proper disposal of invasive medical devices including syringes, hospital waste, prevention and control of hepatitis A & E and actualizing the strategy for safe drinking water supply and sanitation provisions.

Specific goals of the program include: Establishing screening/ diagnosis, counseling and chronic liver disease treatment facilities at provincial, District & Tehsil level hospitals in a phased manner (121 Districts 425 Hospitals); Establishment of reference water quality control laboratories and purification plants at NIH, Provinces (7 units) and in rural settings (150 units); Improvement of Health Care Providers knowledge for prevention of Hepatitis through focus on injection safety, safe blood transfusion practices (385 Blood Banks) and hospital waste disposal (425 Hospital); Introduction of lab based surveillance system for evidence based policy decisions and creating opportunity for epidemiological research studies mainly community based, and establishment of provincial satellite offices of the Provincial Coordinators; Advocacy & Behavior Change Communication (BCC) strategy development and execution on persistent basis for prevention of Hepatitis by creating awareness among general masses for adoption of healthy practices; Strengthening of routine immunization services of Hepatitis B vaccine for infants through provision of immunization against Hepatitis B in children below one year of age by using Expanded Program of Immunization's infrastructure and Reduction of vulnerability to Hepatitis B in medical staff of public sector and other risk groups.

These interventions shall lead to minimizing the morbidity and mortality caused by hepatitis and likewise reduce economic burden. The community is therefore a direct beneficiary of the program.

11.4.vi Cancer Treatment Programme

Currently, Thirteen (13) nuclear medical and oncology hospitals are functioning throughout the country providing diagnostic and treatment facilities to the 70%of the total cancer patients in pakistan with most modern facilities available at these centres. Major services offered at these nuclear medical hospitals include diagnostic and therapeutic nuclear medicines, radioimmunoassay, radiotherapy. indoor cancer treatment. More than 408,900 patients were attended during the year 2008-09. During the period July 2008 to March 2009 a total of 210,554 patients(160,153 new and 50401 follow up) benefited from the nuclear medicine facilities. On clinical oncology side a total of 198,330 patients (including 51,363 new and 146,968 follow up) were provided cancer treatment as well as follow up management.

During the year (July-Mar) 2008-09, following activities were carried out.

(i) The PAEC NM&O hospitals were involved in development activities like research projects and training course etc. nationally as well across the globe to learn recent development in cancer diagnostic techniques/ treatment trends.

(ii) The up gradation project of two NM&O hospitals i.e. AMEC Karachi and INMOL Lahore at various stage of completion.

(iii) Cancer registry program has been initiated and initial data of cancer patients at PAEC NM&O Hospital is being maintained which will lead to more effective cancer prevention and awareness programs in future.

11.5 Drug Abuse

The increase in opium production in Afghanistan made Pakistan an important transit gateway for illegal drugs. As a result, drug abuse within Pakistan became a more pronounced problem. Since the last two decades, the problem of drug abuse has not only persisted but has been continuously increasing. With globalization of drug abuse problem over the years, the united Nations Commission on Narcotic drug has argued that the solution does not lie in the hands of individual countries. It has to be worked out through mutual efforts by south Asian countries. Various measures were adopted by the government of Pakistan to address the issue. A new Drug Abuse Control Master Plan (2008-2012) has been prepared to meet the growing challenges. Expenditure under this plan is expected to be Rs.10869.43 million. Objectives have been defined and achievable targets set with emphasis on both supply and demand reduction activities. Currently there are 12 ongoing projects which are being implemented at the cost of Rs 748.414 million with 432.934 million by Government of Pakistan and Rs315.480million as foreign aid. .Prominent among these are Mohmand Area Development project, Bajaur Area Development Project , Khyber Area Development project and a model addiction treatment and rehabilitation centres at Islamabad and Quatta. Besides, 6 new projects are proposed for 2009-10 with a total cost of Rs. 16.380 million are also being rewieved.

11.5.i Seizure of Narcotics Drugs

Seizure of narcotic drugs including registered affected and defendants arrested during the fiscal year 2008-09 are detailed in Table 11.6.

Table 11.5- Seizure of Drugs

No. of cases	20177 (Nos)
No. of defendants	20878 (Nos)
Opium	16437.897 (Kgs)
Heroine	5541.448(Kgs)
Hashish	96936.087(Kgs)
Cocaine	6.050(Kgs)
Poppy Straw	26940.00(Nos)

Source: Ministry of Narcotics Control

11.6 Food and Nutrition

Dietary pattern varies widely across the world even from region to region in the country. However it tends to weigh largely in favour of cereals (wheat, rice, maize) milk, meat and eggs. Calories and protein availability is consistently increasing over time. Eating a healthy diet is a main way to get good nutrition. In Pakistan people still do not have easy access to food to meet their basic requirements for protein and deficiency in essential micronutrients, such as iodine, vitamin A, and iron. Food Security and Poverty impedes affecting people's access to balanced diet. Food availability and its easy access play vital role in maintaining adequate diet and nutritional status.

Availability of major Food Items and its access during the year was maintained by taking necessary measures to combat the effects of international price hike and shortage of grains. The average caloric availability remained around 2363 and protein at 70gms per capita/day against the average requirement of 2350 calories per capita per day. The availability of essential food items over the period is briefly given in Table 11.6.:

The Medium Term Development Framework (MTDF) envisaged multi-disciplinary nutrition activities effectively to achieve the most MDGs targets. Nutrition related activities are being carried out in Social sectors including Health, Food & Agriculture, Education etc.

Table 11.6- Per Capita Food and Availability

Items	Year/ units	1949-50	1979-80	1989-90	1999-00	2003-04	2005-06	2006-07	2007-08(E)	2008-09(T)
Cereals	Kg	139.3	147.1	160.7	165.0	150.7	151.4	148.8	151.1	151.0
Pulses	Kg	13.9	6.3	5.4	7.2	6.1	7.9	7.2	7.9	8.0
Sugar	Kg	17.1	28.7	27.0	26.4	33.6	25.3	32.2	31.5	29.3
Milk	Ltr	107.0	94.8	107.6	148.8	154.0	162.6	170.1	172.1	175.2
Meat	Kg	9.8	13.7	17.3	18.76	18.8	19.7	20.6	20.1	20.5
Eggs	Dozen	0.2	1.2	2.1	5.1	4.6	5.2	5.4	5.3	5.2
Edible Oil	Ltr	2.3	6.3	10.3	11.1	11.3	12.7	12.8	12.6	12.6
Calories per day		2078	2301	2324	2416	2381	2386	2349	2377	2363
Protein per day		62.8	61.5	67.4	67.5	67.8	69.5	69.0	69.5	70.0

E: Estimates
T: Targets

Source: Planning and Development Division

Pakistan Bait-ul-Mal's (PBM) Food Support Programme for poor Households has been integrated into Benazir Income Support Programme (BISP) throughout the country for wider coverage.

A National School Nutrition Programme designed as a social safety net and incentive to improve the nutritional status of Government Rural Primary School going children to increase enrolment and drop-out rates.

Nutrition through Primary Health Care (PHC) covering micronutrient supplementation for anemia control, vitamin A supplementation to children under five years of age, micro nutrient to women of child bearing age, growth monitoring, counseling on breast feeding & weaning practices and awareness through Lady Health Workers (LHWs).

Reference Laboratory for Food Quality Control System has been strengthened at Nutrition Division, National Institute of Health, Islamabad.

Micro Nutrient Deficiency Control Programme: The major Micro Nutrient deficiencies i.e. Iodine, Iron and Vitamin-A, are being addressed through Nutrition Wing, M/o Health through donors' assistance:

a) Salt Iodization in private sector was strengthened in more than 60 districts along with awareness material. Draft Legislation for Universal Salt Iodization (USI) has been forwarded to the concerned quarters.

b) Wheat Flour Fortification has been expanded to 82 flour mills in the country. Millers also trained to operate the micro-feeders and maintain quality control parameters. Mass media campaign for consumer education prepared and launched.

c) 95 percent children (6-59) month administration Vitamin A drops through National Immunization Days (NIDs)

d) Policy for Infant Young Child Feeding (IYCF) has been adopted. Health staff trained on Baby Friendly Hospital Imitative (BFHI), and breastfeeding counseling.

TABLE 11.1

NATIONAL MEDICAL AND HEALTH ESTABLISHMENTS, Progressive (Calendar Year Basis)

(Number)

Year	Hospi-tals	Dispen-saries	BHUs Sub Health Centres	Maternity & Child Health Centres	Rural Health Centres	TB Centres	Total Beds	Population per Bed
1960	342	1195	..	348	..	..	22394	2038
1961	345	1251	3	422	1	18	22394	2063
1962	361	1374	..	449	..	..	22775	2087
1963	365	1514	..	488	..	..	23429	2088
1964	365	1626	..	524	..	..	23664	2126
1965	379	1695	..	554	..	..	25603	2022
1966	389	1754	..	558	..	..	26200	2033
1967	391	1834	..	650	..	..	27291	1678
1968	398	1751	..	650	..	..	27112	2079
1969	405	1846	..	668	..	..	27618	2100
1970	411	1875	..	668	..	..	28976	2061
1971	495	2136	249	668	87	79	34077	1804
1972	496	2137	249	675	87	82	35337	1792
1973	521	2566	255	662	90	84	35655	1848
1974	517	2836	290	690	102	89	35866	1893
1975	518	2908	373	696	134	89	37776	1852
1976	525	3063	536	715	173	95	39129	1843
1977	528	3220	544	726	186	95	40518	1834
1978	536	3206	554	748	200	95	42469	1804
1979	550	3367	645	772	211	98	44367	1779
1980	602	3466	736	812	217	98	47412	1716
1981	600	3478	774	823	243	99	48441	1752
1982	613	3459	1587	817	283	98	50335	1735
1983	626	3351	1982	794	302	98	52161	1723
1984	633	3386	2366	787	319	96	53603	1724
1985	652	3415	2647	778	334	100	55886	1699
1986	670	3441	2902	773	349	101	57709	1689
1987	682	3498	3150	798	383	104	60093	1666
1988	710	3616	3454	998	417	211	64471	1593
1989	719	3659	3818	1027	448	211	66375	1587
1990	756	3795	4213	1050	459	220	72997	1444
1991	776	3993	4414	1057	465	219	75805	1425
1992	778	4095	4526	1055	470	228	76938	1464
1993	799	4206	4663	849 *	485	233	80047	1443
1994	822	4280	4902	853 *	496	242	84883	1396
1995	827	4253	4986	859 *	498	260	85805	1416
1996	858	4513	5143	853 *	505	262	88454	1407
1997	865	4523	5121	853 *	513	262	89929	1418
1998	872	4551	5155	852 *	514	263	90659	1440
1999	879	4583	5185	855 *	530	264	92174	1448
2000	876	4635	5171	856 *	531	274	93907	1456
2001	907	4625	5230	879 *	541	272	97945	1427
2002	906	4590	5308	862	550	285	98264	1454
2003	906	4554	5290	907	552	289	98684	1479
2004	916	4582	5301	906	552	289	99908	1492
2005	919	4632	5334	907	556	289	101490	1483
2006	924	4712	5336	906	560	288	102073	1508
2007	945	4755	5349	903	562	290	103285	1544
2008	948	4794	5310	908	561	293	103037	1575

.. Not available

Source: Ministry of Health

* The decrease in MCH since 1993 as against last year is due to exclusion/separation of family welfare centres from MCH structure in NWFP

P: Provisonal data in respect of Punjab province.

TABLE 11.2

REGISTERED MEDICAL AND PARAMEDICAL PERSONNEL (Progressive) AND EXPENDITURE ON HEALTH, (Calendar Year Basis)

(Number)

Year	Regis-tered Doctors ***	Regis-tered Dentists ***	Regis-tered Nurses ***	Register-ed Mid-wives	Register-ed Lady Health Visitors	Population per		Expenditure(Mln. Rs)^*	
						Doctor	Dentist	Develop-ment	Non-Deve-lopment
1960	477	..	..	..	..	..	..	8.70	57.00
1961	612	..	..	..	..	75,470	..	21.13	69.00
1962	797	2	..	..	..	59,636	..	34.10	78.00
1963	1,049	17	..	..	..	46,615	..	34.55	80.00
1964	1,325	81	..	..	..	37,970	..	75.22	78.00
1965	1,591	151	..	..	..	32,533	..	46.47	84.00
1966	2,008	195	..	..	..	26,524	..	35.31	86.00
1967	2,588	233	..	..	..	21,170	..	70.80	92.00
1968	2,668	273	..	..	..	21,128	..	59.79	99.00
1969	3,322	332	..	..	..	17,459	..	67.99	128.00
1970	3,913	384	..	..	..	15,256	155,468	61.70	151.00
1971	4,287	446	..	..	..	14,343	137,870	57.62	141.10
1972	4,802	511	..	..	..	13,190	123,953	95.55	171.90
1973	5,138	549	..	..	..	12,824	120,018	175.67	210.10
1974	5,582	610	946	522	51	12,164	111,311	363.00	278.00
1975	6,018	650	1,985	1,201	118	11,628	107,661	629.10	360.64
1976	6,478	706	2,526	1,637	197	11,133	102,153	540.00	439.20
1977	7,232	733	3,204	2,577	246	10,278	101,405	512.00	558.60
1978	8,041	781	3,892	3,106	341	9,526	98,079	569.00	641.60
1979	9,079	846	4,552	3,594	453	8,695	93,309	717.00	661.89
1980	10,777	928	5,336	4,200	547	7,549	87,672	942.00	794.82
1981	13,910	1,018	6,110	4,846	718	6,101	83,369	1037.00	993.10
1982	17,174	1,121	6,832	5,482	928	5,087	77,948	1183.00	1207.00
1983	20,865	1,222	7,348	6,031	1,144	4,308	73,560	1526.00	1564.00
1984	25,633	1,349	8,280	7,078	1,374	3,605	68,490	1587.00	1785.12
1985	30,044	1,416	10,529	8,133	1,574	3,160	67,041	1881.50	2393.81
1986	34,034	1,558	12,014	10,315	2,144	2,865	62,580	2615.00	3270.00
1987	38,580	1,636	13,002	11,505	2,384	2,594	61,180	3114.41	4064.00
1988	42,862	1,772	14,015	12,866	2,697	2,396	57,963	2802.00	4519.00
1989	47,289	1,918	15,861	13,779	2,917	2,228	54,927	2681.00	4537.00
1990	52,862	2,068	16,948	15,009	3,106	2,082	52,017	2741.00	4997.00
1991	56,546	2,184	18,150	16,299	3,463	1,993	50,519	2402.00	6129.65
1992	61,017	2,269	19,389	17,678	3,796	1,892	49,850	2152.31	7452.31
1993	63,976	2,394	20,245	18,641	3,920	1,848	48,508	2875.00	7680.00
1994	67,167	2,584	21,419	19,759	4,107	1,803	46,114	3589.73	8501.00
1995	70,670	2,747	22,299	20,910	4,185	1,455	44,478	5741.07	10613.75
1996	75,201	2,933	24,776	21,662	4,407	1,689	42,675	6485.40	11857.43
1997	79,437	3,154	28,661	21,840	4,589	1,636	40,652	6076.60	13586.91
1998	83,661	3,434	32,938	22,103	4,959	1,590	38,185	5491.81	15315.86
1999	88,082	3,857	35,979	22,401	5,299	1,578	35,557	5887.00	16190.00
2000	92,804	4,165	37,528	22,525	5,443	1,529	33,629	5944.00	18337.00
2001	97,226	4,612	40,019	22,711	5,669	1,516	31,579	6688.00	18717.00
2002	102,611	5,058	44,520	23,084	6,397	1,466	29,405	6609.00	22205.00
2003	108,130	5,531	46,331	23,318	6,599	1,404	27,414	8500.00	24305.00
2004	113,273	6,128	48,446	23,559	6,741	1,359	25,107	11000.00	27000.00
2005	118,062	6,734	51,270	23,897	7,073	1,310	25,297	16000.00	24000.00
2006	123,169	7,438	57,646	24,692	8,405	1,254	20,839	20000.00	30000.00
2007	128,076	8,215	62,651	25,261	9,302	1,245	19,417	27228.00	32670.00
2008	133,956	9,012	65,387	25,534	10,002	1,212	18,010	32700.00	41100.00

.. Not available

^* Expenditure figures are for respective financial years 2004 = 2004-05

*** Registered with Pakistan Medical and Dental Council and Pakistan Nursing Council.

Note: Data regarding registered number of Dotctors/Dentists is vulnerable to few changes as it is affected by change of province or if there is any change in registration status from time to time

Source: 1. Ministry of Health
2. Planning & Development Division

TABLE 11.3

DATA ON EXPANDED PROGRAMME OF IMMUNIZATION VACCINATION PERFORMANCE (0-4 YEARS),
(Calendar Year Basis)

Vaccine/doz		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
B.C.G.		4,804,197	4,950,658	5,582,202	4,995,429	5,070,031	4,777,166	5,114,865	4,862,494	5,203,061	5,364,136	5,790,371	5,884,435
POLIO	0	1,522,005	1,605,409	2,031,138	1,787,968	1,734,707	1,842,279	2,132,474	2,352,552	2,625,604	2,846,229	3,098,116	3,428,749
	I	4,738,990	4,757,494	5,253,847	4,581,262	4,583,673	4,543,243	4,819,735	4,512,848	4,858,592	5,250,568	5,645,107	5,556,128
	II	4,220,589	4,203,668	4,558,892	4,026,744	4,079,328	4,014,687	4,281,717	4,098,187	4,387,392	4,869,878	5,178,706	5,034,410
	III	3,947,036	3,973,201	4,131,112	3,811,685	4,023,674	3,780,170	4,035,457	3,916,351	4,159,987	4,738,953	5,070,490	4,819,065
	IV	-	-		-	-	-	-	-	-	-	-	-
	BR	91,503	68,541	57,204	460,488	226,529	138,207	105,640	77,721	49,428	33,007	46,615	60,917
COMBO													
	I	-	-	-	-	-	-	-	-	-	-	3,999,759	5,071,729
	II	-	-	-	-	-	-	-	-	-	-	3,720,089	4,612,518
	III	-	-	-	-	-	-	-	-	-	-	3,656,495	4,356,169
D.P.T													
	I	4,739,559	4,698,422	5,070,103	4,693,198	4,688,768	4,558,086	4,768,665	4,427,751	4,581,347	5,275,075	1,710,723	-
	II	4,212,948	4,162,716	4,530,162	4,140,534	4,175,545	4,038,630	4,227,754	4,025,465	4,126,599	4,886,576	1,523,243	-
	III	3,935,580	3,831,296	4,273,184	3,918,198	4,112,538	3,795,573	3,982,974	3,839,571	3,918,794	4,756,441	1,479,364	-
	BR	89,295	63,407	169,623	44,768	46,518	22,626	5,959	2,418	105	284	55	-
T.T													
	I	3,732,952	3,861,395	4,282,256	4,091,473	4,179,310	4,678,265	3,590,786	3,391,488	4,539,131	4,069,365	3,877,897	4,307,085
	II	2,911,654	3,037,436	3,324,650	3,273,906	3,286,376	3,539,711	2,969,663	2,649,564	2,857,932	3,133,454	3,048,345	3,384,967
	III	1,097,745	1,025,006	1,056,394	928,086	868,820	1,278,078	1,423,277	765,268	793,128	894,639	810,023	865,694
	IV	446,040	425,544	484,999	318,464	310,995	310,448	337,968	292,941	519,086	286,368	239,055	279,024
	V	250,960	219,993	308,483	152,336	163,747	159,402	163,699	131,888	157,382	176,530	141,288	152,080
MEASLES		4,242,400	4,149,778	4,794,410	4,277,466	4,546,632	4,105,614	4,163,032	4,124,958	4,387,211	5,050,347	5,386,101	5,277,766

- not available

Source: Ministry of Health

B.C.G. Bacilus+Calamus+Guerin

D.P.T Diphteira+Perussia+Tetanus

T.T Tetanus Toxoid

Note: The DPT from the year 2007 onward has discontinued and is replaced by Combo - a combination of DPT and HBV

TABLE 11.4

DOCTOR CONSULTING FEE IN VARIOUS CITIES

(In rupees)

Period		Faisal-abad	Gujran-wala	Hyder-abad	Islam-abad	Karachi	Lahore	Pesha-war	Quetta	Rawal-pindi	Sukkur	Average
November	73	10.00	10.00	10.00	15.00	15.00	10.00	20.00	10.00	15.00	10.00	12.50
"	74	15.00	15.00	20.00	18.75	20.00	15.00	20.00	17.50	20.00	16.00	17.73
"	75	20.00	15.00	20.00	20.00	25.00	15.00	20.00	25.00	22.50	17.50	20.00
"	76	20.00	20.00	23.75	23.75	27.75	17.50	23.13	28.13	27.19	20.00	23.12
"	77	20.00	20.00	28.75	35.00	25.00	20.00	25.00	35.00	35.00	20.00	26.38
"	78	20.00	20.00	32.14	22.50	34.00	20.00	33.13	40.00	35.00	20.00	27.68
"	79	40.00	20.00	33.75	..	48.00	28.33	35.00	35.00	45.00	35.00	32.01
"	80	40.00	32.00	35.00	50.00	54.44	47.50	37.50	37.50	50.00	35.00	41.89
"	81	70.00	32.00	36.00	50.00	60.00	47.50	50.00	32.50	50.00	25.00	45.30
"	82	30.00	32.00	50.00	60.00	60.00	50.00	12.00	37.50	50.00	40.00	42.15
"	83	50.00	..	58.75	60.00	60.00	50.00	12.00	37.50	50.00	50.00	42.83
AVERAGE DOCTOR CALL FEE IN VARIOUS CITIES												
"	84	20.00	20.00	45.00	55.00	36.11	10.00	15.63	45.00	50.00	50.00	34.67
"	85	20.00	32.00	55.00	50.00	30.00	10.00	20.00	45.00	50.00	35.00	34.70
"	86	20.00	32.00	55.00	50.00	26.39	14.17	20.00	45.00	50.00	30.00	34.26
"	87	20.00	32.00	55.00	26.25	26.70	24.29	20.00	46.25	25.42	30.00	30.59
"	88	20.00	32.00	50.00	26.25	26.54	24.29	20.00	67.00	25.42	30.00	32.15
"	89	48.33	32.00	50.00	26.88	25.91	24.29	20.00	67.00	25.42	30.00	34.98
"	90	51.67	32.50	50.00	26.88	26.54	30.00	22.50	57.00	25.83	35.00	35.79
"	91	42.00	32.50	50.00	27.50	27.09	24.64	22.50	60.00	26.67	40.00	35.29
"	92	31.67	32.50	66.67	27.50	26.49	24.64	22.50	52.50	29.17	75.00	38.86
"	93	32.54	43.75	80.00	27.50	28.85	27.14	27.50	52.50	29.17	75.00	42.40
"	94	32.50	40.00	65.00	27.50	31.00	24.64	30.00	82.50	29.17	70.00	43.23
"	95	37.50	40.00	65.71	27.50	32.24	30.00	30.00	90.00	30.00	75.00	45.79
"	95	30.00	40.00	53.00	32.50	31.88	27.86	30.00	80.00	30.00	55.00	41.02
"	97	35.00	40.00	46.25	32.50	31.88	27.86	30.00	80.00	30.83	60.00	41.43
"	98	35.00	40.00	33.75	33.44	31.60	33.21	30.00	107.50	30.00	30.00	40.45
"	99	35.00	40.00	33.75	33.44	32.17	33.93	30.00	107.50	31.25	30.00	40.75
"	2000	40.00	40.00	33.75	33.13	32.40	38.93	30.00	107.50	32.92	30.00	41.86
"	2001	40.00	40.00	33.75	33.13	33.00	41.96	43.33	107.50	33.75	30.00	43.64
"	2002	40.00	50.00	30.00	33.13	35.00	41.25	43.33	95.00	33.96	30.00	43.17
"	2003	40.00	50.00	31.25	45.00	36.35	41.96	50.00	100.00	38.75	30.00	46.33
"	2004	41.25	50.00	33.00	45.00	36.25	41.96	50.00	100.00	38.75	30.00	46.62
"	2005	41.25	50.00	33.75	46.25	38.08	44.29	50.00	100.00	42.08	30.00	47.57
"	2006	41.25	50.00	33.75	55.00	41.73	52.68	50.00	100.00	43.75	50.00	51.81
"	2007	43.75	50.00	50.00	55.00	55.00	52.68	50.00	120.00	43.75	75.00	59.52
"	2008	75.00	65.00	50.00	75.00	80.00	63.21	100.00	130.00	61.67	75.00	77.49

Source: Federal Bureau of Statistics, Monthly Statistical Bulletins.

" Not available

Chapter No. 12

Population, Labour Force and Employment

Introduction:

Pakistan is facing a formidable challenge of tackling the issues of economic development and poverty reduction. In the wake of growing population, the need for food security and the provision of employment opportunities and housing are becoming a burden on the economy. Without population stabilization, addressing the critical issues, such as global warming, biodiversity, the environment, energy, food/water supplies, migration and security is extremely difficult.

Total population in Pakistan is 163.76 million in 2008-09. Due to a sharp decline in mortality since the 1950s without a corresponding reduction in fertility, the population growth rate increased from about 2 percent in the 1950s to 3 percent or over until the 1980s. With accelerated efforts of the national population planning programme and other socioeconomic changes, a decline in fertility and birth rate occurred during the 1990s, thereby reducing the population growth rate to 2.6 percent during inter-census period of 1981-1998, and further to 1.87 percent per annum by the year 2005. This is still amongst the highest in the region. Given the existing trend, the total population is estimated to reach 167 million by the year 2010 and 194 million by 2020 (NIPS). According to the 2008 province wise demographic estimates of the Planning and Development division, Punjab has 55.46% of the total population of Pakistan; Sind and NWFP account for 22.92% and 13.73% respectively and Baluchistan is the least populous with a population share of 5.15%. The Islamabad Capital territory has 0.7% of the population and the Federally Administered Tribal Areas account for the remaining 2.37%.

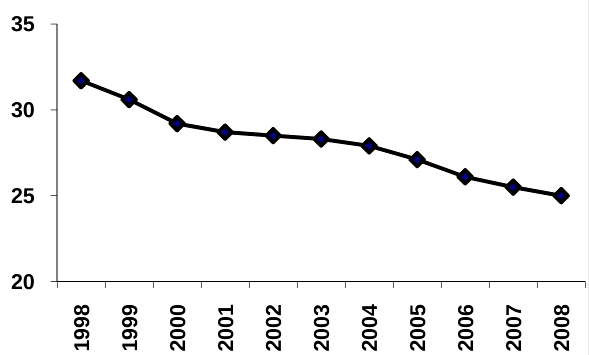
However Pakistan is still amongst the high-fertility countries with a large proportion of young adults and children. The median age of the population has increased over the years from about 18 years in 1998 to 22 years in 2008. The welfare of a nation is inherent in the size and structure of its population. With the current rate of population growth the population of Pakistan is likely to double in the next 39 years. The high growth rate, therefore, is a matter of great concern. Similarly, the predominantly young population generates pressures to create employment and provide social services. Hence, by improving the effectiveness of population welfare program, the quality of life, social up lift and economic development can be augmented.

12.1 POPULATION OVERVIEW:

Certain key population indicators provide insights into the growth and structure of the population. These are discussed below:

The Crude birth rate (CBR) measures the growth and the crude death rate (CDR) measures the decline of a population. These measures are standardized to indicate growth and decline per 1000 persons. The word "crude" shows that age and sex differences are not considered. A CBR of more than 30 is considered high and less than 18 is considered low. The CBR in Pakistan is estimated at 25 while 10 years ago it was 31.7. This shows the improving trend. Similarly the CDR is 7.7 and about a decade ago it was 9. Both of these statistics show the improving trends on the population front. The trend shows that health conditions are gradually improving. Life expectancy has also increased to 64.9 from 62.3, ten years ago. The mortality rate has declined since 1998. The decline shows that certain diseases have been controlled and there has been greater access to health care for the people. The infant mortality rate was 81.1 in 1998; it is 70.2 per thousand live births today. Although the trend is on the downside nevertheless the level of the infant mortality is a big issue and valuable lives are lost in infancy. In this area the efforts of the Government, Civil Society and the private sector to control population are becoming more successful.

Fig 12.1: Crude Birth Rate



Source: Planning Commission

12.1.i REVIEW OF DEMOGRAPHIC INDICATORS 2007-08:

Some of the selected demographic indicators for the periods 2007 and 2008 are presented in the following table:

Table 12.1: Selected Demographic Indicators

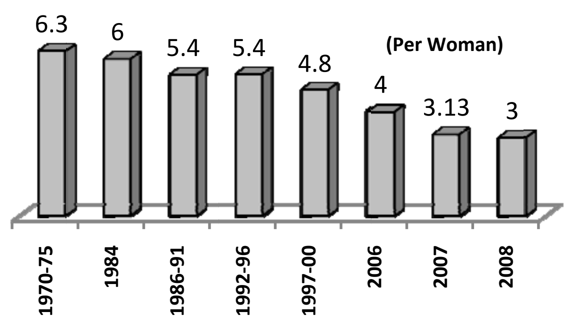
	2006 (1st July)	2007 (1st July)	2008 (1st July)
Total Population (million)	156.26	159.26	161.66
Urban Population (million)	53.85	55.48	57.14
Rural Population (million)	102.41	103.58	104.73
Total Fertility Rate (TFR)	4.1	3.13*	3*
Crude Birth Rate (Per Thousand)	26.1	25.5	25.0
Crude Death Rate (Per Thousand)	8.2	7.9	7.7
Population Growth Rate (Percent)	1.8	1.78	1.73
Life Expectancy (Years)	63.8	64.3	65.4
Male	63.9	64.3	65.2
Female	63.8	64.4	65.6

Source: National Institute of Population Studies (NIPS)
***Based on PSDF Survey 2007 these selected demographic indicators are to be reviewed.**

The projected demographic indicators reflect improvement in life-expectancy and fall in the population growth rate. However, achieving a more rapid decline in the total fertility rates will continue to be a challenge for the future.

The following chart reflects the trend of fertility rate in the country:

Fig 12.2: Trend in Total Fertility Rate Pakistan, 1970-2008



Source: National Institute of Population Studies ,NIPS

12.1.ii REPRODUCTIVE HEALTH AND REPRODUCTIVE RIGHTS:

People and communities give a wide variety of meanings to reproductive health and reproductive rights. Understanding of these concepts varies amongst individuals and communities. Cultural sensitivity is about realizing and understanding these varied meanings and being prepared for some unexpected realities. For example, one of the reasons for the high population rate is the reluctance of a large part of the population to use contraceptives; affordability is also an issue. The social mindset of having a male child also contributes to increase in population. Women usually do not have reproductive rights Cultural sensitivity helps to mitigate and overcome resistance to ensure voluntary planning of the timing, spacing and size of families.

12.1.iii CONTRACEPTIVES:

The performance in terms of Couple Years of Protection (CYP) at national level has increased by 9.5% for January, 2009 over December, 2008 for all programme and non-programme outlets. *CYP is a measure representing the total number of years of contraceptive protection provided by a method. For each method, the CYP is calculated by taking* *the number of units distributed and dividing that number by a factor representing the number of units needed to protect a couple for one year* When compared with corresponding figures of last year i.e. 2008, the (CYP) has increased by 10.1% at national level. The contraceptive performance at provincial level in term of CYP for the month of January, 2009 over January, 2008 shows an increase in provinces of Punjab, Sindh, NWFP, Balochistan and Federal District Islamabad by 12.6%, 11.5%, 26.2%, 16.9% and 32.4% respectively. The highest average reported performance for Condoms per FWC in 2009 is 1383 units sold in Sindh followed by 1166 in NWFP, 1045 in Balochistan, 979 in Punjab and 963 in Federal District of Islamabad respectively. The maximum numbers of 78 cycles of Oral Pills were dispensed by NWFP and the lowest (46) cycles were reported by FWCs of Punjab. The highest insertions of IUDs i.e. 27 have been reported by FWCs of Punjab and the lowest figure reported is 7 by FWCs of Balochistan. When we look into the figure for injectables, it is seen that the maximum number has been reported by N.W.F.P. which stands at 68 vials while the minimum number i.e. 18 has been observed in Balochistan. When these contraceptives performances are translated into CYP, it is observed that on average, the highest number of CYP has been reported (118) by NWFP while the lowest 41 were for Balochistan.

The method-wise comparison for the month of January, 2009 with January, 2008 shows a decrease for Condom by 18.6% whereas an increase is reported for Oral Pill by 3.1%,IUDs by 6.4%, Injectables by 0.6% and Contraceptive Surgery by 42.5% respectively.

The Contraceptive Surgery Directorate develops and launches media campaigns to promote a small family norm for bringing attitudinal and behavioral change in the masses. All channels of communication, including electronic and print media, out door publicity and interpersonal communication are utilized for this purpose. The major activities undertaken through different channels of communication are as under:

24-Months Basic Training Course for Family Welfare Workers (FWWs):

24-months basic training course for Family Welfare Workers (FWWs) is an ongoing activity at Regional Training Institutes (RTIs).

Updating of Advocacy Kit:

An advocacy kit which was developed in 2003-04 as one of the most important documents being presented to the policy makers is being updated and, re-designed with an improved format.

Reproductive Health Services Component:

Reproductive Health Services (RHS) Centres are one of the major clinical components of the Population Welfare Program with its hospital based service outlets (RHS A-Centres) in teaching hospitals, major hospitals of big cities, all DHQ and selected THQ hospitals. Facilities for Contraceptive Surgery (CS) along with the full range of contraceptives i.e. IUCDs, Injectables, condoms, oral pills, Norplant/Implant (in selected RHS A-Centre) etc. are available to clients.

Mobile Service Units (MSU):

Mobile Service Units is a flagship project of the Ministry of Population Welfare which provides quality package of Reproductive Health and Family Health Services to the Population of remote villages where no other health facilities are available.

Public- Private Sector Organizations (PPSOs) / Target Group Institutions (TGIs):

The major thrust of the PPSOs is to forge partnership with formal public and private corporate sector organization since priority should be to reduce population through accelerated fertility transition. The population growth rate has been brought down to about 1.8 percent per annum but the total fertility rate at 3.13 per women (2007) reported by the Ministry of Population Welfare is still above the desired level. Contraceptive Prevalence Rate (CPR) is low at 36 percent.

The MTDF (Medium term development framework) 2005-10 is designed to address all these challenges through appropriate interventions and adequate allocation.

12.1.iv URBANIZATION AND POPULATION:

It would not be possible to sustain the urban infrastructure with its growing needs if the population continues to grow at the present pace. People crowd the cities which already cannot hold more people. The urban poor suffer from a penalty for being urban as slum dwellers are as badly off if not worse off than their rural counterparts. One part of the urban population has all the benefits of urban living, while the other part, the slums and squatter settlements, are devoid of all facilities and the poor often live under worse conditions than their rural poor. Increasing population ensures that the living conditions in urban areas will get worse with no proper access to drinking water and sanitation. The following table shows the distribution of population according to urban and rural areas. Considering the vast rural area you can see that the urban population is more concentrated in terms of density. While the overall population increase is evident the contribution of the urban population to the increase is considerably greater than that of the rural population. This trend highlights the tendency towards an urban shift.

Table 12.2: Population by Urban/ Rural Areas

Mid Year	Population Estimated	Rural Areas	Urban Areas
1999	136.41	91.94	44.47
2000	139.41	93.75	45.66
2001	142.35	95.52	46.83
2002	145.28	97.27	48.02
2003	148.21	99.00	49.21
2004	151.09	100.30	50.80
2005	153.96	101.55	52.41
2006	156.77	102.75	54.02
2007	159.57	103.91	55.66
2008	162.37	105.06	57.32

Source: planning and Development Division:

12.1.v POLICY INITIATIVES:

Recognizing the importance of the Population Programme the Government has provided political commitment at the highest level. The following policy initiatives are worth mentioning:

- A “National Population Commission” headed by the Prime Minister of Pakistan and four Provincial “Population Councils” headed by the respective Chief Ministers are in place.
- Reproductive health service including clinical contraception is being extended through well equipped mobile service units (MSUs) to the underserved areas. Centres providing clinical services are being established at Tehsil Headquarter Hospitals.
- Lady Health Workers are involved for creating awareness of clinical methods of contraceptives. They have now been trained for administering injectables, thus providing in site services at the household level.
- The provincial health and population welfare departments will be linked the Lady Health Workers with the Family Welfare Centres (FWCs).
- Communication strategies at federal ad provincial levels including advocacy through interpersonal communication (IPS) are being re-enforced.
- The MTDF (2005-10) ensures government funding to the private sector for extending reproductive health including family planning services to the rural areas. Social marketing and private-public partnerships are being adopted.

12.1.vi STRATEGY:

For achieving the envisioned long-term objective of attaining replacement level of fertility by 2020 or achieving the Millennium Development Goals MDGs (target) by 2015 the Population Welfare Programme focuses on the following:

i. Population is declared as cross cutting issue for all sectors of the economy.

ii. The NATPOW (National Trust for Population Welfare) this trust builds partnerships among GoP NGOs, CBOs donors and private sector organizations for implementation of national population and development program. Overall, some 264 NGOs with 479 outlets, operating throughout the country, having been registered NATPOW. The NATPOW is being revived to strengthen the public-private partnership and the involvement of NGOs.

iii. The Departments of Health will ensure delivery of family planning services through all its service outlets as a regular activity.

iv. Lady Health Workers (LHWs) will become a strong linkage between community and service providers.

Population Welfare Programme

Pakistan recognized the consequences of high population growth rate on its economic and social development programmes in the early fifties, when family planning activities were started on limited scale through voluntary organizations. The programme has since experienced many phases with emphasis on lowering the fertility level. In 2002, the Ministry of Population Welfare derived an explicit Population Policy to attain replacement level of fertility by 2020 with an aim to achieve population stabilization expeditiously. The programme would strive to reduce the growth rate of population to 1.3 percent by 2020 by promoting the concept of small family norm, making modern methods of family planning universally accessible through public private partnership and by involving the NGO sector.

Programme Service Outlets

Family Welfare Centre (FWC) Component

Family Welfare Centre (FWC) constitutes the most extensive institutional network in the country to promote and deliver family planning services in the urban and rural areas. FWC serves as a static facility to about 7,000 people, whereas operating through its satellite clinics and outreach facilities it covers a population of around 12,000. The scope of work of the FWC includes provision of family planning, maternal and child health (MCH) services The scope of the FWC has been expanded to include elements of Reproductive Health package, like Safe Motherhood, Infant Health Care, Management of RTIs / STIs, HIV / AIDS. Currently there are 2740 FWCs functioning all over the Country

The Population Welfare Programme 2007-08 is in line with the sectoral targets and objectives set in MTDF (2005-10). An allocation of Rs 4.3 billion including a foreign loan of Rs 204.2 million has been earmarked for the population, in Public Sector 2007-08. There is an increase of Rs 1.3 billion over the actual expenditure of Rs 3.0 billion in the last financial year (2005-06).

12.1.vii FUTURE OUTLOOK OF POPULATION:

The continuing high population growth will take Pakistan’s population to 194 million by the year 2020. Pakistan still has an unacceptably high rate of growth compared to other developing countries. Pakistan is faced with a large adolescent population. The adolescent population, in the age group of 15-24 years entering into its reproductive phase, embodies high potential population growth for several decades. It constitutes a population momentum in the future that has serious implications for provision of schooling, health services and other basic amenities of life for the coming decades

12.2 LABOR FORCE AND EMPLOYMENT:

Employment is more of a social issue than an economic one as it touches the lives of every person whether young or old. Proper employment is a necessity for all. Employment has a direct impact on poverty, income distribution and economic development. The incidence of poverty, in particular, has a direct correlation with employment. It has been observed that growth in poverty occurs when there is a recession and people are unemployed. The more severe and pervasive the recession the more long lasting is the impact it has on poverty. Development is also hurt by loss of jobs since lesser jobs mean less economic activity.

Provision of mere employment is not an adequate solution. People should be decently employed. There should be no underemployment since this only leads to the workers becoming a burden on the economy. There should be conducive working conditions since the work environment is also very important for productivity. The abilities and skills of the employees should not remain static; there should be a constant increase in vocational competence and wages.

There are certain inherent problems associated with employment in Pakistan such as low literacy rate and poor level of skills. Our 46 per cent of the labor force has one year of education or less. The acceleration of economic growth, changes in work process and technology over the years requires higher skilled workers. Without a workforce that is continuously acquiring new and improved skills, it will be difficult for Pakistan to be competitive in the globalizing world. There also occurs a mismatch between demand and supply of educated and trained manpower. Women and youth are the disadvantaged segment of the society as far as employment is concerned. The problem is of opportunities; there are fewer incentives for women. Women are considered more apt in the sphere of the home. They are given the status of the home maker and thus are left out of the labor force. Female literacy rate of the population stands at 43.6 percent, which is 68.2 percent in males. Youth on the other hand find the markets saturated and opportunity is the problem again. Therefore, the educational enrollment, technical and vocational training capacity in the country and competitiveness have been the objective of Government Policies and Programs.

Competitiveness is an important attribute of the globalized world. Without due competitiveness in the labor force, the country cannot survive the onslaught of global trade. After the post quota regime, the competitiveness of the labor force is the only savior. In south Asia, in particular, competitiveness is an important factor in gaining global market share. The Competitiveness index 2007-08 for South Asia is given in table below to ascertain the improvement requirements of our labor force.

Table 12.3: Global Competitiveness Index pillars- South Asia 2007-08

Countries	Higher Education and Training	Labor Market Efficiency
Bangladesh	126	76
India	55	96
Nepal	118	122
Pakistan	116	113
Sri Lanka	77	118

Source: ***World Employment Forum Global Competitive Index 2007-2008.***

In this Global Index, which lists the profiles of South East Asian countries for the year 2007-08, it can be seen that India dominates in competitiveness. It comes 55th in terms of Higher education and training and 96th in labor market efficiency while Pakistan is 116th and 113th in both respectively. This explains why India is doing so well in Trade since it has a lot to offer in terms of efficiency and training of the labor force. Pakistan needs to step up its efforts in this regard if it wishes to compete in the global arena.

Adequate policy is needed to cure the problems prevalent in the labor and employment sector. To aid in the process, the Ministry of Labor, Manpower and Overseas Pakistanis, in collaboration with the International Labor Organization and the United Nations Development Programme initiated the development of a *Labor Market Information and Analysis system, (*LMIA) which became operational in the second half of 2006. The LMIA system aims to provide up-to-date and timely Labor Market Information and Analysis that serves as an input into the formulation and monitoring of labor and employment policies.

The LMIA system will be used to analyze labor market developments at various levels. Apart from the interplay between the labor market and the macroeconomic environment, labor market information can be used to monitor the employability of people and its relations with skills development and education. Education and skills development are crucial to improve and sustain productivity and income-earning opportunities at work. It also serves to enhance the mobility of people in the labor market and offers the potential for increased career choices.

12.2.i KEY INDICATORS:

According to the LFS 2007-08, with the population of 159.57 million, Pakistan has a labor force of 51.78 million people which is 1.45 million more than the previous year. The female labor force has increased; they are 10.96 million that is 0.1 million more female workers than the previous year. The total number of people employed was 49.09; 1.44 million more than the previous year. **(**Employment Status shows decrease in the comparative profiles of *employees 37% to 36%* and *own account workers* from 35%to 34% while *unpaid family workers* increased from 27% to 29% mainly for females)

Table 12.4: Indicators

Labor Force (In millions)		
	2006-07	**2007-08**
Total	50.33	51.78
Male	39.92	40.82
Female	10.41	10.96

Source: Labor Force Survey 2007-08

Table-12.5: Civilian Labor Force, Employed and Unemployed for Pakistan ***(in millions)***

	01-02	**03-04**	**05-06**	**06-07**	**07-08**
Labor Force	41.83	45.50	50.05	50.33	51.78
Employed	38.37	42.00	46.95	47.65	49.09
Unemployed	3.46	3.50	3.10	2.68	2.69

Source: Labor Force Surveys 2001-02, 2003-04, 2005-06 & 2006-07, Federal Bureau of Statistics

Overall unemployment increased negligibly by 0.01 million with male unemployment decreasing while female unemployment increased. The overall Unemployment Rate (5%) remained unchanged. A similar trend has been noticed for both genders and in rural areas. Nevertheless, the trend in some segments of the male origin seem to be off from urban unemployment rate. The formal Sector, as a whole, recedes in relative importance (28%, 27%) during the comparative periods due to decline in the rural areas (27%, 25%) while the urban areas remains at the same level. The opposite pattern holds for the informal sector. The informal Sector accounts for more than seven-tenth (73%) of the employment in the main jobs outside agriculture, more in rural (75%) than in urban areas (71%). On the contrary, formal sector activities are more concentrated in urban areas (30%) as compared to rural areas (25%). Informal employment shows an increase (72%,73%) in the comparative periods, more for females than males and in rural than urban areas. Nearly 44.6 percent of the labor force is employed in Agriculture which has increased from the previous year. However manufacturing, community, social and personal services indicate fall in activity level. The labor force participation rate is 32.17%. The literacy rate is 56.2% and is 1.2 percentage point higher than the last year. The Rural literacy rate has increased by 1.3 percentage point and, is presently 47.5%. The urban literacy rate has increased by 1.2 percentage points and currently stands at 72.3%.

12.2.ii LABOR FORCE PARTICIPATION RATES:

The supply of labor force in the economy and the composition of the country's human resource determines the labor force participation rate (LFPR). The crude activity rate is the currently active population expressed as a percentage of the total population in Pakistan. Crude activity has increased negligibly in 2007-08; it stands at 32.2%. The female participation rate has increased more than male participation rate. However, it should be noted that the female participation rate is lower than that of males. The augmented activity rate is based on a definition that included non-conventional marginal economic activities such as subsistence agriculture, own construction of one's dwelling etc.

The crude augmented activity rate declined by 1 percentage point and is now 38.2%. The crude activity rate in urban areas has decreased in both males and females while it has increased in rural areas. *The Refined activity rate is defined as the* *currently active population expressed as a percentage of the population aged 10 years and above.* This rate enables international comparison by factoring in the effect of the age composition. Refined Activity rate is exactly the same as it was in 2006-07. It is stagnant at 45.2%. However, this rate in males has decreased while it has increased in case females. The total augmented refined activity rate has decreased by 2.1 percentage point and stands at 53.6%. The refined activity rate in rural areas has increased negligibly. However, rural males are participating less than in the previous year. The urban total refined activity rate has declined by 1.2% and stands at 38.6%.

Table- 12.6

Indicators	2006-07	2007-08	Indicators	2006-07	2007-08
Crude Activity (Participation) Rates (%)			**Refined Activity (Participation) Rates (%)**		
Pakistan			**Pakistan**		
Total	31.8	32.2	Total	45.2	45.2
Male	49.1	49.3	Male	70.1	69.5
Female	13.5	14.0	Female	19.1	19.6
Augmented			**Augmented**		
Total	39.2	38.2	Total	55.7	53.6
Female	28.5	26.3	Female	40.2	36.7
Rural			**Rural**		
Total	32.9	33.8	Total	48.1	48.8
Male	48.3	49.1	Male	71.5	71.2
Female	16.7	17.9	Female	24.1	25.6
Augmented			**Augmented**		
Total	43.2	42.3	Total	63.2	61.0
Female	37.5	35.1	Female	54.2	50.2
Urban			**Urban**		
Total	29.7	28.9	Total	39.8	38.6
Male	50.8	49.9	Male	67.7	66.6
Female	7.1	6.2	Female	9.6	8.4
Augmented			**Augmented**		
Total	31.2	30.0	Total	41.8	40.1
Female	10.2	8.6	Female	13.7	11.5

Source: Labor Force Surveys 2007-08

Another view of the labor force participation rate can be seen from table 12.7 which shows that there has been an increase in the total labor force . The increase is greater than the previous year where it was a mere 0.28 million of work force. In 2007-08 there is an increase of 1.45 million.

Table- 12.7: Population, Labor Force and Labor Force Participation (LFP) Rates

Year	Population (million)		Labor Force (million)		LFP Rate (percent)	
	Total	Working age *	Total	Increase	Crude	Refined
1996-97	126.90	84.65	36.30	--	28.6	43.0
1997-98	130.58	88.52	38.20	1.90	29.3	43.3
1999-00	136.01	92.05	39.40	1.20	29.4	42.8
2001-02	145.80	99.60	42.39	2.99	29.6	43.3
2003-04	148.72	103.40	45.23	2.84	30.4	43.7
2005-06	155.37	108.79	50.05	4.82	32.2	46.0
2006-07	158.17	111.39	50.33	0.28	31.8	45.2
2007-08	160.97	114.64	51.78	1.45	32.2	45.2

Source: Labor Force Surveys 2001-02, 2003-04, 2005-06 & 2006-07 , Federal Bureau of Statistics

**** Population 10 years and above is considered as working age population***

In two out of the four provinces, the provincial labor force participation rate has increased. Sind and NWFP have both shown an increase of 2.8 percentage points and 3.5 percentage points respectively.

12.2.iii AGE SPECIFIC LABOR FORCE PARTICIPATION RATES:

The age intervals between 20 to 50 years rank as the most productive period of life. However, the size of gender disparity is considerable at all these age intervals. The ratio indicates that female participation is very low as compared to male participation in these agre cohorts. At younger ages this trend is more pronounced.

Table-12.8: Provincial Labor Force Participation Rates (%)

	2006-07	2007-08
Punjab	48.5	46.6
Sindh	42.7	45.5
NWFP	36.3	39.8
Balochistan	43.6	41.8

Source: Labor Force Survey 2006-07 & Federal Bureau of Statistics

TABLE 12.9: AGE SPECIFIC LABOUR FORCE PARTICIPATION RATE (%)

Age Group	1999-00	2000-01	2001-02	2003-04	2004-05	2005-06	2006-07	2007-08
10 years & over								
Both Sexes	42.80	43.34	43.34	43.74	43.74	46.01	45.18	45.17
Male	70.39	70.32	70.32	70.61	70.61	71.97	70.14	69.54
Female	13.72	14.44	14.44	15.93	15.93	18.93	19.10	19.59
10-14								
Male	18.32	17.18	17.18	18.45	18.45	20.68	16.92	17.09
Female	2.79	6.28	6.28	6.69	6.69	9.21	9.18	9.69
15-19								
Male	58.26	57.56	57.56	59.00	59.00	60.87	56.29	53.94
Female	7.19	13.78	13.78	14.51	14.51	16.91	16.60	17.61
20-24								
Male	85.24	87.03	87.03	85.70	85.70	87.63	86.76	85.12
Female	14.14	15.94	15.94	18.03	18.03	20.67	20.66	20.98
25-34								
Male	96.41	96.57	96.57	96.27	96.27	97.03	97.16	96.90
Female	18.80	16.07	16.07	18.31	18.31	21.62	21.66	21.87
35-44								
Male	97.51	97.49	97.49	97.36	97.36	97.57	98.01	97.87
Female	21.70	19.90	19.90	21.64	21.64	25.07	25.93	26.75
45-54								
Male	95.90	95.55	95.55	95.63	95.63	96.37	96.62	96.65
Female	21.27	19.39	19.39	20.95	20.95	24.78	25.01	24.42
55-59								
Male	90.61	88.19	88.19	89.68	89.68	90.62	92.20	92.54
Female	17.76	14.50	14.50	18.57	18.57	22.84	22.45	25.53
60+								
Male	60.68	56.63	56.63	58.37	58.37	59.38	58.52	59.46
Female	13.04	11.36	11.36	12.90	12.90	14.69	15.70	15.50

Source: Labour Force Survey 2006-07, Federal Bureau of Statistics.
**For the Years 2002-03 and 2004-05 Labour Force Survey was not conducted*
•data for the years 2004-05 and 2007-08 estimated by Federal Bureau of Statistics

It is interesting to note that age group of 10 years and above, the total labor force participation rate in 2007-08 remained at the same level i.e 45% but the overall labor force participation rate has increased to 32.17%. Males' participation rate has declined while females' participation rate has increased negligibly. In 10-14 age group, participation has increased in both the males and the females. The trend for 15-19 age group has decreased for males (2.35 percentage points) and increased for females (1.01 percentage points). In the case of 20-24, 25-34 and 35-44 age groups male participation has decreased while female participation has increased. In the 45-54 age groups female participation rate has decreased. In 55-59 female participation rate has increased when compared with the previous year. In the 60+ category the male participation rate has increased.

12.2.iv EMPLOYMENT BY SECTORS:

It is a known fact that agriculture dominates the distribution of employed persons leading at (44.65%) during 2008, while manufacturing (12.99%). The "Others" category which is a combination of employed persons in several industries makes up the rest (0.1%). The employed labor force in Agriculture has increased by 1.04 percentage points in 2008 as compared to last year. Manufacturing showed a decline in employed labor force. The decrease in the labor force is indicative of lower activity in the industrial sector resulting in the worker lay off. Nearly in all the sectors, urban employment is higher than rural employment.

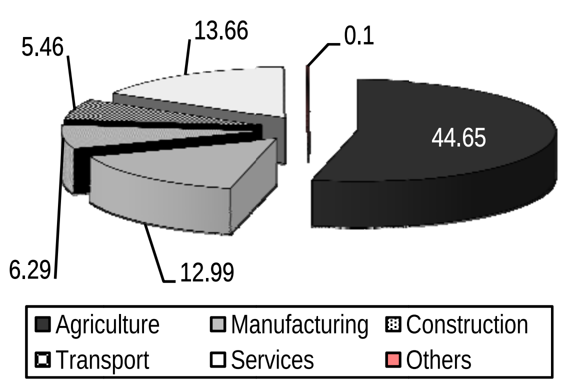
Although most of the labor force works in Agriculture in the rural areas; it is surprising to note that in construction an almost equal number of persons is employed in both the rural and urban areas. This shows lack of disparity in the rural and urban distribution as far as the sector of construction is concerned. In this sector the rural areas have 64.46% while urban areas have 36.14% of employed labor force.

Table-12.10: Employed Labor Force by Sectors (%)

Sector	2006-07			2007-08		
	Total	Urban	Urban	Total	Rural	Urban
Agriculture	43.61	59.90	6.52	44.65	60.94	6.21
Manufacturing	13.54	9.22	23.38	12.99	8.37	23.89
Construction	6.56	6.54	6.61	6.29	6.09	6.75
Transport	5.39	4.25	7.99	5.46	4.42	7.92
Services	14.41	10.16	24.10	13.66	9.96	22.39
Others	2.06	1.10	4.24	0.10	0.03	0.26
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Labor Force Survey 2006-07, Federal Bureau of Statistics

Fig 12.3: Employed Labor Force by Sectors (%)



12.2.v EMPLOYMENT BY STATUS:

In countries with a large informal sector the changes in employment status are less evident. In the informal sector currently, the employees category constitutes 17.66 million persons followed by self employed which constitute 16.77 million. (Table 12.11) The unpaid family helpers form quite a significant portion i.e. 14.20 million persons in 2007-08. However, the largest increase in employment status has taken place for unpaid family workers (14.2 million vs 12.98 million). This shift also shows that rural population has more unpaid workers. This is indicative of the change towards household level economic activities such as dairy and livestock.

Table-12.11: Employment Status by Region (Millions)

	2006-07			2007-08		
	Total	**Urban**	**Rural**	**Total**	**Urban**	**Rural**
Employers	0.39	0.27	0.12	0.46	0.34	0.12
Self employed	16.45	4.59	11.86	16.77	4.51	12.26
Unpaid family Helpers	12.98	1.62	11.37	14.20	1.72	12.48
Employees	17.83	8.06	9.77	17.66	8.04	9.62
Total	47.65	14.54	33.11	49.09	14.61	34.48

Source: Labor Force Survey, 1999-00 &2007-08

Table-12.12: Employment Shifts by Sector and Area (%)

	1999-00	2007-08	Change from 1999-00 to 2007-08
Agriculture	**48.4**	**44.6**	***-3.8***
Urban	5.68	6.21	0.53
Rural	65.85	59.90	-4.91
Mining	**0.1**	**0.1**	**0.0**
Urban	0.07	0.07	0.0
Rural	0.07	0.14	-0.07
Manufacturing	**11.5**	**13.0**	1.5
Urban	23.78	23.89	**1.11**
Rural	6.46	8.37	1.91
Electricity	**0.7**	**0.7**	0.0
Urban	1.32	1.36	**0.04**
Rural	0.45	0.42	-0.03
Construction	**5.8**	**6.3**	0.5
Urban	6.31	6.75	**0.44**
Rural	5.57	6.09	0.52
Trade	**13.5**	**14.6**	1.1
Urban	27.04	27.45	**0.41**
Rural	7.98	9.19	1.21
Transport	**5.0**	**5.5**	***0.5***
Urban	7.92	7.92	**0.0**
Rural	3.85	4.42	0.57
Finance	**0.8**	**1.4**	0.6
Urban	2.34	3.7	**1.36**
Rural	0.19	0.44	0.25
Services	**14.2**	**13.7**	-0.5
Urban	25.53	22.39	**-3.14**
Rural	9.57	9.96	0.39
Others	**0.0**	**0.1**	0.1
Urban	0.01	0.26	**0.25**
Rural	0.00	0.03	0.03
Total	**100.00**	**100.00**	
Urban	100.00	100.00	
Rural	100.00	100.00	

Source: Labor force Survey, 1999-00 &2007-08

12.2.vi EMPLOYED LABOR FORCE ACCORDING TO URBAN RURAL DISTRIBUTION:

Employment comprises of all the persons of ten years of age and above who work at least one hour during the reference period and were either “paid employed” or “self employed”. Persons employed on permanent/regular basis who have not worked for any reason during the reference period are also treated as employed, regardless of the duration of the absence or salary received during the absence. During the period 1999-2000 to 2005-06, 11.33 million work opportunities were created, due mainly to the strong economic growth. In the subsequent year i.e. 2007-08, an increase of 1.44 million employed was observed, bulk of the opportunities were created in the rural areas (1.37 million) compared to only 0.07 million in the urban areas (see Table 12.13). Thus is indicative of a weaker labor market situation, especially in the urban areas of Pakistan. Nevertheless, the employment opportunities greatly increased from the previous year.

12.2.vii UNEMPLOYMENT:

Unemployment in Pakistan comprises of all persons ten years of age and above who during the reference period were: without work that is, were not in paid-employment or self-employment; and currently available for both and those not currently available for some reasons.

Table-12.13: Employment Trend and Changes from 1996-97 and 2007-08 *(million)*

Year	Pakistan		Rural		Urban	
	Employed	Change	Employed	Change	Employed	Change
1996-97	34.13	-	23.87	-	10.78	-
1999-00	36.32	2.19	25.55	1.68	10.77	-0.01
2001-02	38.88	2.56	26.66	1.11	12.22	1.45
2003-04	42.00	3.12	28.81	2.15	13.19	0.97
2005-06	46.95	4.95	32.49	3.68	14.46	1.27
2006-07	47.65	0.70	33.11	0.62	14.54	0.08
2007-08	49.09	1.44	34.48	1.37	14.61	0.07

Source: Labor Force Surveys 2001-02, 2003-04, 2005-06 & 2006-07, Federal Bureau of Statistics

Unemployed Labor Force during 2007-08 is estimated at 2.69 million. The unemployment rate is the unemployed population expressed as a percentage of the currently active population. The population currently active comprises all the persons of ten years of age and above who fulfill the requirements of being included among employed or unemployed during the reference period. The male unemployment rate has decreased while that of females has increased. The rural unemployment rate is stagnant.

Table-12.14: Unemployed Labor Force by Areas

Years	Unemployed Labor Force (In millions)			Unemployment Rate (%)		
	Total	Rural	Urban	Total	Rural	Urban
1996-97	2.26	1.33	0.94	5.93	5.02	7.98
1999-00	3.08	1.92	1.15	7.82	6.94	9.92
2001-02	3.46	2.15	1.31	8.27	7.55	9.80
2003-04	3.50	2.08	1.41	7.69	6.74	9.70
2005-06	3.10	1.84	1.26	6.20	5.35	8.04
2006-07	2.68	1.64	1.04	5.32	4.72	6.66
2007-08	2.69	1.70	0.99	5.20	4.31	8.52

Source: Labour Force Surveys 2001-02, 2003-04, 2005-06 & 2006-07, Federal Bureau of Statistics

Fig 12.4: Unemployment Rate by Urban Rural Distribution (%)

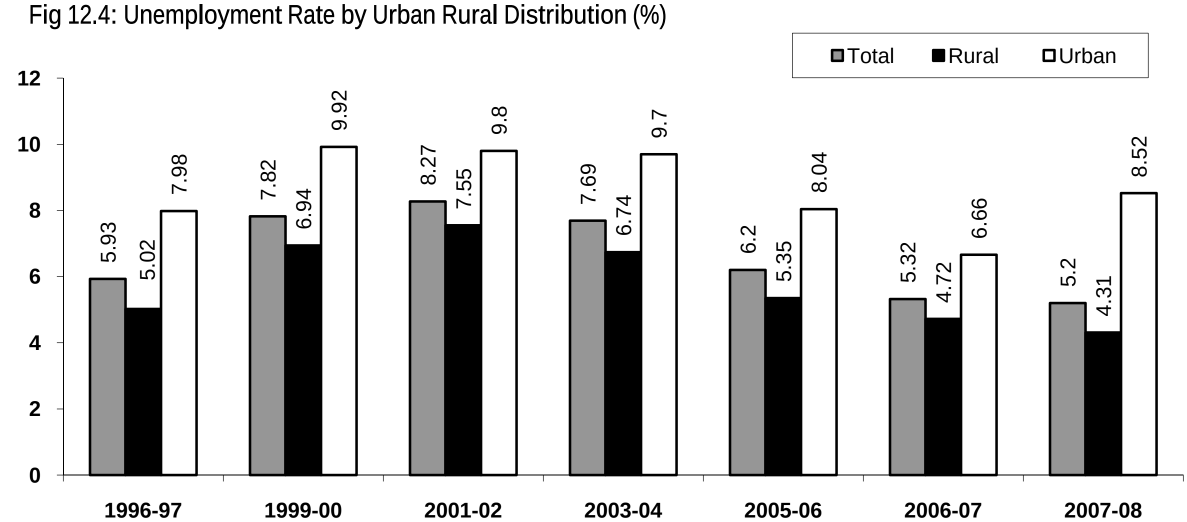


Table-12.15: Age-Specific Unemployment Rates (%)

Age Group	Total	
	2006-07	2007-08
Ten Years & Above	5.32	5.20
10-14	9.10	8.95
15-19	8.38	8.72
20-24	6.67	6.84
25-29	4.07	4.08
30-34	1.97	2.27
35-39	1.50	1.51
40-44	1.76	1.61
45-49	2.60	2.49
50-54	4.78	3.68
55-59	7.39	6.59
60 yrs & above	13.71	12.52

Source: Labor Force Survey, 2005-06 and 200607, Federal Bureau of Statistics

12.2.viii YOUTH LABOR FORCE:

From an economic point of view, the youth represent that part of the labor force which can be expected to remain economically active over a long period of time. Their returns on investment in education and training are therefore, relatively high. The International Labor Conference (ILC) held in 2005 while discussing youth employment, concluded that 'there are too many young workers who do not have access to decent work'. A significant number of youth are underemployed, unemployed, seeking employment or between jobs, or working for unacceptably long hours under informal, intermittent and insecure work arrangements without the possibility of personal and professional development. There are working below their potential i.e. under-paid and low-skilled jobs without prospects for career advancement; trapped in involuntary part-time, temporary, casual or seasonal employment. Youth unemployment has also been adopted as one of the indicators to monitor the attainment of the Millennium Development Goals.

Table-12.16: Youth Labor Force Participation Rate* (%)

Pakistan	2001-2002	2003-2004	2005-2006	2006-2007	2007-2008	Change 2001-2002 to 2007-2008 (%)
National						
Both sexes	43.4	43.6	45.9	44.2	43.7	3.2
Male	70.2	70.5	72.2	69.2	67.0	-2.3
Female	14.8	16.1	18.6	18.4	19.2	9.0
Urban						
Both sexes	39.2	37.6	39.2	37.6	35.3	-1.3
Male	63.3	62.5	64.3	62.8	59.0	-1.3
Female	11.1	10.3	11.8	10.0	9.8	-0.2
Rural						
Both sexes	45.9	47.3	49.9	48.2	48.7	5.9
Male	74.5	75.6	77.1	73.2	71.7	-3.0
Female	16.8	19.4	22.6	23.3	24.6	14.3
Provincial						
Punjab	47.0	47.1	49.1	47.4	45.2	1.3
Male	73.0	72.8	73.1	70.2	68.0	-6.4
Female	20.1	21.6	25.0	25.0	22.6	11.2
Sindh	39.0	39.7	42.8	42.3	43.9	10.1
Male	66.6	68.1	72.0	71.0	67.9	9.7
Female	6.5	7.8	8.1	8.5	13.8	7.0
NWFP	36.1	37.3	38.6	34.6	37.6	1.6
Male	64.4	66.6	67.9	61.8	61.9	-1.6
Female	7.0	9.2	12.1	8.9	14.6	4.1
Balochistan	41.7	39.6	47.6	44.9	42.3	5.3
Male	70.3	65.9	74.3	68.0	63.4	-2.7
Female	7.3	9.6	11.1	13.9	10.5	3.3

***Refined** *Source: Employment Trend Report, 2007, Federal Bureau of Statistics*

The term youth is used for persons aged between 15 to 24, and adult refers to persons aged 25 years and above. Male youth labor force participation rate has increased in the 15-19 age group but it has decreased in the 20-24 age group while the female youth participation rate has increased in both age groups.

The population aged between 10 and 15 represents a special case since in many countries, this age group is excluded from the labor force (the ILO standard for the lower age limit of the working-age population is also fifteen years) but in developing countries, a considerable proportion of persons aged between 10 and 15 participate in the labor market. Even if only economic arguments are invoked, labor market participation of this age group is problematic. Increasingly, the education standard for labor market entry is a completed secondary education, which cannot be achieved if employment consists of more than occasional or temporary activities.

12.2.ix EMPLOYMENT IN FORMAL AND INFORMAL SECTORS:

Employment in the formal Sector**,** as a whole, declined from 28% to 27% during the comparative period of 2006-07 due to the decline in the rural areas from 27% to 25%; however the urban areas remained at the same level.

Employment in the informal sector accounts for more than seven-tenth, i.e 73% of the employment in main jobs outside agriculture; more in rural i.e 75% than in urban areas which comprise 71% of the total area. On the contrary, formal sector activities are more concentrated in urban areas as compared to rural areas. Informal employment is more for females than males and in rural than in urban areas.

Table-12.17: Employment by Formal and Informal Sector (%)

Sectors	2006-07			2007-08		
	Total	Urban	Rural	Total	Urban	Rural
Agriculture	43.6	6.5	59.9	44.7	6.2	60.9
Non-Agriculture	56.4	93.5	40.1	55.3	93.8	39.1
Formal	15.8	27.4	10.8	15.0	27.6	9.7
Informal	40.5	66.1	29.3	40.3	66.2	29.4
	100	100	100	100	100	100

Source: Labour Force Survey, 1999-00& 2006-07, Federal Bureau of Statistics

12.2.x RECENT POLICY DEVELOPMENTS:

The challenges in the field of data on the labor market in Pakistan have recently been reinforced by the far stronger emphasis that has been placed on the formulation, coordination and monitoring of pro-poor employment policies, as well as on the role of human resource development in economic and social policies. These are reflected in the government's Vision 2030, the Medium Term Development Framework 2005-10, the Poverty Reduction Strategy Paper II (2007-09), the 2002 Labor Policy and other policy documents. LMIA is a necessary input for monitoring of these policies, as well as for the envisaged reforms of the technical and vocational education and training (TVET) system. Partly with a view to the demographic transition that is unfolding and partly with a view to the still abysmally low education and skill levels of the workforce, TVET has been made a central pillar of human resource development policies in Pakistan. Since the publication of the first issue of *Pakistan Employment Trends* in June 2007, there have been several key policy developments in the areas of employment and skills.

Emphasis on technical and vocational education and flexible training is important for enhancing the skills of the labor force. Accordingly, the Prime Ministers' office established the National Vocational and Technical Education commission (NAVTEC) in 2006 with a view to strengthen, standardize and streamline vocational and technical education. NAVTEC is primarily a regulatory and coordinating body for skills development and establishment of national skill standards, certification and accreditation procedures. NAVTEC has recently released a draft Vision on skills called: *Skilling Pakistan: A Vision for the National Skills Strategy, 2008 – 2012*. This consultation document highlights approaches to address the skills shortages in Pakistan and also points out the need for research. NAVTEC acknowledges that there is little systematic research conducted on skills development. The vision calls for the production of "more in-depth, systematic, multi-dimensional research". This would not only inform policy related to skills development, but also work towards designing policies and programmes that "are more holistic in understanding and effective in implementation". In addition, the strategy specifically notes the need for disaggregated information on gender.

In August 2007, the Government released *Vision 2030*, a comprehensive strategy designed to create "a developed, industrialized, just and prosperous Pakistan through rapid and sustainable development in a resource constrained economy by developing knowledge inputs". Amongst other salient featured, major challenges identified were to improve the quality and expand the delivery of education, and to place employment and employability at the centre of all economic and social policies. The *Vision 2030* document recognizes the need to invest in education and training as these are the foundations for a skilled and productive labor force. Furthermore, the *Vision* points out that labor reform policies should address productivity and industrial relations issues.

The policy focus of the government of Pakistan is on creation of decent employment, poverty reduction and human resource development. The importance of this fact can be gauged from the initiatives taken by the present democratic government in this direction. The Government has taken the following steps to create jobs in the country.

i. People's Works Programme

ii. National Internship Programme

iii. People's Rozgar Programme, National Bank of Pakistan (NBP) will provide credit for self-employment

iv. Ten percent quota for women across the board in all government jobs has been earmarked.

v. Minimum wages has been increased from Rs. 4600 to Rs. 6000 per month.

vi. 100,000 new Lady Health workers will be recruited during the current financial year.

vii. National Employment Scheme would be launched in the country under which employment will be provided to one person of each poor family in 50 percent districts of the country.

viii. Construction of one million housing units

ix. Distribution of agricultural land among landless haris

x. Benazir income support programme

xi. Pakistan Skilling programme

The Government has also undertaken several programs to enhance employment generation. These are discussed below:

i. ACCELERATING ECONOMIC GROWTH

A Medium Term Development Framework (MTDF) for the period 2005-10 has been approved by the government. Accelerating GDP growth and reducing unemployment are among its major goals. The MTDF envisages investing Rs. 7, 951, 9 billion and creating about 7 million new jobs during the period 2005-10 and bringing down the rate of unemployment to 4% by 2009-10. In view of employment absorption capacity, four sectors have been identified in the MTDF, where employment opportunities would be created namely Agriculture, housing and Construction, Small and Medium Enterprises (SMEs) and information Technology & Telecom Sector.

ii. INVESTING IN INCREASING WATER RESOURCES

Agriculture is the largest sector of Pakistan's economy employing nearly 43 percent of the country's work force, more than two-third of the country's population lives in rural areas and depends directly or indirectly on agriculture for their livelihood. The major constraint in Pakistan' agriculture has been the lack of availability of sufficient irrigation water.

A number of projects have been initiated to develop water resources, such as raising the crest of Mangla Dam and construction of Gomal Zam Dam, Mirani Dam, Subak Zai Dam, Basha Dam and Sat Para Dam. Similarly, Thal, Rainee and Kachi canals are being constructed to take water to the areas where huge quantities of land remained un-cultivated. These programs would go a long way in reducing poverty and providing more jobs to rural workforce.

iii. SKILL DEVELOPMENT & TECHNICAL EDUCATION

National Vocational and Technical Education Commission (NAVTEC) has been established at the Federal level with a view to overcoming the problems of lack of standardization, skill gaps, non-availability of proper curricula, poor quality of instructional staff, inadequate accreditation / certification and poor infrastructure. The Commission will encourage private sector to enhance technical education and vocational training capacity in order to bring harmony and develop linkage between technical education and vocational training. Being a regulatory body, the Commission will be responsible for long term planning in this particular field. It will also be responsible of setting standards for formulating the syllabus, accreditation, certification and trade testing, etc. under the Pakistan Skilling Programme NAVTEC is giving Rs. 2000 per month to each trainee during the training period.

iv. SETTING UP SME BANK

The SME Bank was established to provide financial assistance and business support to small and medium enterprises. Up to 28th February, 2009, SME Bank has financed 7,814 SMEs, disbursed loans amounting to Rs. 7,936 million to 54,698 beneficiaries in the country.

v. MICRO CREDIT FACILITIES THROUGH KHUHHALI BANK

The Khushhali Bank was established to provide loans up to Rs. 30,000/- each to unemployed people to set up their own business. Up to 28th February, 2009, the Khushhali Bank (KBL) disbursed loans amounting to Rs. 18,204 million to 1,691,609 beneficiaries while the KBL loans recovery is around 97%.

vi. PRESIDENT'S ROZGAR SCHEME BY NATIONAL BANK OF PAKISTAN (NBP)

The solution of Pakistan's major socio-economic problems primarily lies in the development and growth of small and micro business. These will not only provide employment opportunities to ever-growing population demand but will also become the catalyst for breaking the vicious circle of poverty. In this regard, NBP has developed a full range of Products under the President's Rozgar Scheme with a brand name of "NBP KAROBAR". Under this scheme, as average loan size of Rs. 100,000/- will be given for a maximum period of five years with a grace period of three months.

vii. SKILL DEVELOPMENT COUNCILS (SDC)

In order to develop skilled labor force on modern lines, Labor and Manpower Division has established five Skill Development Councils (SDCs) one each at Islamabad, Karachi, Lahore, Peshawar and Quetta. The SDCs assess the training needs of their geographical areas, prioritize them on the basis of market demand and facilitate training of workers through training providers in the public and private sectors. These Councils have met the diversified training needs of the industrial and commercial sectors and have so far trained 46,674 workers.

viii. INFORMATION TECHNOLOGY

Information Technology has enormous potential to create jobs for the educated unemployed in the country. The development of IT and Telecom sector has created enormous employment opportunities, directly or indirectly, for educated unemployed in a wide range of areas like call centers, telecom engineering, telecom sales, customer services, fiancée and accounting etc. this is one of the fastest growing sectors of the economy. This would further accelerate the activities in the next couple of years, creating more business and employment opportunities in the country.

The policy measures speak volumes about the steps taken by the government and the long term emphasis shows that the results would be long-lasting.

FUTURE OUTLOOK OF EMPLOYMENT:

The International labor organization (ILO) in its "Global Employment Trends" says that if the global poverty trends of the 1990s persist the share of the working poor in the South East Asian workforce would be over a third in 2010. In order to absorb all the new entrants into the labor market growth rates should at a minimum be 6.3% annually for the 10 year period. While Pakistan pursues its high growth strategy it is also mindful of increasing employment and the skill content of its labor force so that effective poverty reduction can be achieved. The employment strategy is to reorient policy emphasis to enhance the share of employment in the formal sector by releasing pressure from informal sector.

Box-Item:

RESULTS OF TIME USE SURVEY

Time use survey (TUS) was first of its kind activity undertaken by the finance Division in collaboration with the FBS, Pakistan in the Year 2007 and the analysis and report part of the same survey was completed in March, 2009. It analyzes and documents how people in Pakistan spend their time on socioeconomic and other activities. The Time use survey, in contrast to a labor force survey, collects information on all activities performed by respondents, including all forms of work as well as non-work activities.

In the survey "mean time" spent on housekeeping activities was estimated. The study showed that on the average, male's time fares at one third of the female's both in rural and urban areas. This uniformity across the area is indicative of the female dominance of the housekeeping activities. It is noticed that most of the female's productive life time is spent in housekeeping activities which bear minimal relevance for galvanizing the innate faculties of mind and body. The conclusion suggests that policies need to take into account the time that women spend in unpaid care work and how this might constrain their ability to engage in other activities, including learning and income-earning; and the need to acknowledge the contribution that this unpaid care work makes to the well-being of the nation and the productivity of the country's people.

Source: MoF & FBS

TABLE 12.1

POPULATION**

Mid Year		Popu-lation (mln)	Labour Force Participation Rate(%)	Civilian Labour Force (mln)	Employed Total (mln)	Crude Birth Rate	Crude Death Rate	Infant Mortality Rate
						(...per 1000 persons)		
1981	*	85.09	30.30	25.78	24.70	..	..	..
1991		112.61	27.97	31.50	29.52	39.50	9.80	102.40
1992		115.54	28.11	32.48	30.58	39.30	10.10	100.90
1993		118.50	27.86	33.01	31.45	38.90	10.10	101.80
1994		121.48	27.88	33.87	32.23	37.60	9.90	100.40
1995		124.49	27.46	34.18	32.35	36.60	9.20	94.60
1996		127.51	28.69	35.01	33.13	35.20	8.80	85.50
1997		130.56	29.38	37.45	35.16	33.80	8.90	84.40
1998	*	133.32	29.38	39.17	36.86	..	..	..
1999		136.41	28.97	40.08	37.70	30.50	8.60	82.90
2000		139.41	28.97	40.38	37.22	..	..	..
2001		142.35	28.48	41.23	38.00	..	..	..
2002		145.28	29.61	43.01	39.45	27.30	8.20	85.00
2003		148.21	29.61	43.88	40.25	27.30	8.00	83.00
2004		151.09	30.41	45.95	42.42	27.80	8.70	79.90
2005		153.96	30.41	46.82	43.22	..	..	..
2006		156.77	32.22	50.50	47.37	26.10	7.10	76.70
2007		159.06	31.82	50.78	48.07	25.50	7.90	72.40
2008		162.37	32.17	52.23	49.52	25.00	7.70	70.20

.. : not available

P : Provisional

* : Census Years.

** : Population figures in different tables may not tally due to different sources of data / agencies. However, population and growth rates in this table has been estimated on the basis of average annual growth rate during 1981-98

Sources : (1) Population : Population Census Organisation, Planning Commission and Demographic Survey 1991 and 1996-97.

(2) Labour Force Participation Rate : Labour Force Surveys, Population Census of Pakistan 1998.

(3) Infant Mortality Rate / Life expectancy at birth : Pakistan Demographic Surveys, Federal Bureau of Statistics and Planning Commission

(4) Crude BirthRate/Crude DeathRate: (i) Population Census of Pakistan 1981 and 1998* (ii) Pakistan Demographic Survey 1996-97.

TABLE 12.2

POPULATION BY SEX AND RURAL / URBAN AREAS

(Population 000)

Mid Year	All Areas	Rural areas	Urban areas	Male	Female
1981 *	85.09	61.01	24.08	44.67	40.42
1991	112.61	77.95	34.66	58.82	53.79
1992	115.54	79.60	35.79	60.31	55.23
1993	118.50	81.45	37.05	61.83	56.67
1994	121.48	93.19	28.29	63.35	58.13
1995	124.49	94.95	29.54	64.88	59.61
1996	127.51	86.69	40.82	66.42	61.09
1997	130.56	88.44	42.12	67.98	62.58
1998	133.48	89.98	43.52	69.45	64.03
1999	136.69	91.91	44.78	71.09	65.60
2000	139.96	93.63	46.13	72.65	67.11
2001	142.86	95.36	47.50	74.23	68.63
2002	146.75	97.06	48.89	75.79	70.17
2003	149.65	99.12	49.91	77.38	71.65
2004	152.53	101.05	50.00	77.62	73.45
2005	153.96	101.55	52.41	77.59	76.36
2006	156.77	..	..	..	..
2007	159.06	103.91	55.66	82.81	76.76
2008	162.37	105.06	57.32	84.27	78.11

Sources: 1. Population Census Organization
2. Planning Commission, Islamabad

* : Census Year

Note: Population Censuses were conducted in February 1951, January 1961, September 1972, and March 1981 and 1998.

TABLE 12.3

POPULATION BY SEX, URBAN/RURAL AREAS, 1972,1981 AND 1998 CENSUS

(In thousands)

Region/ Province	Population* Total Both Sexes	Total Male	Total Female	Urban Both Sexes	Urban Male	Urban Female	Rural Both Sexes	Rural Male	Rural Female	Density (Per sq. km)
				1972 CENSUS						
PAKISTAN	65,309	34,833	30,476	16,594	9,027	7,567	48,716	25,806	22,909	82
Islamabad**	238	131	106	77	46	31	161	86	75	259
Punjab**	37,607	20,209	17,398	9,183	4,977	4,206	28,428	15,232	13,192	183
Sind	14,156	7,574	6,582	5,726	3,131	2,595	8,430	4,443	3,987	100
NWFP	8,388	4,363	4,026	1,196	647	549	7,193	3,716	3,477	113
Baluchistan	2,429	1,290	1,139	399	218	181	2,029	1,071	958	7
FATA	2,491	1,266	1,225	13	8	5	2,478	1,258	1,220	92
				1981 CENSUS						
PAKISTAN	84,253	44,232	40,021	23,841	12,767	11,074	60,412	31,465	28,947	106
Islamabad	340	185	155	204	113	91	136	72	64	376
Punjab	47,292	24,860	22,432	13,052	6,952	6,100	34,241	17,909	16,332	230
Sind	19,029	9,999	9,030	8,243	4,433	3,810	10,786	5,566	5,220	135
NWFP	11,061	5,761	5,300	1,665	898	767	9,396	4,863	4,533	148
Baluchistan	4,332	2,284	2,048	677	371	306	3,655	1,913	1,742	13
FATA	2,199	1,143	1,056	..	..	..	2,199	1,143	1,056	81
				1998 CENSUS						
PAKISTAN	132,352	68,874	63,478	43,036	22,752	20,284	89,316	46,122	43,194	166
Islamabad	805	434	371	529	291	238	276	143	133	889
Punjab	73,621	38,094	35,527	23,019	12,071	10,948	50,602	26,023	24,579	359
Sind	30,440	16,098	14,342	14,840	7,904	6,935	15,600	8,193	7,407	216
NWFP	17,744	9,089	8,655	2,994	1,589	1,405	14,750	7,500	7,250	238
Baluchistan	6,566	3,507	3,059	1,569	849	719	4,997	2,657	2,340	19
FATA	3,176	1,652	1,524	85	46	39	3,091	1,606	1,485	117

* This population does not include the population of AJK and Northern Areas.

Source: Population Census Organization.

** Adjusted due to transfer of some mouzas from Rawalpindi to Islamabad district.

Totals do not telly due to rounding of figures.

1998 - Census Report of Pakistan.

TABLE 12.4

POPULATION BY AGE, SEX URBAN/RURAL AREAS 1981 AND 1998 CENSUS

(In thousands)

Age	Total			Rural			Urban		
(in years)	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female
					1981 Census				
All ages	84,253	44,232	40,021	23,841	12,767	11,074	60,412	31,465	28,947
0- 4	12,911	6,365	6,546	3,579	1,813	1,766	9,332	4,552	4,780
5- 9	13,494	6,992	6,502	3,552	1,839	1,713	9,942	5,153	4,789
10-14	11,092	6,012	5,080	3,119	1,653	1,466	7,973	4,359	3,614
15-19	7,971	4,304	3,667	2,540	1,365	1,175	5,491	2,939	2,492
20-24	6,395	3,356	3,039	2,108	1,159	950	4,287	2,198	2,089
25-29	5,626	2,968	2,658	1,719	943	776	3,907	2,025	1,882
30-34	4,741	2,451	2,290	1,391	757	634	3,350	1,694	1,656
35-39	4,309	2,177	2,132	1,276	668	608	3,033	1,509	1,524
40-44	3,969	1,989	1,980	1,132	606	526	2,837	1,383	1,454
45-49	3,158	1,653	1,505	882	490	392	2,276	1,163	1,113
50-54	3,045	1,681	1,364	796	459	337	2,249	1,222	1,027
55-59	1,654	882	772	424	242	182	1,230	640	590
60-64	2,276	1,334	942	549	327	222	1,727	1,007	720
65-69	1,013	570	443	232	135	97	781	435	346
70-74	1,193	696	497	261	152	109	932	544	388
75 and above	1,406	802	604	281	160	121	1,125	642	483
					1998 Census*				
All ages	129,176	67,222	61,954	86,225	44,516	41,709	42,951	22,705	20,245
0- 4	19,118	9,761	9,357	13,534	6,907	6,627	5,584	2,854	2,730
5- 9	20,215	10,571	9,644	14,211	7,466	6,745	6,004	3,105	2,899
10-14	16,732	8,909	7,822	11,106	5,974	5,132	5,625	2,935	2,690
15-19	13,400	6,909	6,490	8,553	4,396	4,157	4,846	2,513	2,333
20-24	11,588	5,815	5,773	7,402	3,610	3,791	4,186	2,205	1,981
25-29	9,521	4,879	4,643	6,092	3,024	3,067	3,429	1,854	1,575
30-34	8,040	4,232	3,807	5,083	2,604	2,479	2,956	1,628	1,328
35-39	6,167	3,254	2,912	3,846	1,984	1,862	2,320	1,270	1,050
40-44	5,745	2,931	2,815	3,660	1,812	1,848	2,086	1,119	967
45-49	4,563	2,360	2,203	2,995	1,512	1,483	1,568	849	720
50-54	4,148	2,201	1,948	2,776	1,459	1,318	1,372	742	630
55-59	2,777	1,505	1,272	1,868	1,001	867	909	504	405
60-64	2,637	1,418	1,219	1,838	987	851	799	431	368
65-69	1,554	850	704	1,076	585	491	478	265	214
70-74	1,408	778	631	1,022	564	458	386	214	172
75 and above	1,563	849	714	1,162	632	531	400	217	183

* : Figures regarding FATA not included.

Source: Population Census Organization.

TABLE 12.5

ENUMERATED POPULATION OF PAKISTAN BY PROVINCE, LAND AREA AND PERCENTAGE DISTRIBUTION 1951-1998

		Area	Population (In thousand)				
		Sq km	1951	1961	1972	1981	1998
PAKISTAN		796096	33740	42880	65309	84254	132352
		(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Province	NWFP	74521	4556	5731	8388	11061	17744
		(9.4)	(13.5)	(13.4)	(12.8)	(13.1)	(13.4)
	FATA	27220	1332	1847	2491	2199	3176
		(3.4)	(3.9)	(4.3)	(3.8)	(2.6)	(2.4)
	Punjab	205345	20541	25464	37607	47292	73621
		(25.8)	(60.9)	(59.4)	(57.6)	(56.1)	(55.6)
	Sind	140914	6048	8367	14156	19029	30440
		(17.7)	(17.9)	(19.5)	(21.7)	(22.6)	(23.0)
	Baluchistan	347190	1167	1353	2429	4332	6566
		(43.6)	(3.5)	(3.2)	(3.7)	(5.1)	(5.0)
	Islamabad	906	96	118	238	340	805
		(0.1)	(0.3)	(0.3)	(0.4)	(0.4)	(0.6)

Source: Population Census Organisation

Note: Percentage distribution is given in parentheses.

TABLE 12.6

LITERACY RATIOS OF POPULATION BY SEX, REGION AND URBAN/RURAL AREAS, 1998 AND 1981 CENSUS

Sex	Total			Urban			Rural		
	1998		1981	1998		1981	1998		1981
	15 Years & Above	10 Years & Above	10 Years & Above	15 Years & Above	10 Years & Above	10 Years & Above	15 Years & Above	10 Years & Above	10 Years & Above
PAKISTAN									
Both Sexes	41.5	43.9	26.2	61.0	63.1	47.1	30.8	33.6	17.3
Male	53.4	54.8	35.0	69.1	70.0	55.3	44.4	46.4	26.2
Female	28.5	32.0	16.0	51.6	55.2	37.3	16.7	20.1	7.3
ISLAMABAD									
Both Sexes	70.2	72.4	47.8	75.6	77.2	57.6	58.8	62.5	32.5
Male	79.8	80.6	59.1	82.6	83.2	65.8	73.6	75.1	48.1
Female	58.3	62.4	33.5	66.6	69.7	46.8	42.7	48.8	14.7
PUNJAB									
Both Sexes	43.8	46.6	27.4	62.4	64.5	46.7	34.9	38.0	20.0
Male	55.6	57.2	36.8	70.2	70.9	55.2	48.3	50.4	29.6
Female	31.2	35.1	16.8	53.5	57.2	36.7	20.9	24.8	9.4
SIND									
Both Sexes	43.6	45.3	31.5	61.9	63.7	50.8	24.0	25.7	15.6
Male	53.8	54.5	39.7	68.9	69.8	57.8	36.9	37.9	24.5
Female	32.0	34.8	21.6	53.6	56.7	42.2	9.9	12.2	5.2
NWFP									
Both Sexes	32.1	35.4	16.7	51.4	54.3	35.8	27.7	31.3	13.2
Male	48.7	51.4	25.9	65.9	67.5	47.0	44.6	47.7	21.7
Female	15.1	18.8	6.5	34.5	39.1	21.9	11.2	14.7	3.8
BALUCHISTAN									
Both Sexes	30.7	24.8	10.3	43.9	46.9	32.2	16.1	17.5	6.2
Male	33.3	34.0	15.2	56.4	58.1	42.4	25.0	25.8	9.8
Female	11.8	14.1	4.3	28.6	33.1	18.5	6.4	7.9	1.7
FATA									
Both Sexes	..	17.4	6.4	..	39.3	..	..	16.8	6.4
Male	..	29.5	10.9	..	59.7	..	..	28.6	10.9
Female	..	3.0	0.8	..	12.0	..	..	2.8	0.8

FATA: Federally Administered Tribal Areas.

.. Not available.

Source: Population Census Organisation

TABLE 12.7

Province-wise Population, Land Area and Percent Distribution 1951,1981,1998, 2005,2006 and 2007

(Population in Thousand)

Province		Area Sq. Kms	Year 1951	Year 1981	Year 1998	Year 2005	Year 2006	Year 2007
A	PAKISTAN	796,096	33,740	84,254	132,352	153,960(E)	156,770(E)	159.09
		100	100	100	100	100	100	100.00
i)	PUNJAB	205,345	20,541	47,292	73,621	85,650(E)	86,255	87,683.00
		25.79	60.80	56.13	55.63	55.63	55.00	54.71
ii)	SINDH	140,914	6,048	19,029	30,440	35,410(E)	35,864	36,458.00
		17.70	17.90	22.59	23.00	23.00	23.00	22.01
iii)	NWFP	74,521	4,556	11,061	17,744	20,640(E)	21,392	21,856.00
		9.36	13.60	13.13	13.41	13.41	13.60	13.42
iv)	BALUCHISTAN	347,190	1,167	4,332	6,566	7,630(E)	8,004	8,190.00
		43.61	3.50	5.14	4.96	4.96	5.10	5.03
v)	FATA	27,220	1,332	2,199	3,176	3,690(E)	3,621	3,770.00
		3.42	3.90	2.61	2.40	2.40	2.30	1.88
vi)	Islamabad	906	96	340	805	940(E)	1,124	1,124.00
		0.11	0.30	0.40	0.61	0.61	0.71	0.82

Sources : i) Population Census Organization
ii) Planning and Development Division

TABLE 12.8

PERCENTAGE DISTRIBUTION OF POPULATION OF 10 YEARS AND ABOVE AND CIVILIAN LABOUR FORCE BY SEX AND NATURE OF ACTIVITY (2007-08)

(Percent Share)

	Civilian Labour Force														
	Population			Total Civilian Labour Force			Employed			Unemployed			Not in Civilian Labour Force		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
PAKISTAN	100.00	51.21	48.79	45.17	35.61	9.56	42.82	34.07	8.75	2.35	1.54	0.81	54.83	15.60	39.23
Rural	100.00	50.83	49.17	48.76	36.18	12.58	46.46	34.75	11.71	2.30	1.43	0.87	51.24	14.65	36.59
Urban	100.00	51.90	48.10	38.58	34.57	4.02	36.14	32.83	3.31	2.45	1.74	0.71	61.42	17.34	44.08
PUNJAB	100.00	50.17	49.83	46.60	35.23	11.37	44.01	33.52	10.49	2.58	1.71	0.87	53.40	14.94	38.46
Rural	100.00	49.87	50.13	49.95	35.48	14.47	47.50	33.92	13.58	2.45	1.56	0.89	50.05	14.39	35.66
Urban	100.00	50.79	49.21	39.89	34.73	5.16	37.05	32.73	4.31	2.85	2.00	0.85	60.11	16.05	44.05
SINDH	100.00	54.17	45.83	45.47	38.45	7.02	44.06	37.53	6.53	1.41	0.93	0.48	54.53	15.72	38.81
Rural	100.00	54.82	45.18	54.26	42.40	11.86	53.15	41.84	11.31	1.11	0.56	0.55	45.74	12.41	33.33
Urban	100.00	53.57	46.43	37.30	34.79	2.52	35.62	33.52	2.09	1.69	1.26	0.42	62.70	18.79	43.91
NWFP	100.00	48.97	51.03	39.81	31.67	8.15	36.38	29.50	6.88	3.43	2.17	1.26	60.19	17.31	42.88
Rural	100.00	48.58	51.42	40.52	31.37	9.15	37.11	29.26	7.86	3.40	2.11	1.29	59.48	17.21	42.27
Urban	100.00	50.81	49.19	36.49	33.06	3.42	32.92	30.63	2.29	3.56	2.43	1.13	63.51	17.75	45.77
Balochistan	100.00	55.14	44.86	41.75	37.13	4.62	40.59	36.44	4.15	1.16	0.69	0.47	58.25	18.00	40.24
Rural	100.00	55.34	44.66	43.95	38.67	5.28	42.98	38.09	4.90	0.97	0.58	0.39	56.05	16.67	39.38
Urban	100.00	54.51	45.49	35.04	32.43	2.60	33.30	31.41	1.89	1.73	1.02	0.71	64.96	22.08	42.89

Sources : Labour Force Survey 2007-08
Federal Bureau of Statistics

TABLE 12.9

LABOUR FORCE AND EMPLOYMENT

(Million)

Mid Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Population	139.76	142.86	145.96	149.03	150.47	153.96	156.77	159.57	162.37
Rural	93.63	95.36	97.07	99.12	99.25	101.55	102.75	103.91	105.05
Urban	46.13	47.50	48.89	49.91	51.22	52.41	54.02	55.66	57.32
Working Age Population	94.59	96.69	99.70	101.80	112.90	115.52	109.76	112.37	115.64
Rural	61.43	62.38	65.08	66.45	73.70	75.41	70.79	72.86	74.86
Urban	33.16	34.31	34.62	35.35	39.20	40.11	38.97	39.51	40.78
Labour Force	40.49	41.38	43.21	44.12	45.76	46.82	50.50	50.78	52.23
Rural	28.49	29.12	29.40	30.01	31.07	31.79	34.63	35.06	36.50
Urban	12.00	12.26	13.81	14.11	14.69	15.03	15.87	15.72	15.73
Employed Labour Force	37.32	38.14	39.64	40.47	42.24	43.22	47.37	48.07	49.52
Rural	26.51	27.10	27.18	27.74	28.98	29.65	32.78	33.40	34.78
Urban	10.81	11.04	12.46	12.73	13.26	13.57	14.59	14.67	14.74
Unemployed Labour Force	3.17	3.24	3.57	6.65	3.52	3.60	3.13	2.71	2.72
Rural	1.98	2.02	2.22	2.27	2.09	2.14	1.85	1.66	1.72
Urban	1.19	1.22	1.35	1.38	1.43	1.46	1.28	1.05	1.00
Unemployment Rate (%)	7.82	7.82	8.27	8.27	7.69	7.69	6.20	5.32	5.20
Rural	6.94	6.94	7.55	7.55	6.74	6.74	5.35	4.72	4.71
Urban	9.92	9.92	9.80	9.80	9.70	9.70	8.04	6.66	6.34
Labour Force Participation Rates (%)	28.97	28.97	29.61	29.61	30.41	30.41	32.22	31.82	32.17
Rural	29.82	29.82	29.85	29.85	31.02	31.02	33.23	32.88	33.84
Urban	27.14	27.14	29.10	29.10	29.20	29.20	30.20	29.68	28.87

Source : Labour Force Surveys By Federal Bureau of Statistics

ii) Planning and Development Division

iii) For the years 2000-01, 2002-03 and 2004-05 LFS was not conducted

TABLE 12.10

POPULATION AND LABOUR FORCE

(Million)

Mid Year (End June)	Popula-tion	Crude Activity Rate(%)	Labour Force	Unemp-loyment	Employed Labour Force	Agricul-ture	Mining & Manu-facturing	Construc tion	Electri-city & Gas Distri-bution	Trans-port	Trade	Others
2000	139.76	28.97	40.49	3.17	37.32	18.07	4.31	2.16	0.26	1.88	5.04	5.60
2001	142.86	28.97	41.38	3.24	38.14	18.47	4.40	2.21	0.26	1.92	5.15	5.73
2002	145.96	28.97	43.21	3.57	39.64	16.68	5.51	2.40	0.32	2.34	5.89	6.50
2003	149.03	28.97	44.12	3.65	40.47	17.03	5.63	2.45	0.33	2.39	6.01	6.63
2004	150.47	30.41	45.76	3.52	42.24	18.18	5.83	2.46	0.28	2.42	6.25	6.82
2005	153.96	30.41	46.82	3.60	43.22	18.60	5.96	2.52	0.29	2.48	6.39	6.98
2006 *	156.77	32.22	50.50	3.13	47.37	20.54	6.60	2.91	0.31	2.72	6.95	7.34
2007	159.59	31.82	50.78	2.71	48.07	20.97	6.56	3.16	0.36	2.59	6.93	7.50
2008	162.37	32.17	52.23	2.72	49.52	22.11	6.49	3.12	0.35	2.70	7.24	7.51

Source: i) Federal Bureau of Statistics
(ii) Planning and Development Division
iii) For the years 2000-01, 2002-03 and 2004-05 LFS was not conducted

* : Absolute figures refer to 1st July 2000, 3003, 2004 & 2006 for which LFS were conducted.

TABLE 12.11

DISTRIBUTION OF EMPLOYED PERSONS OF 10 YEARS AGE AND ABOVE BY MAJOR INDUSTRIES

(Percentage)

Years	Agricul-ture	Mining & Manufacturing	Construction	Electricity & Gas Distribution	Transport	Trade	Others
2000	48.42	11.55	5.78	0.70	5.03	13.50	15.02
2001	48.42	11.55	5.78	0.70	5.03	13.50	15.02
2002	42.09	13.91	6.05	0.81	5.90	14.85	16.39
2003	42.09	13.91	6.05	0.81	5.90	14.85	16.39
2004	43.05	13.80	5.83	0.67	5.73	14.80	16.12
2005	43.05	13.80	5.83	0.67	5.73	14.80	16.12
2006	43.37	13.93	6.13	0.66	5.74	14.67	15.49
2007	43.61	13.65	6.56	0.75	5.39	14.42	15.60
2008	44.65	13.11	6.29	0.70	5.46	14.62	15.17

Source: Federal Bureau of Statistics

TABLE 12.12

PERCENTAGE DISTRIBUTION OF EMPLOYED PERSONS OF 10 YEARS AGE AND ABOVE BY MAJOR INDUSTRY 2007-08

(Percentage)

Major Industry Division	PAKISTAN			PUNJAB			SINDH			NWFP			BALUCHISTAN		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1 Agriculture Forestry, Hunting and Fishing	44.65	60.94	6.21	43.44	57.92	6.34	46.13	75.47	5.46	44.60	51.69	6.89	52.70	63.24	11.18
2 Mining and Quarrying	0.12	0.14	0.07	0.07	0.08	0.02	0.06	0.02	0.12	0.25	0.29	0.01	0.76	0.86	0.37
3 Manufacturing	12.99	8.37	23.89	15.10	11.08	25.37	12.17	3.32	24.43	8.11	6.69	15.69	2.23	1.07	6.83
4 Electricity, Gas and Water	0.70	0.42	1.36	0.59	0.37	1.16	0.90	0.37	1.64	0.75	0.67	1.19	0.87	0.51	2.30
5 Construction	6.29	6.09	6.75	6.61	6.54	6.78	4.81	3.71	6.34	8.08	8.11	7.91	5.63	4.85	8.68
6 Wholesale, Retail Trade, Restaurant and Hotels	14.62	9.19	27.45	14.07	9.18	26.58	16.13	6.84	29.02	13.53	11.32	25.25	16.44	13.04	29.80
7 Communication	5.46	4.42	7.92	5.40	4.46	7.82	4.60	2.75	7.17	7.52	6.58	12.53	5.69	4.85	9.00
8 Financing, Insurance, Real Estate and Business Services	1.41	0.44	3.70	1.33	0.52	3.40	2.08	0.22	4.66	0.68	0.47	1.79	0.65	0.33	1.93
9 Community, Social and Personal Services	13.66	9.96	22.39	13.28	9.80	22.20	13.00	7.27	20.95	16.48	14.18	28.68	15.00	11.22	29.89
10 Activities Not Adequately Defined	0.10	0.03	0.26	0.12	0.05	0.32	0.10	0.01	0.22	0.01	-	0.04	0.03	0.03	0.02

(-) not available

Source : Labour Force Survey 2006-07, Federal Bureau of Statistics

TABLE 12.13

AGE SPECIFIC LABOUR FORCE PARTICIPATION RATE

(Percentage)

Age Group	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2003-04	2004-05	2005-06	2006-07	2007-08
10 years & over												
Both Sexes	41.25	43.01	43.34	43.34	42.80	43.34	43.34	43.74	43.74	46.01	45.18	45.17
Male	69.10	70.01	70.48	70.48	70.39	70.32	70.32	70.61	70.61	71.97	70.14	69.54
Female	11.39	13.63	13.92	13.92	13.72	14.44	14.44	15.93	15.93	18.93	19.10	19.59
10-14												
Male	16.54	17.19	17.95	17.95	18.32	17.18	17.18	18.45	18.45	20.68	16.92	17.09
Female	5.70	7.61	7.40	7.40	2.79	6.28	6.28	6.69	6.69	9.21	9.18	9.69
15-19												
Male	51.13	52.89	52.43	52.43	58.26	57.56	57.56	59.00	59.00	60.87	56.29	53.94
Female	9.64	13.06	13.51	13.51	7.19	13.78	13.78	14.51	14.51	16.91	16.60	17.61
20-24												
Male	85.46	85.05	84.86	84.86	85.24	87.03	87.03	85.70	85.70	87.63	86.76	85.12
Female	11.71	15.08	15.16	15.16	14.14	15.94	15.94	18.03	18.03	20.67	20.66	20.98
25-34												
Male	97.22	97.21	96.96	96.96	96.41	96.57	96.57	96.27	96.27	97.03	97.16	96.90
Female	12.85	13.79	14.80	14.80	18.80	16.07	16.07	18.31	18.31	21.62	21.66	21.87
35-44												
Male	97.89	98.46	97.80	97.80	97.51	97.49	97.49	97.36	97.36	97.57	98.01	97.87
Female	15.66	16.61	17.29	17.29	21.70	19.90	19.90	21.64	21.64	25.07	25.93	26.75
45-54												
Male	97.07	96.54	96.23	96.23	95.90	95.55	95.55	95.63	95.63	96.37	96.62	96.65
Female	14.75	17.51	17.15	17.15	21.27	19.39	19.39	20.95	20.95	24.78	25.01	24.42
55-59												
Male	91.50	90.13	90.63	90.63	90.61	88.19	88.19	89.68	89.68	90.62	92.20	92.54
Female	15.23	19.60	15.84	15.84	17.76	14.50	14.50	18.57	18.57	22.84	22.45	25.53
60+												
Male	62.65	63.41	63.65	63.65	60.68	56.63	56.63	58.37	58.37	59.38	58.52	59.46
Female	9.26	12.34	13.60	13.60	13.04	11.36	11.36	12.90	12.90	14.69	15.70	15.50

Source: Labour Force Survey 2006-07, Federal Bureau of Statistics.

TABLE 12.14

DAILY WAGES OF CONSTRUCTION WORKERS IN DIFFERENT CITIES*

(In Pak Rupees)

Category of workers and cities	1996*	1997*	1998*	1999*	2000*	2001	2002*	2003	2004	2005	2006	2007	2008
Carpenter													
Islamabad	190.00	200.00	200.00	225.00	218.75	225.00	225.00	250.00	325.00	400.00	450.00	525.00	600.00
Karachi	219.62	231.15	250.00	285.57	292.30	291.34	298.08	301.92	337.00	365.00	402.00	450.00	575.00
Lahore	195.71	217.50	226.42	262.50	262.50	262.50	262.50	262.50	277.00	338.00	361.00	388.00	527.00
Peshawar	150.00	175.00	200.00	200.00	200.00	225.00	225.00	225.00	250.00	275.00	300.00	375.00	488.00
Quetta	215.00	230.00	250.00	250.00	250.00	250.00	250.00	250.00	275.00	275.00	400.00	500.00	600.00
Mason (Raj)													
Islamabad	190.00	200.00	200.00	225.00	218.75	225.00	225.00	250.00	325.00	400.00	450.00	525.00	600.00
Karachi	234.61	245.19	250.00	285.57	292.30	291.34	298.08	301.92	337.00	365.00	402.00	450.00	625.00
Lahore	197.14	217.50	226.42	262.50	262.50	262.50	262.50	262.50	318.00	380.00	461.00	491.00	557.00
Peshawar	150.00	175.00	200.00	200.00	200.00	225.00	225.00	225.00	275.00	325.00	325.00	442.00	500.00
Quetta	210.00	225.00	250.00	250.00	250.00	250.00	250.00	250.00	275.00	275.00	400.00	450.00	600.00
Labourer (Unskilled)													
Islamabad	95.00	100.00	110.00	120.00	120.00	120.00	120.00	130.00	160.00	200.00	250.00	275.00	300.00
Karachi	133.20	156.53	160.00	172.11	174.04	176.34	182.11	183.27	150.00	230.00	275.00	300.00	350.00
Lahore	108.21	117.14	122.50	145.00	145.00	145.00	145.00	145.00	167.00	200.00	246.00	250.00	300.00
Peshawar	70.00	75.00	80.00	80.00	80.00	90.00	90.00	90.00	134.00	150.00	175.00	200.00	233.00
Quetta	95.00	95.00	110.00	110.00	100.00	100.00	112.50	111.67	150.00	170.00	250.00	300.00	300.00

* Data pertains to month of November each year

Source: Federal Bureau of Statistics

Chapter No. 13

Poverty

13.1 Introduction

The inadequacy of income to meet basic needs, low quality of life, denial of opportunities and choices basic to human development are different facets of poverty. The main objectives of government policies are to raise the standard of living and improve the socio-economic conditions of the people and thus reduce the incidence of poverty in the country.

The Government has subscribed strongly to the belief that economic development if it is to be really meaningful and sustained, must involve and accrue to all citizens, especially the poor, unemployed, marginalized communities and generally, the disadvantaged groups. Growth should ensure equitable distribution of wealth and expanding new sources of wealth that promote human resource development. Economic development also should create a productive and experienced labour force and develop necessary skills to meet the challenges in industrial development through a culture of merit and excellence.

13.2 Low GDP and sectoral growth

Sectoral GDP growth rates in case of Pakistan *(except agriculture)* could not improve or even to hold at 2007-08 level. GDP is expected to grow at the rate of 2.0 percent during 2008-09 against the projected growth rate of 5.5 percent and in the back drop of 4.10 percent during 2007-08. Agriculture, the major source of employment and income to the rural population with 21.8 percent share in GDP and 44.6 percent share in employment, is expected to grow at 4.7 percent compared with 1.08 percent during 2007-08. Services sector, constituting 53.8 percent of GDP and employing 36.1 percent of Labour Force is expected to grow at 3.6 percent during 2008-09 as compared with 6.6 percent during 2007-08. The output in the manufacturing sector has contracted by 3.3 percent against the target of 6.1 percent. The dismal performance shifted pressure for employment to other sectors outside the organized sectors, acceptance of lower grade jobs, lower income, and thus lower consumption.

13.3 Inflation Pressures on Consumers

High imported inflation particularly in case of food and fuel, coupled with rupee depreciation of 17.7 percent during July 2008 to April 2009 triggered inflation in Pakistan with adverse implications for poverty reduction. Food prices have a significant bearing on poverty incidence. A review of price trends of essential items during 2007-08 indicates that the major portion of food inflation during this period stemmed from hike in the prices consumed by the poor household such as wheat, flour, rice, edible oil, vegetables and pulses. Since April 2007, the economy has witnessed over 200 percent increase in the price of palm oil; and an increase of 150 percent in wheat prices, while over 100 percent increase in the price of oil in the international market. Moreover, economic growth has slowed down considerably during the last three years. The industry and construction sectors have contracted due to the domestic slowdown and energy shortage and also due to global recession. Thus job absorbing capacity of the economy has shrunk.

Consumer Price Index (CPI) showed a sharp increase from 12.0 percent in 2007-08 to 22.4 percent in July-April, 2008-09. The food inflation also witnessed the same trend of increase in prices from 17.6 percent in 2007-08 to 26.6 percent during July-April 2008-09. The second round impact of the food inflation has changed the chemistry of the core inflation (non-food and non-energy) and it increased from 7.5 percent in 2007-08 to 17.8 percent during July-April 2008-09 [See Table 13.1].

Table-13.1: Price Trend of Essential Commodities (Rs) per Kg

Items	Weights	Units	2007-08	July 2008	4th June 2009	% change 4th June 09 / July 08
Wheat	0.62	Kg	16.44	21.22	23.75	11.92
Wheat Flour	11.91	Kg	18.06	23.92	26.79	12.00
Beef	3.99	Kg	123.30	133.13	155.30	16.65
Mutton	2.81	Kg	236.48	248.67	281.03	13.01
Chicken (Farm)	2.39	Kg	82.72	93.64	102.02	8.95
Milk Fresh	15.73	Ltr	30.44	34.58	40.12	16.02
Cooking Oil	1.90	2.5 Ltr	316.06	398.00	359.06	-9.78
Onion	1.38	Kg	16.19	17.49	20.78	18.81
Sugar	4.46	Kg	27.90	31.44	45.42	44.47
Mash Pulse	0.49	Kg	71.38	73.48	85.48	16.33

Source: Federal Bureau of Statistics

13.4 Recent Trends in Poverty

Based on the Federal Bureau of Statistics' PSLM data, the Centre for Poverty Reduction and Social Policy Development (CPRSPD), Planning and Development Division estimated a sharp decline in the headcount poverty ratio for 2007-08. However, these findings appear to contradict other assessments conducted subsequently, and which better reflect global and domestic price developments after June 2008. These subsequent assessments point towards a strong likelihood of a sharp increase in the poverty incidence in Pakistan as a result of unprecedented food inflation and transmission of international energy prices to domestic consumers.

The Report of a UN Inter Agency Assessment Mission fielded during June-July 2008 found that food security in Pakistan in 2007-08 had significantly worsened as a result of food price hike. The total number of households falling into this category was estimated to be seven million households or about 45 million people in 2008. In relative terms, the increase is more pronounced in rural areas, where food expenditure rose by 10 percent and total expenditure by 4 percent. In absolute terms the increase has been higher in urban areas. The survey further indicates that more than 40 percent of households reported no change in income in 2008 since last year. Forty five percent of the population working as employees witnessed decrease in their real wages. The Report shows an increase in the share of severely food insecure population, from 23 percent in 2005-06 to 28 percent in 2008.

The main findings indicate that the high food prices are undermining poverty reduction gains, as food expenditures comprise a large share of the poor's total expenditures and food price hike has severely eroded poor household purchasing power. The assessment shows that the share of households that cannot meet medical expenditure increased from six percent to thirty percent in 2008. Similarly, there is a serious risk of massive school dropout and thus loss of the gains in primary school enrolment achieved in past years. The poorest households need to spend 70 percent or more of their income on food and their ability to meet most essential expenditures for health and education is severely compromised. In addition, the diminished purchasing power has severely impaired capacity of poor households to seek health care, and children education, particularly for girls. This situation has further aggravated by falling nutrition levels, particularly for already malnourished children.

The Planning Commission's constituted Panel of Economists in its Interim Report[1] based on 2004-05 poverty head count number of 23.9 percent suggested an increase of around 6 percentage points in poverty incidence for the year 2008-09. Similarly, the Task Force on Food Security based on the World Bank estimates of poverty head count ratio of 29.2 percent in 2004-05 estimated that poverty head count increased to 33.8 percent in 2007-08 and 36.1 percent in 2008-09 or about 62 million people in 2008-09 were below the poverty line.

Since 2008, global increase in POL and commodity prices and financial meltdown has resulted in plummeting global economic growth and shrinking global trade to a level not seen since the Second World War and the Great Depression of the 1930s. These global developments together with sharp slowdown in growth and high inflation have adversely affected Pakistan's economy and negatively impacted poor households. While recent data, based on PSLM 2007-08 are being examined, independent estimates cited above suggest that between 2005 and 2009 more than 12-14 million people may have been added to the ranks of the poor in Pakistan. This would translate into an increase in poverty from 22.3 percent of the population in 2005-06 to between 30-35 percent in 2008-09. However, firm estimates will only be available when data for 2008-09 comes in.

Subsequent to the poverty estimates of 2007-08 produced by CPRSPD, a validation exercise was conducted by the World Bank. In its analysis, the World Bank disaggregated the full year estimate into quarterly estimated HCR and found an almost 4 to 5 percentage point increase in the last quarter of 2007-08, to around 21 percent.

The World Bank has estimated, using methodology consistent with that used by CPRSPD in its poverty estimation, and taking current projections of real GDP growth, that the poverty Head Count Ratio could rise to over 25 percent by 2009-10.

[1] Economic Stabilization with a Human Face, October 2008.

Given the flux produced by large changes in food and energy prices since late 2007, the government intends to commission a rapid household income and expenditure survey to better assess the current position regarding poverty incidence and vulnerability in the country. This survey is expected to be conducted shortly.

13.5 International Financial Crisis - the Adverse Impact

The global economic crisis, the most severe since the great depression is rapidly turning into a development crisis and more so a human crisis. No region or regime is immune. The poor countries are especially vulnerable as they have the least cushion to withstand such upheavals. The crisis coming on the heels of the food and fuel price volatility poses serious threats to the past gains in boosting economic growth and reducing poverty. It is pushing millions back into poverty and putting at risk the very survival of many. The prospects of reaching the millennium development goals (MDGs) by 2015 already a cause for serious concern now looks even more distant.

The impact of the global financial crisis on developing countries is reflected in sharp reductions in their projected GDP growth to rates that are the lowest since the 1990s. The average projected GDP growth in developing countries in 2009 is now only about a quarter of what was expected before the financial turmoil intensified into a full-blown crisis in the latter half of 2008 and a fifth of that achieved in the period of strong growth up to 2007. Advanced economies are projected to register a negative growth rate of 3.8 percent in 2009 compared with 0.9 percent in 2007-08. For developing countries as a whole, growth is projected to fall to 1.6 percent in 2009, from an average of 6.1 percent in 2007-08, with South Asia expected to grow at 4.3 percent compared to 7.0 percent in 2007-08.

World Bank/IMF estimate that because of this crisis there will be more than 50 million additional people living in extreme poverty in 2009 than expected before the crisis. The International Labour Organization projects that some 30 million more people around the world may be unemployed in 2009, of which 23 million could be in developing countries. A worse-case scenario envisages as many as 50 million more people becoming unemployed in 2009. These numbers will rise if the crisis deepens and growth in developing countries falters further. These numbers have a human face. As a result of sharply lower economic growth rates, about 200,000 to 400,000 more babies may die each year. School enrollments will suffer especially for girls.

13.6 Crisis Impact on MDGs

The global financial crisis can seriously retard progress toward the MDGs. The impact will be felt on all MDGs, including the goals for poverty reduction and human development. Poor countries that are vulnerable to shocks and have the least capacity to respond with ameliorative actions are at particular risk of falling further behind. A recent assessment by the World Bank found that almost 40 percent of developing countries were highly exposed to the poverty effects of the crisis (with both declining growth rates and high levels of poverty); most of the others were moderately exposed, with fewer than 10 percent facing little risk. Three-quarters of the exposed countries had limited fiscal capacity to expand programs to curb the effects of the economic downturn. Within countries, the poor typically are more vulnerable and have the least cushion.

Box-1: Trend in Poverty indicators

The poverty head count was updated for the year 2005-06 in the last economic survey. The comparison is reproduced below:

Headcount			
Year	**Urban**	**Rural**	**Pakistan**
1998-99	20.9	34.7	30.6
2000-01	22.7	39.3	34.5
2004-05	14.9	28.1	23.9
2005-06	13.1	27.0	22.3

Source: Pakistan Economic Survey 2007-08

13.7 PRSP-II - underpinning and pro poor expenditure

The government is conscious of the cost being imposed on poor families from the sharp escalation in food prices. Many of these needs are strongly linked and need to be addressed holistically — unless health services are improved, the incidence of ill health will continue to rise; unless educational retention is improved, children will never be able to exit from poverty because they will be concentrated in low-return employment or remain unemployable. It is, therefore, important to address primary needs via social protection, while simultaneously focusing on the mechanisms that ensure that the exit from absolute poverty is permanent for the majority of the vulnerable and a large proportion of the chronically poor. The national Poverty Reduction Strategy covers the three-year PRSP-II period of 2008-09 – 2010-11 while also providing a framework for thinking well beyond this timeframe and is, therefore, to be viewed as an approach to a long-term national economic strategy that has its main focus on reduction of poverty.

The second generation Poverty Reduction Strategy Paper (PRSP)-II (2008/09-2010/11) has been finalized with an aim to reduce poverty by regaining macroeconomic stability. The Strategy is built upon nine pillars: There pillars are based on nine point economic agenda of the government with the main thrust on economic growth, reduction in poverty and human development which help achieve this objective. (i) Macroeconomic Stability and Real Sector Growth; (ii) Protecting the Poor and the Vulnerable; (iii) Increasing Productivity and Value Addition in Agriculture; (iv) Integrated Energy Development Programme; (v) Making Industry Internationally Competitive; (vi) Human Development for the 21st Century; (vii) Removing Infrastructure Bottlenecks through Public Private Partnerships; (viii) Capital and Finance for Development; and (ix) Governance for a Just and Fair System. In addition, the government is putting in place a stringent results-based system to monitor and evaluate the implementation of the Poverty Reduction Strategy. Moreover, the government is continuously determined to empower women and to reduce gender disparities. This, in addition to environmental sustainability, is a crosscutting theme and is regarded as an integral part of the programme, which is woven throughout the PRSP-II.

Box-2: World Bank Support for the Social Protection in Pakistan:

Pakistan Social Safety Nets Development Policy Credit: US$ 200 m.

The broad objective of the operation is to promote inclusive economic growth. The specific objective is to establish a national social safety net system that is fiscally sustainable and provides the chronic and transient poor with basic income support and access to opportunities for graduating from poverty. The programme is being implemented by the Ministry of Finance, Benazir Income Support Programme secretariat, and the Planning Commission. Financing is disbursed after the completion of agreed key policy actions. Key reform areas include

1. *Improving the targeting efficiency of the safety nets programme* by establishing a national targeting system to implement the poverty scorecard method through appointment of separate agencies for scorecard data collection and eligibility determination, and undertaking a policy decision on transition of BISP beneficiaries from the old to the new targeting system.
2. *Establishing an effective institutional framework for programme implementation* through development of legal, institutional, and administrative measures for the safety net system. These include establishment of an autonomous federal safety net authority to provide a uniform platform to implement rationalized safety net programmes; the development of administrative policy guidelines for programme implementation; the rationalization of overlapping federal safety net programmes to improve fiscal and administrative efficiency; and the development of graduation and exit strategies to facilitate households' movement out of poverty.
3. *Enhancing fiscal sustainability and strengthen the fiduciary environment*, through ensuring adequate budget allocation for benefit payment and programme administration consistent with the overall macro-economic framework; and developing a reliable and transparent payment system, through appointing a separate payment agency governed by strong fiduciary and social accountability controls on benefit payments.

Monitoring and Evaluation (M&E) of qualitative, as well as, quantitative aspects of PRSP input, output and outcome indicators as outlined in the M&E framework of PRSP-II, are central to the PRSP process; and the government has attached critical importance towards their regular monitoring, analysis and transparency. Since the initiation of PRSP-I in 2001, pro-poor expenditures have been reported regularly under five broad categories i.e. i) Market Access and Community Services; ii) Human Development; iii) Rural Development; iv) Safety Nets; and v) Governance. These five categories encompassing 17 pro-poor sectors for tracking of budgetary expenditures have been revisited during the process of PRSP-II compilation in the light of changing socio-economic realities. The sectors under the five categories mentioned above are rearranged to reflect new poverty reduction programmes of the government. The new initiatives of Benazir Income Support Programme and Punjab Food Support Programme are placed under the broad category of Safety Nets. The pro-poor sector, ‘Irrigation’ has been renamed as ‘Agriculture’ to reflect a more inclusive picture of expenditure incurred in the agriculture sector. This sector now also includes budgetary expenditure regarding Livestock, Fisheries and Forestry in addition to Irrigation.

As shown in table 13.2, total expenditures incurred on pro-poor sectors under above mentioned categories remained Rs. 572.6 billion during the FY 2007/08, constituting 5.46 percent of GDP, which is in line with the Fiscal Responsibility and Debt Limitation Act, 2005, stipulating that expenditures on social sectors should not be less than 4.5 percent of GDP in any given year. The pro-poor expenditures increased by 34.2 percent in the FY 2007/08 as compared to FY 2006/07 and are expected to further increase by 33 percent to Rs 760.0 billion during the FY 2008/09 which would be equivalent to 5.86 percent of GDP.

Table-13.2: Social Sector and Poverty Related Expenditures *(Rs. In Billion)*

Sectors	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Projected
Market Access and Community Services	28.5	41.7	63.6	76.6	104.6	55.8
Roads, Highways & Bridges	22.7	35.1	53.2	60.0	84.8	46.7
Water Supply & Sanitation	5.8	6.5	10.3	16.6	19.8	9.1
Human Development	129.3	152.9	191.1	222.2	257.1	243.6
Education	97.7	116.9	141.7	162.1	182.6	195.6
Health	27.0	31.4	39.2	53.2	61.1	43.9
Population planning	4.7	4.6	10.2	7.0	13.3	4.1
Rural Development	44.6	59.7	78.5	101.8	112.7	117.6
Agriculture	22.5	37.9	59.8	74.8	83.5	91.2
Land reclamation	2.0	2.1	2.7	2.3	3.1	2.6
Rural development	18.6	15.4	15.0	22.2	23.3	9.6
People Works Programme-II	1.4	4.4	1.0	2.5	2.7	14.2
Safety Nets	17.0	11.4	36.1	18.8	87.9	290.5
Subsidies	**8.5**	**5.4**	**6.0**	**5.5**	**54.9**	**231.1**
Social security & welfare	4.1	2.0	7.6	4.5	18.9	37.0
Food Support Programme	2.8	2.7	3.1	3.5	4.4	15.3
People Works Programme-I	0.6	0.08	0	0.02	1.4	2.6
Natural Calamities & Disasters	0.5	0.9	19.1	5.0	7.7	3.2
Low Cost Housing	0.4	0.3	0.3	0.3	0.6	1.3
Governance	41.8	50.5	6.8	7.2	10.2	52.5
Law & Order	39.4	47.4	1.1	2.1	2.4	46.6
Justice Administration	2.4	3.1	5.6	5.1	7.8	5.9
Total	261.3	316.2	376.1	426.7	572.6	760.0
As % of GDP	4.63	4.81	4.93	4.89	5.46	5.86

Source: PRSP Secretariat, Finance Division

An increase in expenditures occurred in all categories between FY 2006/07 and FY 2007/08 with the highest percentage increase registered in safety nets i.e. 368 percent from Rs 18.8 billion to Rs 87.9 billion. The expenditure under the category of safety nets are set to further increase by 230 percent with increasing expenditure on subsidies by 321 percent during the fiscal year 2008/09. This substantial increase in expenditure under social safety net stems from government's efforts to hedge the poor against spiraling inflation due to global increase in commodity prices. Due to serious law and order situation the expenditure incurred on governance increased by 42 percent from Rs 7.2 billion to Rs 10.2 billion during FY 2007/08 as compared to FY 2006/07 and are expected to move up further by 414 percent during FY 2008/09, five times higher than last year.

The expenditure on community services including roads, highways & bridges and water supply & sanitation increased by 37 percent to Rs 104.6 billion in FY 2007/08 compared to Rs 76.6 billion in FY 2006/07. These expenditures are expected to decline by 47 percent during FY 2008/09. In human development, expenditure increased from Rs 222.2 billion in FY 2006/07 to Rs 257.1 billion in FY 2007/08 marking an increase of 15.7 percent. However, in FY 2008-09 expenditures under this head are expected to decline by 5.3 percent due to limited fiscal space available because of increased expenditures on safety nets and security. The focus on agriculture sector and provision of basic facilities to the rural poor moved up the expenditure in this sector from Rs 101.8 billion in FY 2006/07 to Rs 112.7 billion during FY 2007/08 registering an increase of 11 percent. The expenditure on rural development is expected to grow by 4.3 percent in FY 2008/09.

Box-3: World Bank support to the Pakistan Poverty Alleviation Fund

Third Pakistan Poverty Alleviation Fund Project: US$ 250 m

The development objective for the proposed project is *to empower and improve the capacity and opportunities for the targeted rural poor to achieve sustainable livelihoods all over Pakistan.* This will be achieved by increased inclusion of the rural poor - including women and ultra poor households - in community organizations and their enhanced participation in economic activities, skill enhancement for taking-up higher value employment, and increased income through an increased asset base, improved infrastructure and market linkages. The key outcome indicators to assess success will be:

- Community institutions that are viable and sustainable
- A minimum of 25% increase in household incomes
- Improved access to physical utilities
- Inclusion of the ultra-poor in community decision making processes

The project will be implemented by the Pakistan Poverty Alleviation Fund (PPAF), which was formed in 1999 with World Bank funding and support. The project adopts an integrated approach, supporting livelihoods initiatives and community infrastructure needs as well as micro-credit. Combining strong targeting mechanisms that effectively identify the poor with skills training and micro credit will do this. Under the project, investments will range from skill enhancement, micro-credit, improved access and linkages to markets and local government, community managed grants for social and productive infrastructure.

Access to a range of PPAF resources (asset transfer, internal lending facility, matching grants, infrastructure, micro-credit etc) will depend on community organizations (COs) and village organizations (VOs) meeting a minimum standard of performance and graduating in a timely manner into viable institutions that can manage and leverage resources from government and/or the private sector.

13.8 Initiatives to Combat Poverty

The sharp rise in international oil and food prices and the global financial crisis not only adversely impacted the macroeconomic indicators in Pakistan but also imposed social costs. Recognizing the urgent need to protect the poor and the vulnerable, the Government of Pakistan (GoP) launched the ***Benazir Income Support Programme (BISP)*** in 2008 as its main social safety net programme. This programme would serve as a platform to provide cash transfers to the vulnerable identified on the basis of a poverty scorecard and would be backed by an exit strategy. This strategy includes imparting training to one member of each vulnerable family to sustain itself. The Programme also envisages a workfare initiative through social mobilization. BISP intends to cover 3.4 million families or 22.75 million people in the current year. In the next two years, the government intends to at least double the allocation for BISP to cover 7 million families. The government would require additional resources of US$ 3.05 billion over the next two years to sustain the above programme. Poverty reduction is at the forefront of government's all economic efforts. Major thrust of the nine point economic agenda, IMF assisted stabilization programme and lastly, PRSP (i&ii) which itself is a poverty reduction program is to improve the economic lot of the poor and thus to improve the headcount ratio. Government undertook various measures to reduce poverty; briefly discussed below.

The government is cognizant of the fact that effective targeting, implementation, and monitoring of the BISP require a well thought out design as well as placement of appropriate institutional arrangements for various processes. As a first step, a policy decision has been taken to improve the targeting system by using the poverty scorecard approach and a test phase is being implemented in 16 districts. In addition, the government is also keen to enhance the governance and social accountability of the programme. These efforts include separation of identification, administration, and payment functions, piloting the payment through paperless smart card technology, process evaluation and spot checks, and fiduciary controls. In the up-coming pilot phase, three partner organizations have been identified to collect scorecard data in the selected districts. Upon receipt of the completed forms, the National Database Registration Authority (NADRA) will process the data in a comprehensive Management Information System (MIS) and then finalize the beneficiary lists. Payments are to be made via the post offices and delivered at the doorstep through money orders to the adult female representative of the eligible family. A third party process evaluation and spot checks will be conducted immediately after the scorecard data collection to ensure the targeting accuracy. The experience gained through the pilot phase coupled with a careful evaluation of the data collection performance of three partner organizations will help in developing the plan for nationwide rollout to be completed within 2009.

The evaluation strategy of BISP aims to evaluate the impacts of the cash transfers on the socioeconomic conditions of the beneficiary families, such as food and non-food consumption, and potentially on a number of human development indicators such as school enrollment and attendance, health outcomes, and child labour. Given that the cash transfer is provided to the female head of the beneficiary families, the evaluation also aims to assess the impact of BISP on the perceived and actual social status of women.

The cash transfer programme, BISP serves the first step of a more systematic, coherent and effective country safety net programme. In the short to medium term, the BISP shall serve as a platform for various social assistance programmes. These include transition to a Conditional Cash Transfer (CCT) programme, complementary poverty exit programmes, health insurance programmes, and workfare programmes.

Learning from the international experiences on the effectiveness of the Conditional Cash Transfer programme in enhancing human development, particularly in education, health and nutrition, the GoP through Pakistan Bait-ul-Mal (PBM) has already piloted a conditional cash transfer programme - Child Support Programme (CSP) - in three districts and plans to scale up to 11 districts in the current financial year. The CSP currently has only one condition (admission of beneficiary's children aged 5-12 years in school and at least 80 percent school attendance rate) and pays beneficiary families Rs. 300 per month (US$ 3.7) with one child in school, and Rs. 500 per month

(US$ 6.2) with more than one child in school. In order to measure the impact of the programme, a baseline survey and a rapid assessment have been conducted with a follow-up survey to be initiated soon.

Health related shocks affect the transient poor more adversely as they cause loss of income and disturbs the livelihoods of the poor pushing them into extreme poverty. Therefore, BISP will also serve as a platform for complementary programmes the main being **health insurance for the poor and the vulnerable**. This programme will cover the entire family including household head and spouse, children up to 18 years, dependent parents, and unmarried daughters, 18 and above. The policy benefit will cover full hospitalization, pregnancy, daycare treatment and diagnostic tests up to a maximum limit of US$Rs.25000 per person per year. This insurance policy will also provide accident compensation for earning members of the family. The premium for this health insurance policy will cost Rs.800 per family per year and is proposed to be picked up by the government as a part of the BISP benefits.

Two key initiatives have been launched as an exit strategy to help the BISP target population graduate out of poverty on a sustainable basis. **Skill development** coupled with rehabilitation grants would ensure that the poorest of the poor are provided with skills to enable them to become productive members of the society. The skill development component will undertake training of one family member of the targeted households enabling him/her to seek a job relevant to the skill acquired. The skill development programme would be demand driven ensuring employment/self-employment to the trainee on successful completion of training. Trainings will be provided to 0.5 million people in the first year which will be doubled in the subsequent year to a total of 1 million as training capacity gets enhanced over this period. The trainees would also receive commensurate rehabilitation grants on successful completion of the training. The average cost of this package inclusive of stipend during training would be around US$ 800 per person.

Social mobilization is a process in which community members, especially the poor, form their own organization based on common interests and needs. Effective social mobilization goes beyond forming Village/Community Organization; involves a long term process of building institutions of the poor; and results in organized communities making demands upon the system for improved service delivery and accountability. Provision of workfare through small public works under a social mobilization programme will have an immediate impact on poverty levels. This programme is based on the concept of small development schemes for construction of paved streets and water and sanitation facilities at the local level with help of community contribution. This will not only provide essential employment opportunities to the poorest of the poor but will also act as the backbone of many other development outcomes like improved hygienic conditions, nutrition, productivity, the position of women and girls, and lesser depletion of natural resources. Over the last few years several workfare-type programmes have been implemented in Pakistan with the objective of providing temporary employment to the poor and the vulnerable groups with a fair degree of success. These programmes include public works targeted to Afghan refugees, the Khushal Pakistan Programmes and workfare initiative under the Rural Support Programmes. **Community Investment Fund (CIF)** for females will be set up under this initiative, which will be a revolving fund maintained at the union council level to provide interest free loans for income generating activities.

The BISP is, therefore, planned to serve as a platform for many complementary programmes, which are being designed for implementation. These complementary programmes include a **workfare programme through social mobilization**. The latter would be delivered through undertaking small public works in all 6451

Union Councils in the country. The programme envisages an investment of US$ 80,000 in each Union Council in the first year gradually decreasing to US$ 40,000 in the second year as the economy starts to pickup and additional fiscal space becomes available for sustained program.

Pakistan Poverty Alleviation Fund has been established to enhance the availability of resources and services to the poor. Since commencement of operations in April 2000 to date, PPAF has disbursed approximately Rs 55.5 billion to 75 Partner Organizations across the country. It is estimated that 15 million and 11 million individuals have been impacted directly or indirectly by PPAF financial and non financial services respectively. Rupees 4.2 billion have been disbursed up to end December 2008 during 2008-09. Rs 5.74 billion from **Zakat Fund** is likely to be disbursed during 2008-09 with an estimated 2186 thousand beneficiaries. **Microfinance** provides low income and marginalized communities with increased financial access, which allows it to become a critical component in the fight against poverty. The industry remains credit driven with 1.7 million active borrowers with a gross loan portfolio of Rs 18.7 billion and roughly 53 percent female clients. Growth in outreach has been achieved by the industry adopting a two pronged approach focused on entering new territories with existing products and improving penetration in existing areas of operation with new credit and non-credit products.

The latent potential of **SME sector** in creation of employment, alleviation of poverty, promotion of economic growth and formation of forward and backward linkages place it in a highly important transformative position across the globe. There are approximately 3.2 million business enterprises in Pakistan and SMEs constitute almost 99 percent of them. The contribution of SMEs towards GDP is over 30 percent, export earnings share 25 percent besides contributing 35 percent in the manufacturing value addition. It also generates 78 percent of non-agricultural employment. SBP has taken a number of initiatives for promotion of SME sector.

Punjab Government initiatives to eradicate poverty include; **Tractor Subsidy Scheme;** a subsidy of Rs.2 lakh per tractor is being provided for 10,000 tractors in a transparent manner at a cost of Rs 2 billion during, 2008-09. The **"Sasti Roti"** initiative is focusing on the urban population of the province. Under the scheme Sasti Roti at the rate of Rs 2 of 100 gm is being provided across the Punjab on about 12,226 enlisted Tandoors with daily consumption of about 70000 bags. Subsidized atta is being provided to the Tandoor owners at the rate of Rs 250 per bag.

Punjab Food Support Scheme is a targeted subsidy both for Urban & Rural population aimed at affording relief to the following categories; (i) households that do not have a bread-earner, (ii) widows, orphans, and the destitute, (iii) chronically sick and/or disabled persons, (iv) elderly persons who have been abandoned by their family, and (v) the poorest of the poor segments of the society with marginal income. At present 8^{th} Phase of the Punjab Food Support Scheme is in progress with 1296651 No. of Beneficiaries. So far, Rs. 8,835.537 million has been released to Pakistan Post for all the 8^{th} Phase for disbursement to the beneficiaries of the scheme.

Peoples Works Programme include schemes having immediate bearing on standard of living of a common man under in the area of roads, electrification, gas, telephone, education, health, water supply and sanitation. Expenditure incurred during 2008-09 (up to end April) was 2.18 billion. The programme will create sizeable employment opportunities, improve access of low income groups to basic necessities which will play an important role in reducing poverty and improve quality of life.

Pakistan Bait-ul-Mal (PBM) is making a significant contribution towards poverty reduction through it's various poorest of the poor focused services by providing assistance to destitute, widow, orphan, invalid, infirm and other needy persons irrespective of their gender, caste, creed and religion. The ongoing core projects/schemes of PBM are: (i) Individual Financial Assistance (IFA), (ii) Child Support Programme (CSP), (iii) Food Support Programme (FSP), (iv) Civil Society Wing (CSW), (v) National Centres for Rehabilitation of Child Labour (NCsRCL), (iv) Vocational Training Centers (VTCs) and (vii) Jinnah Burn and Reconstructive Centre Lahore.

Chapter No. 14

Transport and Communication

Transportation network of any country is of vital importance to its development and affects all sectors through economic linkages. It ensures safe and timely travel, encourages business activities and cuts down transportation costs while granting producers access to markets for their goods. A reliable transportation network also provides swift access to labor force and hence generates employment opportunities. It has been widely recognized that economies with better road and communication networks are positioned more advantageously in terms of overall competitiveness as compared to economies having poor networks. Enhancements in transportation and telecommunication benefit industry, agriculture, and the services sectors as well as improving the standard of living of the general public, it is therefore, crucial that investments be made to develop and maintain an efficient network of transportation and telecommunication to ensure cost efficient integration of markets both domestically and internationally.

An efficient transportation network provides safe and environmentally sustainable services in a manner that encompasses road, rail, aviation, and freight effectively so as to provide the maximum benefit to the public as well as both producers and consumers. Urban transportation is also a key component of a transportation network but is sometimes overlooked in many developing countries. A reliable, well-maintained, and least costly urban network is essential in getting the masses to work and acts as a significant tool in fight against poverty.

I. Road Transport:

i. Road Network

Pakistan has a road network covering 258,350 kilometers including 176,589 KM of high type roads and 81,761 KM of low type roads. Total roads, which were 229,595 Km in 1996-97, increased to 258,350 Km by 2008-09 indicating an increase of 12.5 percent. During the out-going fiscal year, the length of the high type road network increased by 1.3 percent but the length of the low type road network declined by 2.7 percent because most of low typed roads have been converted to high type roads. A sizable and consistent improvement of the high type road network can be observed during 2001-2009, where the network grew at an average rate of 3.3 percent. The continuous improvement and rehabilitation of the existing roads reflects the government’s enhanced focus on infrastructure. As a result of an emphasis on high type roads, many low typed roads were converted to high typed roads during 2001-2009. There are many ways by which availability of improved and wide spread modern road networks can facilitate for enhancing economic activity e.g., alleviate poverty by providing access to far flung rural areas, create more jobs by supporting economic activity along the road network and provide numerous small-scale investment opportunities. The annual growth of roads in Pakistan since 1996-97 is given in Table 14.1 and Fig-14.1

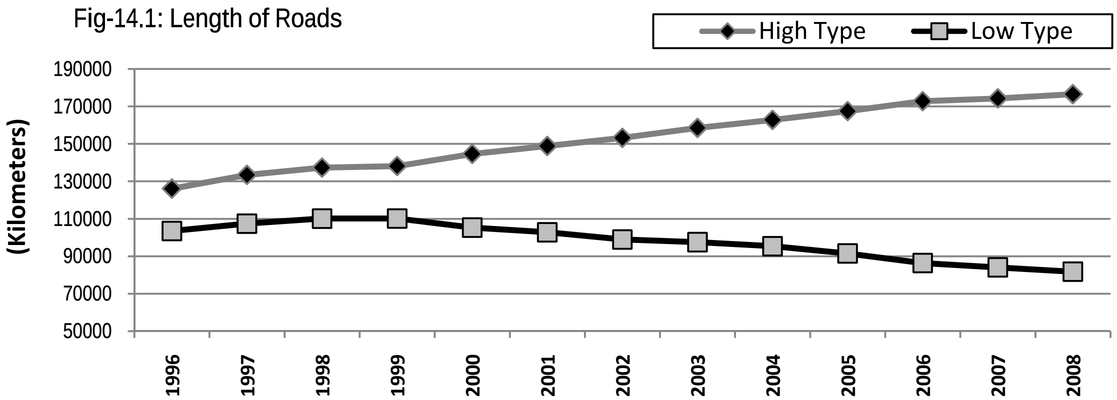
Table 14.1: Length of Roads (Kilometers)

Fiscal Year	High Type		Low Type #		Total	
	Length	% Change	Length	% Change	Length	% Change
1996-97	126,117	6.5	103,478	3.6	229,595	5.2
1997-98	133,462	5.8	107,423	3.8	240,885	4.9
1998-99	137,352	2.9	110,132	2.5	247,484	2.7
1999-00	138,200	0.6	110,140	0	248,340	0.3
2000-01	144,652	4.7	105,320	-4.4	249,972	0.7
2001-02	148,877	2.9	102,784	-2.4	251,661	0.7
2002-03	153,255	2.9	98,943	-3.7	252,168	0.2
2003-04	158,543	3.5	97,527	-1.4	256,070	1.5
2004-05	162,841	2.7	95,373	-2.2	258,214	0.8
2005-06	167,530	2.9	91,491	-4.1	259,021	0.3
2006-07	172,891	3.2	88,930	-2.8	261,821	1.1
2007-08	174,320	0.8	84,030	-5.5	258,350	-1.3
2008-09*	176,589	1.3	81,761	-2.7	258,350	0

***Estimated**

 # The percentage change in low type roads can be negative since most of these roads are being converted to high type roads.

Fig-14.1: Length of Roads



Source: National Transport Research Council

a). National Highway Authority (NHA)

NHA is responsible for development, operation, maintenance and preservation of the national highway network. NHA has to secure delivery of efficient, reliable, safe and environment friendly national highway network with a view to improve quality of life in Pakistan. NHA network plays a major role in reducing transportation costs and increasing access to markets for local produce and products.

The NHA looks after nearly all of Pakistan's major Inter-provincial road links called the national highways. National Highway represents main transport corridors linking ports to major population centers and to neighboring/regional counties viz Afghanistan, China, Iran and India. National Highway takes 80 percent of the traffic load presently comprising 33 national highways, motorways, expressways, strategic roads. The length of this network which was 6564 km i.e in 1991 when NHA was created.

The current length stands at 11856 km detailed in Table 14.2-A and 14.2-B below:-

14.2-A. Description		No.	Km
i.	National Highways	20	9280
ii.	Motorways	7	1930
iii.	Expressways	3	384
iv.	Strategic Roads	3	262
	Total	**33**	**11856**

Table-14.2-B: Province wise break-up of this network is given below:-			
	Province	**Km**	**%age**
i.	Punjab	2659	22
ii.	Sindh	1975	17
iii.	NWFP	1651	14
iv.	Balochistan	4629	39
v.	NAs/AK	942	8
	Total	11856	100
			Source: National Highway Authority

The network also includes more than 5000 bridges, interchanges & flyovers and about 15000 culverts. Around 75 percent of NHA network is 2-lane, 20 percent is 4-lane & 5 percent is 6-lane. Substantial portion of this network has reached or reaching its capacity and will be excessively overburdened within the next 5 years. NHA is currently meeting maintenance costs primarily through toll and some maintenance grant by the Government. Development of the network is entirely through external financing. Maintenance cost is increasing, whereas toll rates were kept at the level of 1999 till October 2008, therefore lack of funds creating substantial maintenance backlog. Funds for development of NHA network are allocated by Government of Pakistan through the Public Sector Development Program (PSDP). Since its creation NHA's network and funds allocated by the Government through PSDP has been given in Table-14.3.

Keeping in view socio-economic requirements of the country and with the aim of integrating various regions with main national highway arteries, the Government of Pakistan is augmenting NHA network regularly through federalization of various provincial links and construction of new links.

Table-14.3: Allocation of Funds for Road Net Works Under PSDP		
Year	**Network (Km)**	**PSDP (Rs.in million)**
1991	6564	5152
1994	6564	6000
2001	8690	10900
2005	9518	20000
2006	10849	31000
8-Jul	11485	29000
9-Aug	11856	36500
		Source: National Highway Authority

Operation & Maintenance (O&M)

NHA is emphasizing preservation of the existing highway infrastructure/ safety. The endeavor is to operate & maintain the network in worthy and safe condition at optimum expenses, ensuring user's satisfaction. The network is, however, burdened by immense traffic and is insufficient to meet the growing needs. Since road Operation & Maintenance (O&M) activities are dependent on toll special attention is being given to enhance the efficiency of tolling system and revenue management through installation of Electronic Toll and Traffic Management (ETTM) Systems under a phased program. NHA's current annual maintenance need is close to Rs.16 billion, whereas, resources available for financial year 2008-09 was less than Rs.11 billion (primarily toll). Because of this factor and depletion in purchase value of rupee due to abnormal price hike/inflation, it is apprehended that maintenance backlog of more than Rs.84 billion would be created during the next seven years if NHA's maintenance resources are not augmented. To partly bridge the gap in maintenance need vs. resources, NHA recently rationalized toll rates on different highways through 20 percent increase in toll for trucks, 25 percent for busses and 50 percent for cars. However, the road user would benefit more through improvement in condition of the road network and reduction in overall vehicle operating cost. The rationalization of rates will enhance NHA's revenue by around Rs. 1800 million in financial years 2009-10.

A total of 98 toll plazas are currently approved for the NHA network, out of which 84 are operational. The responsibility for Operation & Management (O&M) of most of these toll plazas was entrusted to Frontier Works Organization (FWO) National Logistic Cell (NLC). However, NHA has commenced privatization of toll O&M through open competition. The 26 toll plazas vacated by FWO/NLC are being handed over to private toll operators on guaranteed revenue basis. It is anticipated that this measure will add NHA's toll revenue to the tune of Rs. 543 million during financial year 2009-10.

Annual Maintenance Plan:

The O&M of NHA network is carried out systematically through annual maintenance plan. The maintenance expenditures have been categorized in the following Box.

Category of Maintenance		2007-08		2008-09		2009-10	
		Km	Rs in M	Km	Rs in M	Km	Rs in M
a.	Rehabilitation	114	1417	230	3019	229	3884
b.	Structural Overlay	287	1638	163	1514	219	1506
c.	Functional Overlay	514	1676	585	1925	396	1973
d.	Routine	8183	810	7604	1366	7362	1190
e.	Highway Safety	--	410	--	670	--	650
	Total	9098	5951	8582	8494	8206	9203

Initiatives and Future Plans:

- NHA plans to launch a Motorway advisory Radio (MAR) system during financial year 2009-10 under the Public-Private Partnership. The MAR system will benefit the road users and will ultimately be extended to the national highways. This will provide updated information regarding fog/low visibility of areas & suggest precautionary measures traffic congestion and incidents/accident information accordingly.

- Government of Pakistan recognizes transport infrastructure as a prerequisite for sustained economic growth and plans to :- (i) Enhance road density from 0.32 to 0.64 km/km², (ii) Develop the country as a hub of sub regional connectivity through consolidation & up gradation of existing assets, (iii) Linkages with Gwadar, high speed N-S economic corridor & up gradation of existing highways.

- The National Trade Corridor (NTC) initiative envisages an investment program of Rs.325 billion, to be completed by 2017-18 through financial support of various development partners. The aim, objective and targets of NTC program are as under:-

    - ❖ Upgrading capacity, extending the network, and modernizing the national highways along the North-South (N-S) NTC through a network of high speed access controlled expressways/motorways.

    - ❖ Improve trade by 10 percent decrease in road transport costs and 50 percent reduction in travel time.

- Besides paying attention to N-S Connectivity, NHA is also giving equal attention to improving East-West linkages. NHA has introduced the concept of tunnels on different roads for fast/smooth traffic flow.

II. Pakistan Railways

A well performing rail transport infrastructure is vital for a country's development. Investment in a country's infrastructure directly affects economic growth as producers find the best markets for their goods, reducing transportation time and cost, and generating employment opportunities. Pakistan

Railways plays a significant role by providing a safe, economical and environment friendly mode of transport.

Railways are a valuable source of employment while generating large amounts of revenue to the benefit of the economy. An effective railway system facilitates commerce and trade, reduces transportation cost (monetary and non-monetary), and promotes rural development and national integration while reducing the burden on commuters. However, there has been massive shift from railways to road transport, with latter now accounting for 90 percent of passenger traffic and 96 percent of freight traffic.

Pakistan Railways has also improved the quality of its services punctuality and cleanliness of coaches. During the current financial year passenger traffic freight performance was satisfactory while it showed a negative growth during the last year so far as passenger traffic is concerned. However, during July-March 2008-09 both the passenger traffic and freight posted an increase of 7.5 percent and 19.4 percent respectively. This trend is reported in Table: 14.4.

Table-14.4: Passenger Traffic (Million Passenger km) **Freight Million ton km**

Fiscal Year	Road	% Change	Rail	% Change	Road	% Change	Rail	% Change
1996-97	163,751	5.9	19,114	1.1	84,345	5.6	4,607	-9.3
1997-98	173,857	6.2	18,774	-1.8	89,527	6.1	4,447	-3.5
1998-99	185,236	6.5	18,980	1.1	95,246	6.4	3,967	-10.8
1999-00	196,692	6.2	18,495	-2.6	101,261	6.3	3,753	-5.4
2000-01	208,370	5.9	19,590	5.9	107,085	5.7	4,520	20.4
2001-02	209,381	0.5	20,783	6.1	108,818	0.2	4,573	1.2
2002-03	215,872	3.1	22,306	7.3	110,172	1.2	4,830	5.4
2003-04	222,779	3.2	23,045	3.3	114,244	3.7	5,336	10.7
2004-05	232,191	4.2	24,238	5.2	116,327	1.8	5,532	3.6
2005-06	238,077	2.5	25,621	5.7	117,035	0.6	5,916	6.9
2006-07			26,446	3.2			5,453	-7.8
2007-08	--	--	24,731	-6.5	--	--	6,178	13.3
July-Mar 2008-09*			19,677	7.5	88,023		4,520	19.38

Estimated** ***Source: Ministry of Railways & Ministry of Communications

In order to continue improvements and to consolidate reforms, Pakistan Railways has participation in order to increase its competitiveness, responsiveness and efficiency, Pakistan Railways is planning to take a series of interlinked initiatives, which will enable it to complete efficiency in the fast growing transport sector in Pakistan. Pakistan has awarded a contract to an international consortium to carry out a feasibility study for establishing a rail link with China. A rail link could further boost trade relations between the two countries by facilitating the already growing trade with China and operations of Gawadar Sea Port.

The PSDP allocations for the Railways sector were increased from Rs.3 billion during 2000-01 to Rs.11.280 billion in 2008-09. Pakistan Railway development projects have suffered badly due to reduction of PSDP for the year 2008-09 from Rs.11.280 to Rs. 6.560 billion as a result of which many projects have been deferred. Major development schemes include track renewal of 240 KM of rails and 220 KMs of sleepers planned for main line. Additionally, contract agreement for procurement and manufacturing of 75 DE locos has been signed and five locomotives out of 10 shall be manufactured in Pakistan Locomotive factory Risalpur from completely knock down kits during next year. First shipment of locomotive is expected in last quarter of next year. 100 CKD wagons received from China will be manufactured of Pakistan Railways Workshop in Moghalpura this year thus completing the scheme for Procurement/Manufacture of 1300 high capacity wagons. Rehabilitation of 400 old coaches is underway with 120 coaches expected to be rehabilitated in this fiscal year. Another on-going development project is the next phase in the doubling of track from Khanewal Lahore (246 KM). Doubling of track has been completed from Khanewal to Chichawatni Railway stations and track is in operation. In addition to these development projects, various feasibility studies have also been undertaken to explore future prospect and initiatives. Pakistan Railways is actively participating in National Trade Corridor Programme and is trying its best to increase its share particularly in the freight sector by assigning priority to the projects related to rolling stock and infrastructure for improvement of freight train operations to reduce the cost of doing business because Railway is cheaper and safe mode of transportation as compared to road.

Pakistan Railways has finalized following tenders for improvement of operation on the system and contracts are at various stages of implementation.

- Procurement/manufacture of 75 D.E. Locos.
- Procurement/manufacture of 530 High Capacity Wagons including brake vans.
- Procurement/manufacture of 202 high speed modern coaches.
- Replacement of old signaling gear on Lodhran Shahdara Bagh Section.

The earnings of Pakistan Railways since 1998-99 till 2008-09 are given in Table: 14.5

Table-14.5: Earnings of Pakistan Railways
(Rs. Million)

Year	Earnings	% Change
1998-99	9,310	--
1999-00	9,889	6.2
2000-01	11,938	20.7
2001-02	13,046	9.3
2002-03	14,812	13.5
2003-04	14,636	-1.2
2004-05	18,027	23.2
2005-06	18,184	0.9
2006-07	19,194	5.5
2007-08	19,973	4.1
2008-09 (Jul-Mar)	17,442	14.5

Source: Ministry of Railway

III. Pakistan Civil Aviation Authority

Civil Aviation Authority (CAA) is responsible for the promotion and regulation of Civil Aviation activities and development of infrastructure for safe, efficient, adequate, economical and properly coordinated air service in Pakistan. CAA plays an important role in the development of a country's economy by providing fast and efficient access between different parts of the country and around the world. Private participation on this front has been encouraged through concession and incentives for development of airports and airlines to increase the availability of air transport services both domestically and internationally. In order to facilitate economic activity in an increasingly globalize world, it is important to construct and maintain airports in the country the following major new/existing airports are being constructed /upgraded by CAA.

i) New Benazir Bhutto International Airport (NBBIA) at Islamabad.

The construction of New Benazir Bhutto International Airport (NBBIA) will play a major role in the national aviation sector. The airport will be developed by the Civil Aviation Authority (CAA) on a self-finance basis with an estimated cost of Rs. 37 billion on 3400 acres of land and is expected to become operational by the end of 2011.

ii) New Gwadar International Airport (NGIA)

To supplement the growth and development of Balochistan, the CAA has planned to construct the New Gwadar International Airport (NGIA) through the Public Sector Development Programme (PSDP), at a total estimated cost of Rs. 7.5 billion and is likely to be completed by December, 2011.

iii) Up gradation of Multan International Airport

Multan Airport is jointly used by CAA and Pakistan Air Force. CAA has, therefore, planned to upgrade the existing infrastructure for B-747/ B-777 operation on modern line to support the 21st century aircraft technology and to meet the operational requirements of next 15-20 years.

iv) Expansion of Peshawar International Airport

To enhance the trade route internationally with Afghanistan and central Asian countries, the CAA has therefore, plan to upgrade existing Terminal Complex, Car Park, Executive Lounge, Cargo Complex and allied facilities in area future.

a. Pakistan International Airline

The outgoing year (2008) was also exceptionally difficult for PIA, as the airline was equally affected by the unprecedent increase in fuel cost coupled with weaker Pakistani-Rupee severely hurt PIA and eventually it had to bear huge loss on its US $ loans. At the same time, the fall in the value of Pound Sterling and Euro against US dollar was also a source of revenue dilution since it depressed yields in this important region. Moreover, higher inflation in the country also added pressure on the cost structure.

PIA international passenger traffic, excluding Hajj traffic registered an increase of 3.5 percent (3,069,717-year 2008 over 2,964,830-year 2007) passengers despite the seat (capacity) reduction of 2.3 percent. On domestic routes passenger traffic also registered increase of 3.6 percent (2,239,815-year 2008 over 2,160,589-year 2007) passengers, despite the seat (capacity) reduction of 7.4 percent.

Hence in terms of capacity utilization, overall Passenger Seat Factor (excluding Hajj) increased to 74.5 percent during the year 2008 as compared to 70.3 in 2007 although Airline was constrained to mount less ASKs (Available Seat Kilometers) by 5.7 percent. Similarly, though Cargo capacity was also lowered by 13.8 percent during the year 2008. However, load factor compared to the year 2007 improved by 2.7 percent.

Adoption of technological tolls, vigilant inventory management, proper product positioning, induction of new routes and timely catering of market demand through increased flights and product up gradation helped in increasing sales of Rs. 17.8 billion adding handsome growth of 28.7 percent alone in passenger's revenue. This also posted increased system wide Passenger Market Share at 50.1 percent in 2008 as compared to 49.8 percent in 2007. PIA cargo revenue improved by 12.5 percent in 2008 when compared with last year.

In order to dispense away with conventional wisdom, PIA has decided to undertake a number of measures involving strategic planning initiatives, tactical moves in markets, rationalizing of work processes within the organization and enhancing morale of the employees.

IV. Ports and Shipping

a) Karachi Port Trust:

Karachi Port Trust (KPT) is contributing in the economic growth of the country, by its record cargo handled at KPT. There has been all time higher growth in cargo exports during 2007-08, while during the first seven months of the current fiscal year; it has shown a remarkable increase of 44.3% in export handled at Karachi Port Trust Table.14.6.

The existing port facilities are becoming inadequate to handle the cargo at the port due to continuous growth in cargo. In order to address these constraints, the KPT has launched a number of project, which are at different stages of execution. The projects have been formulated for phased implementation on Built, Operate & Transfer (BOT) basis covering various activities in port operations. The KPT has commissioned the project titled "Karachi International Container Terminal (KICT)." The project is already operational at the west wharf having annual capacity of 350,000 twenty equal units (TEU). An additional amount of $ 65 million was invested to enhance its capacity up to 525,000 TEU. The 3rd phase of the project was launched on 7th March, 2005, with an investment of US $ 55 million to extend the capacity up to 700,000 TEU. The III-Phase of KICT has started its commercial operation.

Table 14.6 : Cargo Handled at Karachi Port (000 Ton)

Year	Imports	%Change	Exports	%Change	Total	% Change
1996-97	18,362	-1.9	5,113	5.2	23,457	-0.4
1997-98	17,114	-6.8	5,570	8.9	22,684	-3.4
1998-99	18,318	7	5,735	3	24,053	6
1999-00	17,149	-0.9	5,613	-2.1	23,762	-1.2
2000-01	20,064	10.5	5,918	5.4	25,98	9.3
2001-02	20,330	1.3	6,362	7.5	26,692	2.7
2002-03	19,609	-3.5	6,273	-1.4	25,852	-3.1
2003-04	21,732	10.8	6,081	-3.1	27,813	7.6
2004-05	22,100	1.7	6,515	7.1	28,615	2.9
2005-06	25,573	15.7	6,697	2.8	32,270	12.8
2006-07	23,329	-8.77	7,517	12.24	30,846	-4.41
2007-08	25,517	9.38	11,675	55.31	37,192	20.57
2008-09 (Jul-Jan)	13,512	-10.46	7,874	44.34	21,386	4.09

Source: KPT

Since new generation ships have come on board, KPT is taking initiatives to be able to cater for high capacity fifth and sixth generation ships. This involves the development of 10 deep draughts with the total cost of US $ 1,600 million.

A cargo Village and Industrial Park on an area of approx 2590 hectares in the Western backwaters of Karachi Port has been proposed to augment the growing cargo handling. Moreover, in order to provide connectivity between the Pakistan Deep Water Container Port and Cargo Village, KPT is planning to construct of Cable Stayed Bridge across the Channel with a height of 65 meters and wet span of around 470 meters at the estimated cost of US $ 417 million. The bridge will also connect Clifton with Manora and Sandspit/Hawksbay etc. with a total length of around 12 kms.

b) Pakistan National Shipping Corporation (PNSC)

PNSC fleet includes 11 vessels with a total capacity of 477238 dead weight, consisting 7 multi purpose cargo vessels, 3 aframax crude oil tankers and one panamex built carrier vessel acquired through PNSC’s own resources. The commercial and financial performance of the PNSC remained satisfactory during July-March 2008-09. The consolidated revenues of the Group for the quarter ending March 31, 2009 were Rs. 9503 million during the period under review as against Rs. 7,471 million for the corresponding period last year showing an increase of 27 percent. Similarly, profit before tax stood at Rs. 2,341 million as against Rs. 1,957 million during the same period last year exhibiting an increase of 20 percent. The earning per share during this period witnessed a substantial increase of 28 percent over the corresponding period last year.

During July-March 2008-09, PNSC lifted 5762.2 million tones of liquid cargo and 865.0 million tons of dry cargo. PNSC is presently planning to replace and as well as expand its present fleet strength through induction of crude oil tankers, general cargo and bulk carrier vessels by purchasing secondhand, resale and new buildings. The Corporation is also planning to replace two of its existing tankers and two Multipurpose General Cargo vessels with similar modern vintage vessels under its fleet replacement plan 2008-09.

c) Gwadar Port

Gwadar Deep Water Port (GDWP) is the 3rd port of Pakistan, Karachi and Port Qasim being the other two ports. GDWP is situated on the Balochistan coast about 537 KM from Karachi and 120 KM from Iranian border. It is located at the mouth of Persian Gulf and out side the straits of Hurmoz thus enjoying high commercial and strategic importance.

The Development of Gwadar Deep Water Port was planned to be undertaken in two phases. The Phase-I, comprising of three multipurpose berths, having a total of 602m length, a 100m service berth, 4.25 KM approach channel berthing area, cargo handling/operational facilities, all ancillary buildings and operation equipment and floating crafts. As an extension of this Phase, channel has been deepened to 14.5m, so that the mother ships can call on the port and Transshipment take place from this port. This multipurpose terminal will be extended by 900m and than a further 2700m to permit one continued berthing format of 4.2 KM.

For the construction of Phase-I, the People's Republic of China provided funding of US$ 220.26 million, comprising of grant, soft loan & buyer's credit. The Government of Pakistan is contributing US$ 67.54 M as counter financing. After successful completion and operation of Phase-I, the work on Phase-II will follow.

In order to expedite the operationality of the Gwadar Port, a Concession agreement was signed with the Port of Singapore Authority International during February 2007 who have taken over the existing facilities of the Port through the Concession holder namely PSA Gwadar and have started functioning. The first commercial ship bringing 66000 tons of cargo was handled on Gwadar Port during March 2008. A number of ships have been handled so far and more Ships are expected to be handled during coming times.

d) Port Qasim:

Port Qasim is the first industrial and commercial port of Pakistan .At present, it caters for around 40% shipping requirements of national economy. During the last financial year 2007-08, PQA handled a record volume of 26.4 million tones cargo showing an impressive growth of around 9% over corresponding period. However, during first nine months of current financial year 2008-09, PQA handled 18.01 million tones cargo depicting a shortfall of 9% over Jul 07- Mar 08 owing to global economic crisis. Cargo volume, however, surpassed the budget targets by 4% during the period under review. Table14.7 below shows cargo handled at the Port over a period of 12 years.

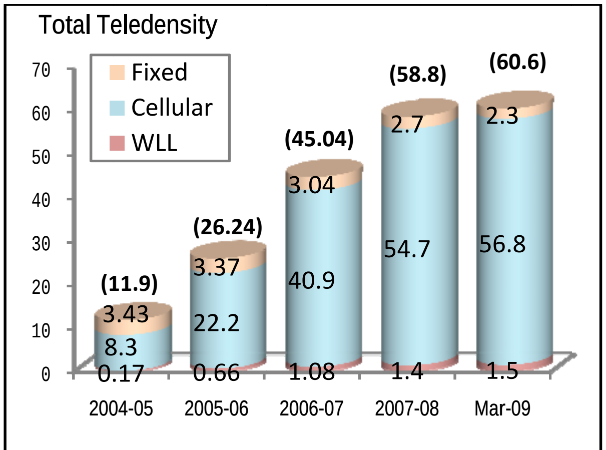
Table-14.7 : Cargo handled at Port Qasim **(000 Tonnes)**

Period	Import	%Change	Export	%Change	Total	%Change
1997-98	13823	39	1144	65	14967	41
1998-99	12191	-12	1742	52	13933	-07
1999-00	13238	09	1703	-02	14941	07
2000-01	11841	-11	1747	03	13588	-11
2001-02	10932	-08	2385	36	13317	-02
2002-03	11980	10	3129	31	15109	13
2003-04	11264	-06	2859	-09	14123	-07
2004-05	16006	42	3431	20	19437	37
2005-06	17588	10	3985	16	21573	11
2006-07	19511	11	4839	21	24350	13
2007-08	21502	10	4922	02	26424	09
July-Mar						
2007-08	16146		3654		19800	
2008-09	14243	-12	3773	03	18016	-09

Source: Port Qasim Authority

Telecom Sector

After experiencing phenomenal growth for last couple of years, Telecom sector of Pakistan exhibits positive but slow growth in terms of revenue, subscribers and teledensity. At the end of third quarter (March 2009), total teledensity reached 60.6%. However, cellular segment leads the share in total teledensity by 93.7% followed by FLL 3.8% and WLL 2.5%.

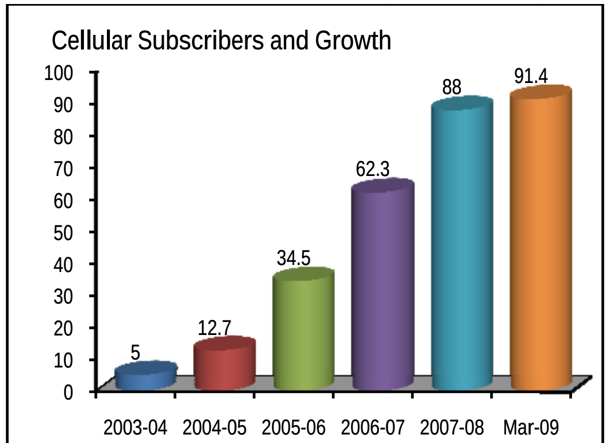


Source: Pakistan Telecommunication Authority

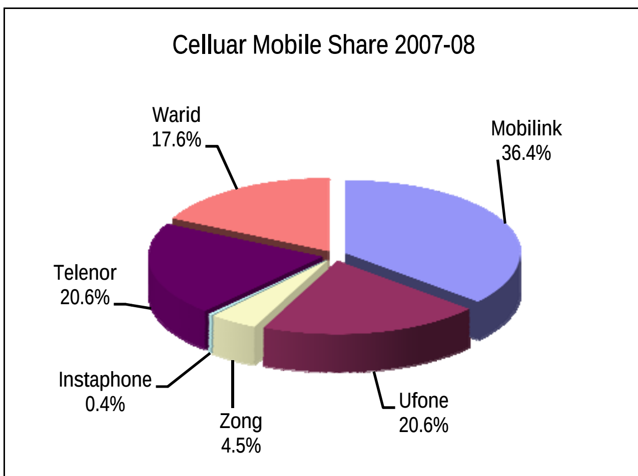
Cellular Mobile

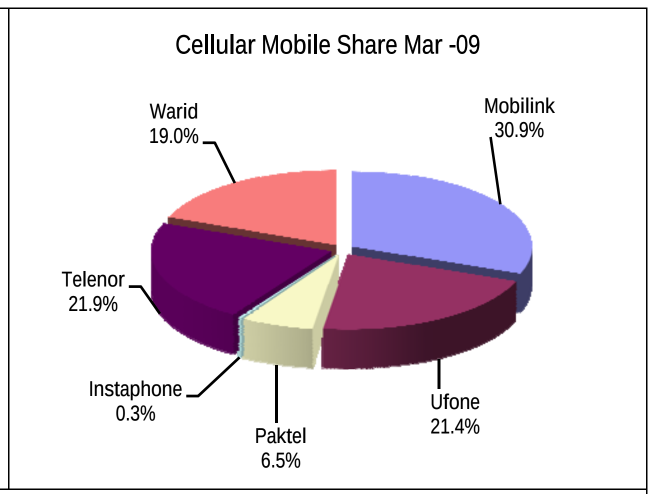
After years of exponential growth, The Pakistan mobile market is slowing down due to unstable and weak economy. Government policy of blocking unverified SIMs and increased GST rate on telecom services in the last budget have slowed down the growth of the sector.

During the first 9 months of 2008-09, cellular Market added 3,422,599 subscribers with average of 0.3 million per month and total subscribers reached 91.4 million. During the last three quarters, cellular industry has grown its subscribers by 4%. Currently (Mar – 09) there are total 10,001 cities/towns/villages covered and 26,300 cell sites installed by all cellular operators



Source: Pakistan Telecommunication Authority

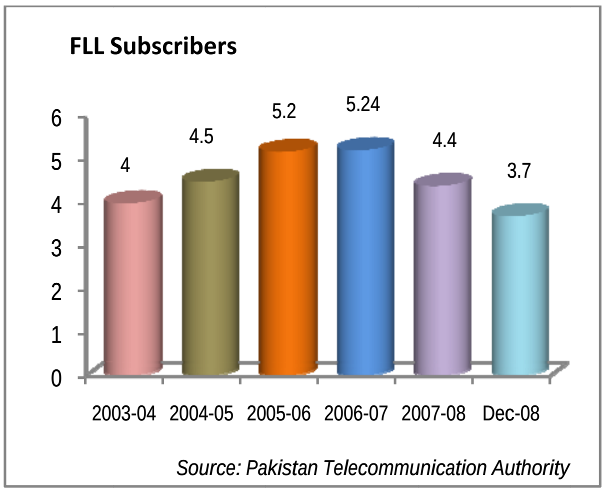




Source: Pakistan Telecommunication Authority

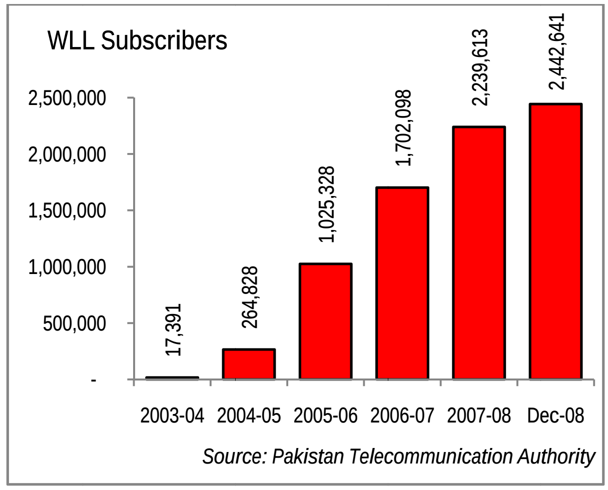
Fixed Local Loop

Fixed line services are experiencing declining trend across the globe, due to introduction of new services that are more economical, cost effective, easy to deploy and have array of value added services attached to it. Out of 4 major operators, PTCL and NTC have the privilege of being the mature operators. Nayatel and Worldcall have joined in very aggressively; especially the innovative new value added services provided by Nayatel have made it a popular service provider in the local market. Brain and Union communication have still not been able to make a mark in the fixed line sector and are providing services to very small market. Availability of mobile service on lower rates and other attractive features also resulted in pushing down the popularity of fixed line. Total fixed line subscribers in Pakistan stand at a total of 3.7 million as of March, 2009, yielding total teledensity of 2.3%.



Wireless Local Loop

Wireless local loop services are becoming increasingly popular both for addressing the rural areas communication needs and low population density areas due to its deployment advantages and cheaper rates. The WLL solution in relation to fixed line requires less investment with high returns. Today WLL services are available across Pakistan in 14 telecom regions and value added services like EvDO are also available. Popularity of WLL services are also obvious from the dropping figures of fixed local loop subscription especially with reference to PTCL's case where a balancing effect of gain and drop in WLL and FLL subscriber is going on for last one year. There are currently 7 operators providing services in their licensed areas in addition to PTCL which is offering WLL services across Pakistan. Total WLL subscribers stood at 2.5 million and density in the country touched 1.5% in March, 09. There are currently more than 12,000 cities/ towns/villages covered by WLL services.



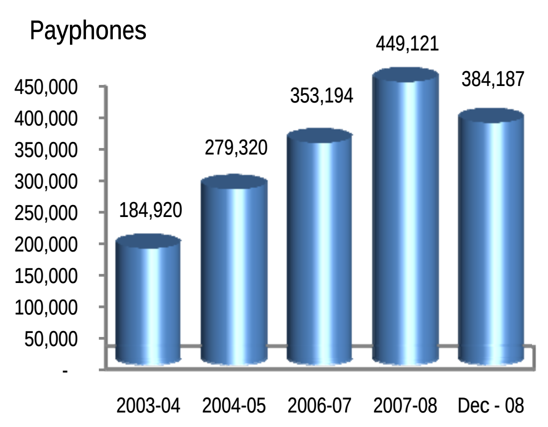
Long Distance & International

The Long Distance & International (LDI) segment of the Pakistan telecom sector has gone through developmental and growth phases in a very small period. The LDI when opened to liberalization actually attracted strong investor groups who visualized the high margin opportunity in it. However, the effect of closely integrated telecom services, unexpected market reactions and illegal activities due to advancement in technology resulted in an unsteady development and then growth of the LDI segment. To ensure maximum share in the market the companies went far beyond their limitations and dropped per minute rates to as low as 1 cent per minute. Also the grey traffic and absence of any defined system of reconciliation of international traffic resulted in drastically falling profits of LDI's operators. Currently 13 LDI operators are operational in the country, and the new mobile operator CMPAK has also requested the regulator for issuance of LDI license.

The regulator is aware of its responsibility to provide level playing field and make sure that the investors do not go into default and the telecom consumers are not exploited. In this regard the Authority has recently issued the new regulation "Monitoring and Reconciliation of International Telephony Traffic Regulations 2008" that would particularly record traffic, billing, billing traffic and quality of LDI services. The Authority is now able to do automated blocking of Internet Protocol Addresses (IPs), involved in illegal termination/origination of international traffic. In this regard the Authority has requested all the ISPs to declare their IP addresses along-with the antecedents of their customers so that illegal telecom traffic could be monitored. PTA has also directed all LDI operators to maintain approved settlement rates for international calls at the level determined by the Authority.

Card Payphone Services (CPPS)

Card Payphone (CPP) services started in Pakistan in early 1990's, when only PTCL was the main operator followed by the Telecard. However, in late 1990's, the Value Added Services were made open to competition. With this a new era of communication started in Pakistan which resulted in increased telecom access around the country, increased employment opportunities and better returns on small investment. However, issues like provision of access network by PTCL, fake companies, introduction of liberalization in around 2007, CPP companies started facing down trends and number of shutdown and mergers took place. Today there are 384,187 fixed, mobile and WLL payphones available across Pakistan.

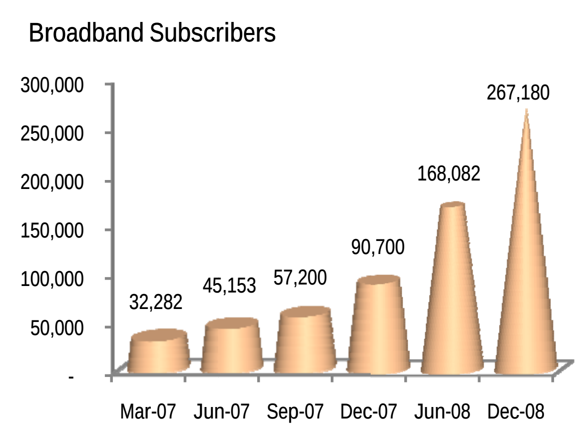


Source: Pakistan Telecommunication Authority

Broadband Services

Broadband is experiencing healthy growth since last year and companies are providing broadband services with DSL, Cable, FTTH and WiMax technologies across Pakistan whereas DSL is the most popular technology. There are currently 267,180 broadband subscribers showing almost 59% growth in 6 months time. Broadband penetration in the country has also been raised from 0.04% in Dec 07 to 0.17% in Dec, 08. Service providers are concentrating mainly on increasing the subscriber base by providing attractive tariff packages and bundled services like cable TV, fixed line and broadband etc. The operators are building their own networks to the door step of the users in order to avoid delays in last mile provision. Similarly Wimax is becoming a popular broadband technology in Pakistan where Wateen is the major service provider.

In order to enhance the broadband penetration, PTA has taken number of initiatives including issuing of determination for putting in place the SOP and SLA for bandwidth provision. Workshop on broadband had been organized for operators, academia and policy makers. Similarly, PTA being active member of USF has asked the company to concentrate on provision of broadband facilities in rural areas. In addition, PTA has also formed a focus group on broadband proliferation which would work towards devising a strategy for increasing broadband proliferation in the country. According to an estimate total broadband subscribers would reach 5 million by end of 2010 while PTA would continue working with stake holders including players and policy makers.

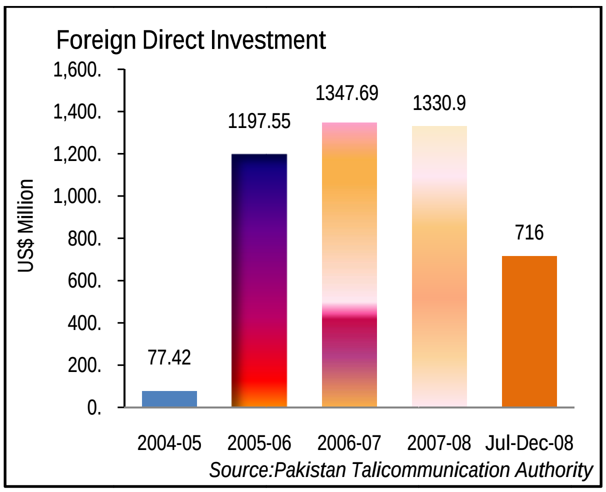


Source: Pakistan Telecommunication Authority

Telecom Economy

Foreign Direct Investment

Stable economy, consistency in policies, sound financial environment and strong economic fundamentals such as low inflation, low fiscal deficit and freedom to investors to repatriate their profits are considered prerequisite to attract foreign investment in any country of the world. Despite a slow down in economy as well as of telecom sector, Foreign Direct Investment in telecom sector of Pakistan continued in last few years which indicate the confidence of foreign investors in our policies. Telecom sector continued to attract major share of FDI in the country. During the last 6 months (Jul-Dec, 2008), telecom sector received over US$ 716 million FDI inflows which becomes 31% of total FDI landed in Pakistan during this period. Operators particularly, CMPak, Warid and Telenor have planned to expand the infrastructure using foreign sources.



Taxes on Telecom Sector

Telecom is an important sector of Pakistan economy contributing about 3% in the national GDP. The Sector is contributing a handsome amount in national exchequer through taxes and duties. During the last year, its contribution in terms of taxes was more than Rs. 101 billion, which has risen to Rs. 111 billion in 2007-08. Rise is mainly attributed to GST, which has increased from Rs. 36 billion in 2006-07 to Rs. 44 billion in the year 2007-08. Activation Tax is another area where government collection has increased by about 11% and stood at Rs. 19.6 billion.

Telecom Imports

During the budget of 2008-09, Government of Pakistan imposed custom duty @ Rs. 500 per mobile hand set on import and subsequently further Regulatory Duty @ Rs. 250 was imposed by FBR on the import of mobile hand sets in Pakistan in Aug, 2008. It was an effort to discourage the import of mobile hand sets which has been considered an extra burden on Foreign Exchange reserves. Policy makers have succeeded to curtail the import of mobile handsets significantly during the first half of Fiscal year 2008-09.

During first six months of Fiscal Year 2008-09, cellular Mobile handsets worth US$ 88.7 million have been imported. Previously, during January to June, 2008 mobile handsets worth US$ 425.6 million were imported in Pakistan. It is evident that during last six months, the growth in import of mobile handsets declined by 79%.

Telecom Contribution to Exchequer (Rs. in Billions)

Period	GST	Activation Tax	PTA Deposits	Others	Total
2005-06	26.80	11.40	17.38	21.55	77.10
2006-07	36.28	17.60	9.72	36.95	100.55
2007-08	**44.61**	**19.20**	**10.86**	**36.96**	**111.63**

Source: Central Board of Revenue and Pakistan Telecommunication Authority.

Regulatory Steps for promoting Telecom in Pakistan

Establishment of Consumer Protection Directorate (CPD)

Pakistan Telecommunication Authority (PTA) has recently established ***Consumer Protection Directorate*** (CPD) at its Headquarters in Islamabad. The Directorate works under Technical Services Division. Against the backdrop of a large inflow of complaints being received by the Regulator from telecom consumers relating to services provided by the telecom operators, it was felt by the Authority that the matter be tackled in a broader perspective.

The Directorate is mandated to work towards evolving institutionalized consumer grievances redressing mechanisms at the service providers' end – who the Authority believes bear the primary responsibility for the redressing of consumers' complaints. In this regard, the Directorate has engaged the concerned quarters at the operators' end to formulate comprehensive complaint redressing mechanisms that shall work round the clock under dedicated focal persons for the speedy resolution of services issues being faced by their respective consumers.

For the larger benefit of telecom consumers, PTA also plans to undertake a comprehensive nationwide media campaign in order to educate and create awareness among the general public on the Consumer complaint Resolution mechanisms.

PTA Establishes 350 Telecenters

PTA is committed to provide telecommunication services to every nook and corner of Pakistan. To fill the gap between rural and urban areas, PTA initiated a project of Telecenters in rural areas of Pakistan. So far, PTA has completed establishment of around 350 telecenters across the country for the provision of basic telecom services in rural areas. These telecenters, called Rabta Ghars, are equipped with modern communication facilities such as computer, fax, printer, scanner, telephone and internet. They were sponsored by PTA, PTCL, Mobilink, Instaphone, Ufone, World Call and Intel. These telecentres have been established in all four provinces and AJK & NAs. According to details 104 telecenters were installed in Sindh, 82 in Punjab, 86 in NWFP, 62 in Baluchistan and 15 in AJK and Northern Areas. These 350 Rabta Ghars are now fully operational and providing fastest communication facilities to the communities of rural areas.

Continued Efforts to Block Unregistered SIMs

PTA is striving hard to block unregistered SIMs which are causing security problem in Pakistan. PTA continued its efforts to block unregistered SIMs under the directive of Ministry of IT and Telecom and guidelines given by the Senate Standing Committees on Interior, IT and Cabinet. A standard operating Procedures (SOP) has been devised to verify SIMs from NADRA data base and PTA checks for violations in its surveys. After considerable efforts total 10.5 million connections have been blocked so far.

Activation of New SIMs after Verification

PTA is taking concrete steps to get registered all cellular mobile users so that cellular mobile technology can not be misused. In this regard, PTA is closely working with law enforcement agencies and cellular mobile operators. Recently, PTA has decided to implement a system for activation of new mobile SIMs after verification of customers' antecedents from January 31, 2009. It has been decided that from January 31, 2009 onwards non-active mobile SIMs will be sold which will be activated only after the verification of consumer data from NADRA, subsequently sale of pre-activated SIMs will be stopped. In this new system, a non activated SIM would be sold to the consumer after checking his original CNIC and filling of Cellular Service Agreement (CSA) form. The consumer will then call 789 from same SIM and Call Center would ask few questions to verify the data provided by the consumer. After online verification from NADRA, if answers were correct SIM would be activated. In case of incorrect answers consumer will contact NADRA Swift Center or Customer Services Center of the concerned mobile operator.

Pakistan Telecommunication Authority is constantly monitoring the sale of new SIMs according to the newly launched System of SIM Activation through NADRA verification. PTA Zonal Offices located at Karachi, Lahore, Peshawar, Quetta, Rawalpindi and Muzaffarabad are checking authorized Customer Services Centres, Franchises and retailers of mobile operators to ensure that no SIM is sold and activated without adopting new procedure already in place from February 1, 2009.

Efforts towards Elimination of Grey Traffic

Grey traffic is a menace that not only incurs revenue loss to national exchequer but also denies level playing field to LDI operators who have paid large amounts as license fees to terminate and originate legal international traffic. In order to effectively deal with this problem, several steps have been taken by PTA and the Government. These include regulatory, such as issuance of guidelines for operators, as well as technical measures, such as deployment of technical solution to curtail grey traffic.

Technical Facility to monitor grey traffic has been acquired by PTA for addressing the issue of grey telephony. The facility has been deployed at a total cost of US$ 3.5 million which has been shared by a consortium of PTA, PTCL and Long Distance & International (LDI) community. The facility became operational on 1st May, 2008 and since then it is being used to scrutinize IP backbone of the country.

The stake-holders have been briefed about the facility who appreciated PTA's efforts against the menace of grey telephony and asked PTA to upgrade the system so that 100% traffic may be scrutinized. Accordingly, the expansion plan has also been finalized. The expansion project of the technical facility would be entirely funded by PTCL and the LDI community, covering 100% international links of the country. It would help in elimination of grey traffic once and for all.

Blocking of Unsolicited SMS, Obnoxious Calls and Fraudulent Payment

It has been observed that subscribers of Cellular Mobile Operators are continuously receiving spam and unsolicited messages which include doubling the balance or award of prize by replying to the particular SMS. This is a fraudulent activity and PTA has taken serious notice of the unsolicited SMS and obnoxious calls issue.

To curb this menace, PTA instructed all Mobile Companies to make an awareness campaign and warn the ones who are involved in such kind of illegal activities. Further more; PTA established a complaint cell in August 2007 which is operational 24 hours a day, seven days a week in order to register the unsolicited SMS/obnoxious calls complaints. The registered complaints are sent to mobile companies on regular basis for evaluation followed by warning SMS to the harassers in first phase and closure of numbers and/or blocking of cell phones in the second phase should the harasser does not stop its involvement in illegal activities

Expert Group Forum on ICT Security Framework

PTA organized an Expert Group Forum meeting on "Information Security Guidelines for the Government of Pakistan" on November 25, 2008 with the aspiration to setup comprehensive, pragmatic and implementable security guidelines that could be followed to ensure that country's national asset and information, does not reach unauthorized personnel. These guidelines would not only prevent information loss, but would also detect and identify such incidents as and when they happen.

PTA intends to establish working coordination with ICT Industry in order to discuss and scrutinize potential security threats faced by information and communication networks of the country. In this regard PTA has formulated an expert group forum on "Information and Communication Security"to carry out extensive discussion and exchange information with respect to information security issues in the country. He also apprised the audience that "Information Security Guidelines" for the Government of Pakistan were bifurcated to cater for three types of information users namely The Government Organizations, The Telecom Industry and The End User. Each Information user guidelines were to be based upon metrics such as International Best Practices, Government Information Security Policy, ICT Infrastructure Security Guidelines, Physical Security Guidelines and Departmental Security Plan/Policy.

Other areas under consideration of PTA include Assessment of ICT assets, Impact of Distributed ICT assets environment, Security guidelines for physical access to assets, Backup strategy guidelines, Disaster recovery guidelines, Access Control Guidelines, Integration with ICT Infrastructure Security Guidelines, Security training and capacity building of Personnel, Prevention and detection system guidelines, Hierarchy and escalation paths, Analysis of Information Security Policies of select countries with respect to their telecom infrastructure, Analysis of Applications in Pakistan and Technology Updates and guidelines for inclusion of future technological changes.

V. Electronic Media

a) Pakistan Electronic Media Regulatory Authority (PEMRA)

Present landscape of broadcasting and distribution media explicitly articulates the efforts rendered by the PIMRA during the past few years for its development. Unprecedented growth of satellite televisions, FM radios and cable TV networks during the past few years has not only broadened the choices of the local viewers but also contribute in raising Pakistani voice in the global arena. Pakistani satellite TV channels have attained significant credibility in the international arena. These channels are combating venomous propaganda against Pakistan in a convincing manner. Moreover, Pakistani satellite TV channels are contributing effectively in enhancing country's positive image at international level and acting as strong advocacy groups amidst international media warfare.

Development of Broadcast and Distribution Media during 2008-09

- PEMRA issued ten licenses for establishing satellite TV channels and four of these were conferred to Ms Independent Media Corporation Pvt Ltd (Geo Group) including Geo Entertainment, Geo News, Aag and Geo English. Overall seventy-one licenses have been conferred so far for establishing satellite TV channels.

- Silver Screen and Star Light were granted two permissions for marketing and distributing foreign satellite TV channels. So far twenty eight licenses have been issued for foreign satellite TV channels by PEMRA.

- During the last one year, six licenses for establishing FM radios network were awarded making the total number of licenses issued under this category to one hundred seventeen till date.

- Additional six hundred three cable TV networks were licensed all across the country during the last one year, making the total number of licenses issued two thousand two hundred twenty four till date.

PEMRA has generated considerable employment opportunities for the skilled workforce in Pakistan; eventually the broadcast media in the country emerged as one of the key sectors for employment accommodating sizable youth on jobs. Moreover, the Authority is encouraging private sector for incorporating state-of-the-art technologies in broadcasting and distribution media.

Future Plans

Few of the emerging technologies under regulatory appraisal by the Authority are as follows:

- Digital Cable TV Networks
- IPTV Networks
- Direct Home (DTH)
- Satellite Radio
- Digital Terrestrial Television
- Mobile Television etc.

PEMRA is full aware of the challenges being faced by the Broadcasting Media vis-à-vis content, manpower etc and formulating strategies to overcome these challenges in future. The Authority has also rationalized tariff for satellite TV channels so as to encourage potential investors and enhance voice of Pakistan in an effective manner.

b) Pakistan Television Corporation Limited (PTV)

Pakistan Television is providing quality entertainment; education and information to the masses inculcate in them a greater awareness of their own, history, heritage, current problems and development as well as knowledge at the world at large. PTV is gradually extending its signal to remote and backwards areas of the country in order to uplift the socioeconomic conditions of these areas and to eliminate the existing disparity. The government has also desired to extend the TV signal by setting up Re-broadcast centers in AJ&K at Bhimber, Mirpur, Neela Butt, Palandri, Jura, Athmuqam, Karan Dhudhnial, Sharda and Kel, in Sindh at Badin, in Punjab at Multan at Mian Channu, at Kharan, Bar Khan in Balochistan and at Kohat in NWFP during the current fiscal year.

c) Pakistan Broadcasting Corporation (PBC)

Pakistan Broadcasting Corporation (PBC) with 32 Radio Stations has the largest radio network in the country with highest listenership than all the private radio channels. PCB main objectives are i) Inform people about the policies, programmes and achievements of the government, opposition and other stake holders', ii) Give viewpoint on different issues, iii) Counter adverse foreign propaganda and negative perceptions, iv) Educate people on social issues and problems i.e. (public service programmes covering Health, Education, Environment, Population Welfare, Agriculture, special persons, Human Rights, Media Freedom etc), v). Entertain people through music programmes, disc jockey programmes, features and plays.

National Broadcasting Service (NBS) was launched on 28th August, 2008 with 17 hours daily transmission from 07:00 am 12:00 midnight. Its Programmes radiate from Islamabad, Peshawar, Lahore, Faisalabad, Bahawalpur, D.I. Khan, Quetta, Zhob, Loralai, Turbat, Khuzdar, Hyderabad and Karachi. World Service programmes are broadcast for 9 hours daily in Urdu language on short-wave transmitters. It is directed towards Middle East and Western Europe. Similarly, External Services broadcast programmes for 7 hours 45 minutes daily in 7 foreign languages covering Afghanistan, Iran, China, India & Bangladesh. In October 1998 Radio Pakistan started FM Transmission. Currently Eight Radio Stations are operating. In order to augment the activities of PBC, the station director's conference was held from Feb. 18 to 20, 2009.

PBC has started local news bulletin in Sindhi Language for five minutes duration from Radio Pakistan Larkana w.e.f 1-7-2008 and broadcast of hourly news bulletins on FM-101 w.e.f 29-12-2008. PBC has 32 Broadcasting Houses, 22 AM Station (including High Power and Low Power Transmitting Stations), 07 Short wave transmitter and 25 FM transmitters which radiate programmes for listeners at home and abroad. In addition, Moreover, PBC broadcasts are also available on internet round the world at **www.radio.gov.pk.**

In order to meet tremendous challenges of present day broadcasting, following development projects are being taken up:

- Balancing & Modernization of Equipment Phase-V.
- Two 100 KW Shortwave Transmitters & High Frequency Aerial System Landhi, Karachi.
- 100 KW MW transmitters at Chaman.
- Replacement of Medium Wave transmitter at Multan, Hyderabad and Muzaffarabad.
- Establishment of Pakistan Broadcasting Academy & IT Centre Islamabad.
- FM coverage of G.T. Road.
- FM coverage of Motorway.
- Establishment of 47 FM Radio Stations.
- 100 KW medium Wave transmitter Gawadar.
- 100 KW medium Wave transmitter Parachinar.

- Upgradation of PBC Larkana from 10 KW to 100 KW Medium Wave transmitter.

VI. Pakistan Post Office

Pakistan Post Office is a cheap, convenient and efficient state enterprise providing services to the entire population of the country. Thus Pakistan Post Office is playing a vital role in the advance era of courier services covering the whole country with a network of 12343 (Urban 1849, Rural 10494) postal offices. In order to promote the welfare policies of the government, the Pakistan Post Office has lunched a multi-pronged services strategy information technology projects both at federal and provincial levels during the current fiscal year detailed below

During the current fiscal year Pakistan Post Office has started some of the information technology projects as below:-

- A complete web-based tracking and monitoring system has been developed for disbursement of prescribed amount to the beneficiaries through money order under Benazir Income Support Program.
- Web-based tracking and monitoring system has been developed and implemented for the Scheme for disbursement of amount for the beneficiaries through money orders.
- All GPOs and renovated post offices have been provided with counter computerization facility for providing better quality service to the customers.
- A web-based system the Express Mail Track and Trace System has been developed to provide end-to-end information relating to the express mail articles.
- Computerization of Military Pension accounts at all GPOs has been completed.
- Online complaint lodging facility from the web-portal of Pakistan Post www.pakpost.gov.pk has been provided to the public.
- As a result of settlement, Pakistan received Rs. 102, 983,596 in Foreign Exchange on Account of Terminal Dues during July-March 2008-09 and payment made during this period stood at Rs. 2,242,587. The net earning of the Pakistan Post Department in Foreign Exchange during the aforementioned period was Rs. 100, 74 million.
- During the period under review, the remittances in Foreign Exchange were received in the shape of money orders were Rs. 3919793.01.
- Pakistan Post Office collected 47,189,115 no of utility bills and earned Rs. 377.513 million from the utility bills collection in the from of commission during current fiscal year.

TABLE 13.1

TRANSPORT

Fiscal Year	Railways: Route (Kilometres)	Number of Passengers carried *(Million)	Freight carried (Million Tonnes)	Freight Tonne (Kilometres Million)	Locomo-tives (Nos.)	Freight Wagons (Nos.)	Length of Roads (Kilometers): Total	High Type	Low Type
1990-91	8,775	84.90	7.72	5,709	753	34,851	170,823	86,839	83,984
1991-92	8,775	73.30	7.56	5,962	752	30,369	182,709	95,374	87,335
1992-93	8,775	59.00	7.77	6,180	703	29,451	189,321	99,083	90,238
1993-94	8,775	61.72	8.04	5,938	676	29,228	196,817	104,001	92,816
1994-95	8,775	67.70	8.11	6,711	678	30,117	207,645	111,307	96,338
1995-96	8,775	73.65	6.85	5,077	622	26,755	218,345	118,428	99,917
1996-97	8,775	68.80	6.36	4,607	633	25,213	229,595	126,117	103,478
1997-98	8,775	64.90	5.98	4,447	611	24,275	240,885	133,462	107,423
1998-99	7,791	64.90	5.45	4,330	596	24,456	247,484	137,352	110,132
1999-00	7,791	68.00	4.77	3,612	597	23,906	248,340	138,200	110,140
2000-01	7,791	68.80	5.89	4,520	610	23,893	249,972	144,652	105,320
2001-02	7,791	69.00	5.90	4,573	577	23,460	251,661	148,877	102,784
2002-03	7,791	72.40	6.18	4,820	577	23,722	252,168	153,225	98,943
2003-04	7,791	75.70	6.14	4,796	592	21,812	256,070	158,543	97,527
2004-05	7,791	78.18	6.41	5,014	557	21,556	258,214	162,841	95,373
2005-06	7,791	81.43	6.03	4,971	544	20,809	259,021	167,530	91,491
2006-07	7,791	83.89	6.42	5,453	544	19,638	261,821	172,891	88,930
2007-08	7,791	79.99	7.23	6,187	555	18,638	258,350	174,320	84,030
(Jul-Mar)									
2008-09 P	7,791	63.00	5.36	9,520	520	17,000	258,350	176,589	81,761

P: Provisional

(Contd.)

TABLE 13.1

TRANSPORT

(Contd.)

Fiscal Year	Cargo Handled at Karachi Port (000 tonnes)			Shipping		Gross Earnings (Million Rs)	
	Total	Imports	Exports	No. of Vessels	Dead Weight Tonnes	Pakistan Railways	Pakistan National Shipping Corp.
1990-91	18,709	14,714	3,995	28	494,956	6696	3,865.0
1991-92	20,453	15,267	5,186	28	494,956	8236	4,063.0
1992-93	22,170	17,256	4,914	29	518,953	9031	3,137.0
1993-94	22,569	17,610	4,959	27	595,836	9134	3,302.0
1994-95	23,098	17,526	5,572	15	264,410	9224	4,311.0
1995-96	23,581	18,719	4,862	17	290,353	8365	6,962.0
1996-97	23,475	18,362	5,113	15	261,817	9394	7,761.5
1997-98	22,684	17,114	5,570	15	261,836	9805	4,597.0
1998-99	24,053	18,318	5,735	15	261,836	9310	3,707.0
1999-00	23,761	18,149	5,612	15	261,836	9572	3,483.0
2000-01	25,981	20,063	5,918	14	243,802	11938	5,458.7
2001-02	26,692	20,330	6,362	14	243,749	13346	4,555.5
2002-03	25,852	19,609	6,273	13	229,579	14810	5,405.0
2003-04	27,813	21,732	6,081	14	469,931	14635	6,881.9
2004-05	28,615	22,100	6,515	14	570,466	18027	7,860.0
2005-06	32,270	25,573	6,697	15	636,182	18184	7,924.6
2006-07	30,846	23,329	7,517	15	636,182	19195	9,089.1
2007-08	37,192	25,517	11,675	14	536,821	19973	10,753.5
2008-09 (Jul-Mar)	21,386	13,512	7,874	11	477,238	17442	9,503.9

Source: (i): Ministry of Railways
(ii): National Transport Research Center
(iii): Karachi Port Trust
(iv): Pakistan National Shipping Corporation

.. Not available
* Till Jan-08
# Estimated

TABLE 13.2

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

Fiscal Year	Route Kilo-metres	Revenue Kilome-tres Flo-wn (000)	Revenue Hours Flown	Revenue Passengers Carried (000)	Revenue Passengers Kilome-tres (mln)	Available Seat Kilome-tres(mln)	Passenger Load Factor %
1990-91	255,336	60,255	116,616	5,033	8,998	13,401	67.1
1991-92	258,558	66,570	127,423	5,584	9,925	15,066	65.9
1992-93	270,536	69,377	132,775	5,780	10,102	15,733	64.2
1993-94	303,321	69,024	131,122	5,645	10,108	15,159	66.7
1994-95	353,221	72,544	134,683	5,517	10,382	15,848	65.5
1995-96	310,205	74,288	138,014	5,399	10,592	16,573	63.9
1996-97	336,230	78,796	143,686	5,883	11,661	17,528	66.5
1997-98	325,744	73,663	136,104	5,531	11,147	16,952	65.8
1998-99	335,348	70,697	129,379	5,086	10,722	16,752	64.0
1999*	332,417	75,483	135,136	4,914	10,653	17,839	59.7
2000*	317,213	76,212	134,066	5,297	12,056	18,692	64.5
2001*	324,815	40,158	65,615	2,729	6,305	9,885	63.8
2001-02	291,428	62,974	110,136	4,290	10,843	15,778	68.7
2002-03	311,152	63,863	108,942	4,391	11,276	16,264	69.3
2003-04	294,082	58,146	96,765	4,796	12,769	18,299	69.8
2004-05	354,664	80,699	131,262	5,132	13,634	20,348	67.0
2005-06	343,525	87,273	141,666	5,828	15,260	21,991	69.4
2006-07	446,570	80,302	141,479	5,732	15,124	22,092	68.5
2007-08	383,574	80,759	132,416	5,415	13,680	20,313.3	67.4
(Jul-Mar)							
2008-09	311,131	79,580	132,378	5,617	13,925	19,528.2	71.3

*: PIA's Financial Year is based on Calender Year.

(Contd.)

TABLE 13.2

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

Fiscal Year	Revenue Tonne Kilome-tres (Mln)	Available Tonne Kilome-tres (Mln)	Revenue Load Factor (%)	Operating Revenue (Million Rupees)	Operating Expenses (Million Ruppes)	PIA Fleet No.of Planes
1990-91	1,228	2,045	60.0	16,849	16,966	44
1991-92	1,304	2,265	57.6	20,441	18,861	45
1992-93	1,333	2,352	56.7	21,970	21,347	45
1993-94	1,365	2,347	58.2	23,631	22,713	47
1994-95	1,408	2,452	57.4	25,417	24,199	47
1995-96	1,402	2,526	55.5	27,505	27,150	47
1996-97	1,495	2,649	56.4	32,732	32,809	47
1997-98	1,425	2,435	58.5	..	..	47
1998-99	1,313	2,403	54.6	..	..	45
1999 *	1,307	2,560	51.0	35,492	36,395	51
2000 *	1,452	2,631	55.2	39,228	42,033	46
2001 *	769	1,438	53.5	21,966	23,296	45
2001-02	1,325	2,270	58.4	42,844	39,377	44
2002-03	1,389	2,401	57.8	45,442	39,125	43
2003-04	1,456	2,528	55.0	51,041	47,197	42
2004-05	1,657	3,033	54.6	61,308	62,360	42
2005-06	1,818	3,302	55.1	67,574	73,074	42
2006-07	1,801	3,369	53.5	70,587	79,164	39
2007-08	1,593	3,125	51.0	70,480	76,415	44
(Jul-Mar)						
2008-09	1,580	2,934	53.9	89,201	120,579	44

.. Not available

Source: Pakistan International Airlines Corporation

*: PIA's Financial Year is based on Calender Year.

TABLE 13.3

NUMBER OF MOTOR VEHICLES REGISTERED

Calendar Year	Motor Cars Jeeps & Station Wagons	Motor Cabs/ Taxis	Buses	Trucks	Motor Cycle (2 Wheels)	Motor Cycle (3 Wheels)	Others	Total
1990	682,636	32,304	84,016	105,245	1,250,749	50,862	507,025	2,712,837
1991	731,960	33,235	89,094	107,171	1,381,136	52,439	528,878	2,923,913
1992	819,350	41,245	94,988	111,391	1,497,017	56,267	558,926	3,179,184
1993	868,159	47,897	98,681	114,394	1,573,370	59,510	589,281	3,351,292
1994	902,654	52,444	107,440	118,389	1,679,259	62,183	615,497	3,537,866
1995	923,577	53,400	113,516	119,174	1,754,737	63,370	642,174	3,669,948
1996	966,747	54,501	114,415	123,658	1,842,531	69,756	666,549	3,838,157
1997	1,068,116	83,182	119,365	131,322	1,995,421	76,224	700,315	4,173,945
1998	1,085,969	83,687	125,929	132,895	2,068,730	81,777	724,309	4,303,296
1999	1,162,876	83,844	150,108	145,111	2,175,488	95,345	746,718	4,559,490
2000	1,182,307	83,892	154,401	148,569	2,260,772	99,376	772,279	4,701,596
2001	1,201,738	93,940	158,694	157,027	2,346,056	103,407	797,840	4,843,702
2002	1,282,371	83,954	162,672	170,615	2,407,466	115,919	825,552	5,048,549
2003	1,292,888	84,277	162,957	178,883	2,444,567	122,448	846,017	5,132,037
2004	1,301,406	84,311	163,242	181,150	2,681,066	124,076	860,480	5,395,731
2005	1,321,590	85,619	165,775	183,962	2,722,645	126,004	873,825	5,479,417
2006	1,375,419	89,105	172,530	191,454	2,833,540	131,134	909,416	5,702,598
2007	1,444,190	93,560	181,157	201,027	2,975,217	137,691	954,887	5,987,729
2008	1,487,516	96,367	186,592	207,058	3,064,474	141,822	983,534	6,167,363
(Jul-Mar)								
2009 E	1,115,637	72,275	139,944	155,293	2,298,355	106,366	737,650	4,625,520

E: Estimated

Source: Federal Bureau of Statistics

TABLE 13.4

MOTOR VEHICLES ON ROAD (000 Number)

Year	Mcy/ Scooter	Motor Car	Jeep	Stn. Wagon	Tractor	Buses	M.Cab Taxi	Motor Rck
1991-92	971.80	429.10	31.60	43.60	275.30	45.00	33.50	42.40
1992-93	1,165.50	465.80	35.60	48.80	353.00	51.70	40.00	46.70
1993-94	1,287.30	493.70	38.00	52.70	376.60	56.40	44.50	50.50
1994-95	1,482.00	516.80	41.30	56.00	399.80	60.90	47.90	53.40
1995-96	1,481.90	538.40	43.50	59.00	424.80	64.50	51.40	58.70
1996-97	1,576.00	564.50	45.50	62.00	439.80	68.20	54.10	65.60
1997-98	1,691.40	593.00	47.80	65.00	463.60	72.50	57.30	74.60
1998-99	1,833.70	731.30	16.70	60.60	489.80	84.40	68.50	56.70
1999-00	2,010.00	815.70	17.00	73.90	528.40	92.80	69.80	59.90
2000-01	2,218.90	928.00	18.30	93.80	579.40	86.60	79.80	72.40
2001-02	2,481.10	1,040.00	43.40	122.70	630.50	96.60	96.40	80.80
2002-03	2,656.20	1,110.00	44.40	126.40	663.20	98.30	104.10	80.90
2003-04	2,882.50	1,193.10	47.80	132.40	722.70	100.40	112.60	81.00
2004-05	3,063.00	1,264.70	51.80	140.50	778.10	102.40	120.30	81.30
2005-06	3,791.00	1,999.20	65.70	140.80	822.30	103.60	122.10	77.80
2006-07	4,463.80	1,682.20	85.40	169.10	877.80	108.40	119.10	79.00
2007-08	5,037.01	1,853.46	82.87	163.22	900.52	109.88	129.80	89.34
(Jul-Mar)								
2008-09 *	5,367.86	2,029.16	79.02	155.58	911.69	111.06	138.57	88.40

* Estimated (Contd.)

TABLE 13.4

MOTOR VEHICLES ON ROAD (000 Number)

Year	D.Van	Trucks	Pickup	Ambu-lance	Tankers Oil	Tankers Water	Others	Total
1991-92	61.40	75.80	30.20	1.70	4.00	0.60	49.50	2,095.50
1992-93	69.80	84.20	39.50	2.00	4.30	0.70	52.70	2,460.00
1993-94	74.00	92.00	44.10	2.30	4.70	0.70	73.60	2,690.40
1994-95	78.20	98.30	47.10	2.70	5.10	0.80	60.70	2,951.60
1995-96	81.30	104.20	50.50	3.30	5.60	0.90	63.70	3,000.20
1996-97	84.30	110.30	50.20	3.70	6.10	1.10	66.50	3,195.80
1997-98	87.60	117.10	56.10	4.30	6.80	1.30	69.70	3,405.30
1998-99	51.70	121.00	56.40	1.50	6.80	0.70	74.70	3,651.70
1999-00	55.50	127.40	61.60	1.70	7.00	0.70	78.80	3,997.20
2000-01	72.40	132.30	68.40	1.70	7.20	0.80	89.00	4,471.00
2001-02	116.90	145.20	78.30	4.10	7.60	0.90	71.50	5,016.80
2002-03	120.30	146.70	80.60	4.30	7.60	0.90	71.40	5,315.00
2003-04	121.30	149.20	84.40	4.40	7.60	0.90	71.30	5,711.20
2004-05	121.90	151.80	87.60	4.50	7.70	0.90	69.40	6,048.30
2005-06	143.30	151.80	93.50	4.50	7.70	0.90	60.20	7,084.50
2006-07	148.90	173.30	104.50	4.60	7.80	0.90	38.50	8,063.60
2007-08	163.50	177.80	115.30	5.20	8.80	1.00	40.80	8,878.50
(Jul-Mar)								
2008-09 *	167.20	181.90	125.50	5.65	9.70	1.20	41.40	9,413.80

* : Estimated

Source: National Transport Research Center

TABLE 13.5

PRODUCTION AND IMPORTS OF MOTOR VEHICLES

Fiscal Year/ Type of Vehicles	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
PRODUCTION (Nos.)									
Trucks	2,222	1,394	703	3,030	2,916	1,850	1,131	977	952
Buses	1,177	427	312	438	862	425	1,220	1,508	1,337
L.C.Vs	11,478	5,128	5,154	6,834	9,817	4,886	8,079	6,656	6,965
4x4 Vehicles	1,324	816	1,310	2,274	792	651	622	380	459
Tractors	17,127	14,907	17,144	16,208	10,417	14,144	26,885	35,038	32,533
Motor Cycle/Scooters/ Rickshaw	95,793	63,958	60,960	121,809	117,188	96,991	93,167	94,881	117,858
Cars	26,945	19,514	20,955	31,079	33,462	33,683	38,682	32,461	39,573
IMPORTS (Nos.)									
Cars	100,188	38,216	31,743	35,100	31,817	36,851	46,363	34,988	62,187
Jeeps	1,484	343	1,535	959	542	1	165	48	338
Motor Rickshaw	2,773	548	250	..	..	900		8	20
Station Wagon	746	251	326	265	173	143	97	71	115
Buses Including Trolly Buses	2,247	893	267	344	396	498	603	917	588
Lorries/Trucks Includ- ing Ambulance	4,743	2,673	882	1,948	2,101	1,034	443	500	545
special Lorries, Trucks & Vans	535	461	219	102	198	99	152	109	138
Motor Cycle	119,970	86,349	62,100	115,235	135,220	90,435	79,738	85,592	15,771
Scooter	308	3	40	..	..	7	8	145	-
Motorised Cycles	426	26	234	1,305	990	925	44	3	
Passengers M. Cars (n.S)	212	88	224	919	338	318	162	161	99
Road Tractors for Trailers	10	27	4	193	340	38	37	7	36
Tractor Agricultural	..	952	10,084	6,805	2,020	1,086	3,281	2,469	55
Tractor Caterpiller	..	3	2	1	6	..	1	..	
Tractor Heavy Duty for const.	115	14	2	..	14	28	..	5	13
Tractor Roads	..	..	..	..	8	..	..	3	25,964
Tractor (NES)	78	115	80	323	179	113	436	1	15
Car's Chassis with Engine	11	1	..	..	28	2	..	10	4
Bus etc. Chassis	102	24	48		12	..	..	277	57
Spl. Truck etc. Chassis	..	26	..	..	..	..	..	..	4
Rickshaw, Chassis with Engine	..	..	..	..	..	..	..	..	17
Pickup	17,931	6,099	5,751	5,506	5,511	6,314	3,734	3,672	2,703
Delivery Van	22,343	2,823	1,940	1,831	4,851	5,218	3,149	3,379	1,573
Chassis Un-Mounted Motor Vehicles No	457	..	127	1	194	9	..	..	62
Bicycle	468	928	9,916	8,303	3,618	7,844	29,218	22,211	14,505
Motor Vehicles for Goods	134	57	43	151	22	18	146	160	..
Passenger Vehicles Public No	17	15	8	27	22	4	61	183	62
Tractor Chassis with Engine	..	..	480	..	..	..	..	..	..

.. not available

(Contd.)

TABLE 13.5

PRODUCTION AND IMPORTS OF MOTOR VEHICLES

Fiscal Year/								July - March	
Type of Vehicles	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2007-08	2008-09 P
PRODUCTION (Nos.)									
Trucks	1,141	1,950	2,022	3,204	4,518	4,410	4,993	3,317	2,169
Buses	1,099	1,340	1,380	1,762	627	993	1,146	838	408
L.C.Vs	8,491	12,174	14,089	23,613	29,581	19,672	21,354	15,652	13,653
Tractors	24,331	76,501	36,103	43,746	49,439	54,610	53,607	37,514	41,766
Motor Cycle	133,334	176,591	327,446	571,145	751,667	839,224	1,057,751	782,080	619,460
Cars	41,171	63,267	100,070	128,381	163,114	179,314	166,300	123,107	63,984
IMPORTS (Nos.)									
Cars	40,079	60,554	88,130	66,338	36,563	202,785 *	540,025	341,565	315,886
Jeeps	666	6,010	11,435	5,409	2,108	1,938 *	210	204	17
Motor Rickshaw		101	3	3	15	1,727	60,519	1,029	3,131
Station Wagon	165	440	154	37	284	2,817 *	345	345	22
Buses Including Trolly Buses	700	1,230	2,429	411	2,104	652	217	178	240
Lorries/Trucks Includ-ing Ambulance	728	14,036	2,883	2,616	13,463	16,610	61,533	7,952	24,932
special Lorries, Trucks & Vans	157	54	95	1,544	551	573	875	487	988
Motor Cycle	111,711	143,952	127,861	189,721	167,626	164,078 *	209,098	189,986	137,264
Scooter	..	..	..	..	..	..	..	..	..
Motorised Cycles		509	675	4,143	9,472	12,467	18,512	12,528	17,368
Passengers M. Cars (n.S)	161	194	243	244	1,587	1,174	690	566	527
Road Tractors for Trailers	18	122	124	117	498	997	5,500	1,938	11,185
Tractor Agricultural	220	14,000	11,420	6,543	20,769	30,588	71,388	69,296	5,275
Tractor Caterpiller	44	1	30	91	12	1	1	1	-
Tractor Heavy Duty for const.	4	120	219	563	632	845	744	638	406
Tractor Roads	15,174	1,115	2,104	1,646	2,284	904	1,924	1,189	382
Tractor (NES)	115	496	736	2,167	3,378 *	7,213	16,364	10,108	9,087
Car's Chassis with Engine	1	..	..	..	..	6	-	..	25
Bus etc. Chassis	60	46	164	18	7	24	314	177	519
Spl. Truck etc. Chassis	..	..	..	..	38	48	335	335	10
Rickshaw, Chassis with	..								
Engine	36	10	2	144	315 *	421 *	187	187	10
Pickup	3,600	5,162	6,857	5,394	23,303	21,898	63,800	19,710	28,818
Delivery Van	2,120	471	26	178	2,586	1,583	21,324	8,491	11,154
Chassis Un-Mounted	168	..	..	..	..	..	..	..	..
Motor Vehicles No Bicycle	20,240	37,836	39,894	61,187	52,022	28,509	38,249	24,239	22,780
Motor Vehicles for Goods	2	234	511	269	3,844	297	22	19	..
Passenger Vehicles Public No	6	473	721	1,519	5,228	2,123	836	722	335
Tractor Chassis with Engine									

.. not available

P: Provisional

* : Data has been revised according to new codification and introduction, shifting and deleting of new HS code for 2005-06 onwards

TABLE 13.6

POST AND TELECOMMUNICATIONS

Fiscal Year	No of Post Offices			No of Telegraph Offices			Telephones (000 Nos.)	Internet Connections (Million)	No.of Internet Cities connected	No of PCO *	Mobile Phones
	Urban	Rural	Total	Urban	Rural	Total					
1990-91	1,867	11,546	13,413	195	302	497	1188	..		3,861	..
1991-92	1,909	11,471	13,380	299	210	509	1461	..		4,676	..
1992-93	1,983	11,213	13,196	320	210	530	1548	..		5,618	..
1993-94	1,970	11,315	13,285	327	85	412	1801	..		6,422	..
1994-95	2,026	11,294	13,320	330	86	416	2126	..		4,600	..
1995-96	2,092	11,327	13,419	319	104	423	2376	..		9,410	68,038
1996-97	2,024	11,192	13,216	340	93	433	2558	..		10,040	135,027
1997-98	2,044	11,250	13,294	356	92	448	2756	0.01		10,071	196,096
1998-99	2,103	10,751	12,854	308	93	401	2861	0.20		10,107	265,614
1999-00	2,103	10,751	12,854	293	91	384	3124	0.50		10,400	306,463
2000-01	2,302	9,932	12,234	293	91	384	3340	0.80		66,968	742,606
2001-02	1,983	10,284	12,267	258	104	362	3656	1.00		97,751	1,698,536
2002-03	1,808	10,446	12,254	239	87	326	4940	1.60	1,350	139,493	2,404,400
2003-04	2,267	9,840	12,107	215	73	288	4460	2.00	1,898	180,901	5,022,908
2004-05	1,831	10,499	12,330	215	77	292	5191	2.10	2,210	217,597	12,771,203
2005-06	1,845	10,494	12,339	..	..	..	5128	2.40	2,389	353,194	34,506,557
2006-07	1,849	10,494	12,343				4806	3.50	2,419	387,490	63,160,874
2007-08	1,849	10,793	12,342	..	..	..	4546	3.70	3,002	449,121	88,019,812
Jul-Mar 2008-09	1,849	10,494	12,343	..	..	..	3,700	3.70	3,002	384,187	91,442,411

.. Not Available
* Included Cardpay Phones
Note : Telegraph offices closed in 2006

Source: (i): Pakistan Post Office
(ii): Pakistan Telecommunications Company Ltd
(iii): Pakistan Telecommunication Authority

Energy

15.1 Introduction

The world energy scenario during 2008-09 has been very eventful. International oil prices fluctuated widely; leaving all vulnerable oil import countries like Pakistan under great stress. The volatile energy picture not only made major dents in the macroeconomic variables such as budget deficit, current account balance, inflation, exchange rates and foreign exchange reserves, but also eroded the purchasing power of poor on the back of rising prices of petroleum products. The world also has been facing the challenge of international financial crises making way for wide spread recession thereby impacting negatively such economies which significantly depend upon international market for their growth efforts.

Pakistan has experienced a slow down in all economic activities as a result of international financial crises and demand contraction policies of the government. The major impact has been experienced in the industrial sector. Energy consumption being an integral part of all the economic activities has also declined as a result of the economic slow down. Energy in its all form has declined or at least remained somewhat stagnant during the fiscal year 2008-09. The most prominent has been the large scale manufacturing sector which due to its negative growth of 7.7 percent experienced decline in the energy consumption. Interestingly poor and un-interrupted power supply on the back of circular debt problem has been singled out as one of the prime reason for dismal performance of the large scale manufacturing sector.

Pakistan's Energy Directory

15.2 Energy Consumption

The energy consumption mix of Pakistan has changed over the past decade or so. The shares of gas and coal increased to 40.3 percent and 13.7 percent respectively since 1996-97; coal consumption has witnessed a 7.7 percentage point increase in its share during the period under review. On the other hand, the share of oil consumption has decreased to 29.3 percent while the share of electricity consumption has remained almost equal to its 1996-97 position (See. Figs. 15.1 & 15.2). This overall change in the energy consumption mix is due to the availability of indigenous energies such as gas and coal as well as the partly due to volatile prices of oil.

Fig 15.1: Energy Consumption by Source (1996-97)

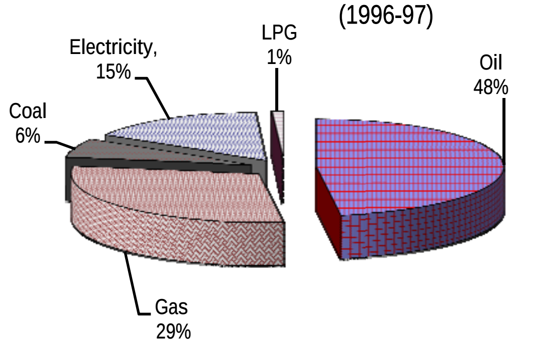
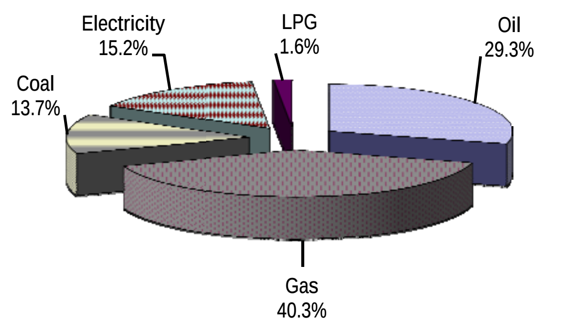


Fig. 15.2: Energy Consumption by Soruce (2007-08)



Source: Hydrocarban Development Institute of Pakistan

Sector wise energy consumption during the year 2007-08 witnessed variation from its position of 2002-03.As Industrial and commercial sector witnessed an increase in its Share in overall energy consumption during the period under review. Whereas, Transport, Domestic and agriculture sectors exhibited decline in their in the consumption of energy (See. Fig 15.3 & 15.4).

Fig 15.3 Energy consumption by Sector (2002-03)

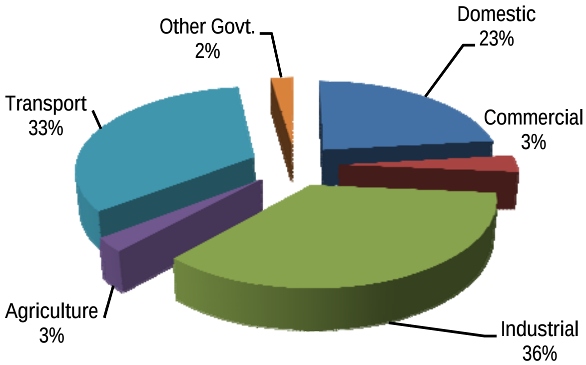
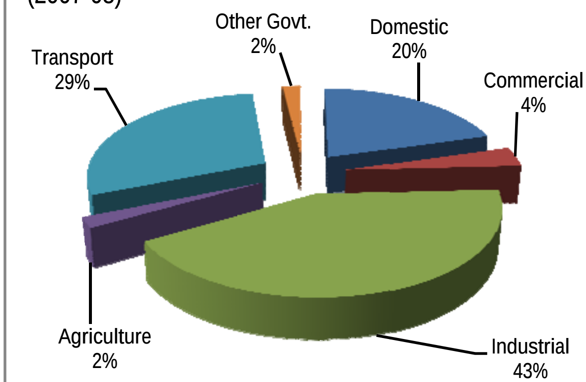


Fig 15.4 Energy Consumption by Sector (2007-08)



Source: Hydrocarban Development Institute of Pakistan

A review of the past pattern of energy consumption from 1998-99 to 2007-08 reveals that there is a persistent shift in energy consumption from petroleum products to other energy sources such as Coal, Electricity and Gas (See table 15.1). The consumption of petroleum products increased at an average rate of 1.4 percent annually, whereas the consumption of Coal, Gas and Electricity grew at an annual average rate of 13.5 percent, 8.2 percent and 6.1 percent respectively.

Notwithstanding the positive annual growth during last decade, energy consumption witnessed a negative growth in all sources (except electricity which showed almost flat growth of 0.7 percent) during July-March 2008-09 over the comparable period last year. A major reason for negative growth in energy consumption is the relatively lower level of economic activity during this period, and partly due to circular debt problem in the energy sector

Table 15.1: Annual Energy Consumption

Fiscal Year	**Petroleum Products**		**Gas**		**Electricity**		**Coal**	
	Tones (000)	**Change (%)**	**(mmcft)**	**Change (%)**	**(Gwh)**	**Change (%)**	**M.T* (000)**	**Change (%)**
1998-99	16,647		635,891		43,296		3,461.40	
1999-00	17,768	6.7	712,101	12.0	45,586	5.3	3,167.90	-8.5
2000-01	17,648	-0.7	768,068	7.9	48,584	6.6	4,044.70	27.7
2001-02	16,960	-3.9	824,604	7.4	50,622	4.2	4,408.60	9.0
2002-03	16,452	-3.0	872,264	5.8	52,656	4.0	4,889.90	10.9
2003-04	13,421	-18.4	1,051,418	20.5	57,491	9.2	6,064.50	24.0
2004-05	14,671	9.3	1,161,043	10.4	61,327	6.7	7,893.80	30.2
2005-06	14,627	-0.3	1,223,385	5.4	67,603	10.2	7,714.00	-2.3
2006-07	16,847	15.2	1,221,994	-0.1	72,712	7.6	7,894.10	2.3
2007-08	18,080	7.3	1,275,212	4.4	73,400	0.9	10,110.60	28.1
Avg. 10 years		**1.4**		**8.2**		**6.1**		**13.5**
July-March								
2007-08	13,342		955,625		55,208		6,559	
2008-09 (e)	12,892	-3.4	931,700	-2.5	55,614	0.7	4,822	-26.5

e: estimated for coal
****Million Ton***

Source: Hydrocarbon Development Institute of Pakistan

a) Petroleum Products

During three quarters of current fiscal year i.e. July-March 2008-09, the consumption of petroleum products by most of the sectors (other than the power sector and government sector) exhibited a negative growth over the same period last year (See table 15.2). The consumption of petroleum products in the power sector increased marginally. The fact that the consumption of petroleum products remained negative reflects the state of the economy along with higher consumer prices of POL Products.

Table 15.2: Consumption of Petroleum Products (000 tones) **(Percentage Change)**

Year	House holds	Change (%)	Industry	Change (%)	Agriculture	Change (%)	Transport	Change (%)	Power	Change (%)	Other Govt.	Change (%)	Total
1998-99	493		2,140		249		7,864		5,526		376		16,648
1999-00	477	-3.2	2,116	-1.1	293	17.7	8,308	5.6	6,228	12.7	346	-8.0	17,768
2000-01	451	-5.5	1,924	-9.1	255	-13.0	8,158	-1.8	6,488	4.2	372	7.5	17,648
2001-02	335	-25.7	1,612	-16.2	226	-11.4	8,019	-1.7	6,305	-2.8	464	24.7	16,960
2002-03	283	-15.5	1,604	-0.5	197	-12.8	8,082	0.8	6,020	-4.5	266	-42.7	16,452
2003-04	231	-18.4	1,493	-6.9	184	-6.6	8,464	4.7	2,740	-54.5	309	16.2	13,421
2004-05	193	-16.5	1,542	3.3	142	-22.8	9,025	6.6	3,452	26.0	317	2.6	14,671
2005-06	129	-33.2	1,682	9.1	82	-42.3	8,157	-9.6	4,219	22.2	359	13.2	14,627
2006-07	106	-17.8	1,596	-5.1	97	18.3	7,982	-2.1	6,741	59.8	325	-9.5	16,847
2007-08	121	14.1	1,071	-32.9	109	12.7	9,384	17.6	7,084	5.1	311	-4.5	18,080
July-March.													
2007-08	82		861		87		6816		5255		243		13342
2008-09	75	-8	718	-17	50	-42	6307	-7	5497	5	245	1	12892

Source: Hydrocarbon Development Institute of Pakistan

b).Natural Gas

Consumption pattern of gas by different users since 1998-99 is presented in table 15.3. The sectoral consumption of gas indicates that the household, commercial, fertilizer, industrial and transport sectors have experienced growth in consumption of gas during 2007-08. Likewise, consumption of gas in the transport sector increased by 27.1 percent mainly due to a shift from imported fuel oil to relatively cheaper source of gas during July-March 2008-09 followed by the commercial, industrial and fertilizer sectors with the growth rate of 3.2 percent, 2.8 percent and 0.7 percent respectively. The gas consumption in industry increases owing to its cost effectiveness. Fertilizer sectors gas consumption showed a negligible improvement of 0.7 percent during first nine months of the current fiscal year. However, the major gas consuming sectors witnessing negative growth are cement and power having declined by 35.3 percent and 13.1 percent respectively over the same period last year due to reduced construction activities coupled with problems like inter corporate circular debt which laid power plants to remain under utilized.

Table 15.3: Consumption of Gas (Billion cft) **(Percent change)**

Year	House hold	Change (%)	Comm-ercial	Change (%)	Cement	Change (%)	Ferti-lizer	Change (%)	Power	Change (%)	Indus-trial	Change (%)	Transport (CNG)[P] mmcft	Change (%)
1998-99	131		21		8		167		184		121		2,182	
1999-00	139	6.1	22	4.8	9	12.5	177	6.0	227	23.4	135	11.6	2,426	11.2
2000-01	141	1.4	21	-4.5	7	-22.2	175	-1.1	281	23.8	139	3.0	4,423	82.3
2001-02	144	2.1	22	4.8	7	0.0	178	1.7	315	12.1	151	8.6	7,369	66.6
2002-03	154	6.9	23	4.5	3	-57.1	181	1.7	336	6.7	165	9.3	11,320	53.6
2003-04	155	0.6	24	4.3	8	166.7	185	2.2	470	39.9	193	17.0	15,858	40.1
2004-05	172	11.0	27	12.5	13	62.5	190	2.7	507	7.9	226	17.1	24,443	54.1
2005-06	171	-0.6	29	7.4	15	15.4	198	4.2	492	-3.0	279	23.5	38,885	59.1
2006-07	186	8.8	31	6.9	15	0.0	194	-2.0	434	-11.8	307	10.0	56,446	45.2
2007-08	204	9.7	34	9.4	13	-15.1	200	3.1	430	-1.0	323	5.1	72,018	27.6
July-March														
2007-08	173		25.6		9		149		320		227		51,700	
2008-09	172	-0.5	26.4	3.2	6	-35.3	150	0.7	278	-13.1	234	2.8	65,725	27.1

P: Provisional *Source: Hydrocarbon Development Institute of Pakistan*

c). Electricity

After recording at an average rate of 6.1 percent per annum since 1999-00 to 2007-08, the electricity consumption by different sectors increased merely by 0.7 percent during July-March 2008-09 against the comparable period last year. This trend of the decelerating growth of electricity consumption started in 2006-07. With the exception of Other Government Sector, all remaining sectors witnessed a negative growth during July-March 2008-09 over the same period last year. Reduction in consumption of electricity by different sectors is due to a shortage of electricity, its higher cost due to gradual phasing out of a subsidy on electricity, and the circular debt problem (See table 15.4).

Table 15.4: Consumption of Electricity by Sectors **(Percentage Change)**

Year	Trac-tion	House hold		Commercial		Industrial		Agriculture		Street Light		Other Govt.		Total
		GWH House hold	Change (%)	GWH (000)	Change (%)	GWH (000)	Change (%)	GWH (000)	Change (%)	Gwh	Change (%)	GWH (000)	Change (%)	
1998-99	15	19.4		2.4		12		5.6		224		3.6		43,296
1999-00	15	21.4	10.3	2.5	4.2	13.2	10.0	4.5	-19.6	239	6.7	3.6	0.0	45,586
2000-01	13	22.8	6.5	2.8	12.0	14.3	8.3	4.9	8.9	213	-10.9	3.5	-2.8	48,584
2001-02	11	23.2	1.8	3	7.1	15.1	5.6	5.6	14.3	212	-0.5	3.5	0.0	50,622
2002-03	10	23.7	2.2	3.2	6.7	16.2	7.3	6	7.1	244	15.1	3.4	-2.9	52,656
2003-04	9	25.8	8.9	3.7	15.6	17.4	7.4	6.7	11.7	262	7.4	3.7	8.8	57,491
2004-05	12	27.6	7.0	4.1	10.8	18.6	6.9	7	4.5	305	16.4	3.8	2.7	61,327
2005-06	13	30.7	11.2	4.7	14.6	19.8	6.5	7.9	12.9	353	15.7	4	5.3	67,603
2006-07	12	33.3	8.5	5.4	14.9	21.1	6.6	8.2	3.8	387	9.6	4.4	10.0	72,712
2007-08	8	33.7	1.2	5.6	3.7	20.7	-1.9	8.5	3.7	415	7.2	4.5	2.3	73,400
July-March														
2007-08	7	25.2		4.1		15.7		6.5		321		3.4		55,208
2008-09	4	23.6	-6.3	3.8	-7.3	14.6	-7.0	6.5	0.0	307	-4.4	6.8	100.0	55,614

Source: Hydrocarbon Development Institute of Pakistan

15.3 Supply of Energy

The primary energy supply has increased by 12.9 percent since 1998-99. After remaining positive until 2007-08, primary energy supply and per capita availability of energy witnessed a negative growth during 2008-09, due to lower than normal economic growth experienced during this period (See table 15.5).

Analysis of the composition of final energy supplies to the country suggests that supply of coal during the last ten years (from 1998-99) grew by an average rate of 13.0 percent per annum followed by gas, crude oil, electricity and petroleum products with per annum growth rates of 9.5 percent, 7.2 percent, 4.7 percent and 1.5 percent respectively during the period under review. All components of final energy supply have experienced a negative growth during July-March 2008-09 over the corresponding period last year (See table 15.6) with the exception of gas which showed a marginal increase of 0.2 percent.

Table 15.5: Primary Energy Supply and Per Capita Availability

Year	Energy Supply		Per Capita	
	Million TOE	Change (%)	Availability (TOE)	Change (%)
1998-99	41.72		0.31	
1999-00	43.19	3.51	0.32	1.28
2000-01	44.4	2.82	0.32	0.63
2001-02	45.07	1.5	0.32	-1.25
2002-03	47.06	4.41	0.32	2.86
2003-04	50.85	8.06	0.34	5.25
2004-05	55.58	9.26	0.36	6.45
2005-06	58.06	4.18	0.37	2.48
2006-07	60.62	4.33	0.38	2.61
2007-08	62.92	3.78	0.39	2.86
Jul-Mar				
2007-08	49.9		0.31	
2008-09 E	47.1	-5.61	0.29	-6.45

E : estimated *Source: Hydrocarbon Development Institute of Pakistan.*
TOE- Tons of Oil Equivalent

Table 15.6: Composition of Final Energy Supplies

Year	Crude Oil		Gas		Petroleum Products		Coal		Electricity	
	Million Barrels	Change (%)	(bcf)*	Change (%)	(Mln.T.)	Change (%)	(Mln.T)	Change (%)	(000Gwh)(a)	Change (%)
1998-99	52.6		744.9		17.2		4.4		65.4	
1999-00	53.3	1.3	818.3	9.9	18.5	7.6	4.1	-6.8	65.7	0.5
2000-01	73.6	38.1	857.4	4.8	18.9	2.2	4	-2.4	68.1	3.7
2001-02	75.1	2.0	923.8	7.7	18.7	-1.1	4.4	10.0	72.4	6.3
2002-03	76	1.2	992.6	7.4	18	-3.7	4.9	11.4	75.7	4.6
2003-04	80.3	5.7	1,202.70	21.2	15.4	-14.4	6	22.4	80.9	6.9
2004-05	85.3	6.2	1,344.90	11.8	16.8	9.1	7.9	31.7	85.7	5.9
2005-06	87.5	2.6	1,400.00	4.1	17	1.2	7.7	-2.5	93.8	9.5
2006-07	85.3	-2.5	1413.6	1.0	18.6	9.7	7.9	2.5	98.4	4.9
2007-08	90.5	6.1	1454.2	2.9	19.8	6.1	10.1	28.1	95.9	-2.6
Avg. 10 Year	7.2		9.5		1.5		13.0		4.7	
Jul-March										
2007-08	66.0		1090.6		14.6		6.6 e		74.0	
2008-09	62.4	-5.5	1092.3	0.2	14.2	-2.8	4.8 e	-26.5	60.8 p	-17.9

e: Estimated and p:provisional **Source: Hydrocarbon Development Institute of Pakistan**
a: Giga Watt hour
***: Billion cubic feet**

a). Crude Oil

The total recoverable reserves of crude oil in the country as of 1st January 2009 have been estimated at 313 million barrels. The average crude oil production during July-March 2008-09 was 66532 barrels per day as compared to 70166 barrels per day during the corresponding period last year showing a negative growth of 5.2 percent. The Northern region witnessed a decrease of 4490 barrel average production per day, whereas the Southern region's average per day barrel production increased by 856 in absolute terms during the first nine months of the current fiscal year over the comparable period last year. Consequently, during the period under review, 40.4 percent of overall oil production took place in the Northern region and 59.6 percent in the Southern region. The production of crude oil during July-march 2008-09 and the corresponding period last year is given in table 15.7.

Table 15.7: Production of Crude Oil				
Region	**2007-08**	**July-March 2007-08**	**July-March 2008-09**	**Change (%)**
Northern Region	**30,619.73**	**31,378.28**	**26,888.21**	**-14.3**
Dewan	106.1	89.94	197.64	119.7
OGDCL	16,320.37	16,556.46	15,351.43	-7.3
OPII	447.26	458.84	401.01	-12.6
POL	6,333.35	6,713.72	3,839.05	-42.8
PPL	4,929.52	5,071.40	4,672.11	-7.9
MOL	2,483.13	2,487.92	2,426.96	-2.5
Southern Region	**39,334.04**	**38,787.22**	**39,643.29**	**2.2**
OGDCL	25,076.31	24,571.45	25,393.15	3.3
BP (Pakistan)	9,541.40	9,558.32	9,654.17	1.0
PPL	130.84	137.78	146.74	6.5
BHP	2,621.90	2,537.25	2,720.06	7.2
OMV	94.12	90.8	64.25	-29.2
ENI	340.44	334.23	386.00	15.5
OPII	1460.17	1490.48	1240.36	-16.8
Petronas	68.85	66.91	38.56	-42.4
Total:	69,953.78	70,165.50	66,531.51	-5.2

Source: Ministry of Petroleum & Natural Resources

b) Natural Gas

Government is making efforts towards enhancing gas production in order to meet the increasing demand of energy in the country. To this end, aggressive exploration activities are afoot. As of January 1st 2009, the recoverable reserves of natural gas have been estimated at 29.671 trillion cubic feet. The average production of natural gas during July-March 2008-09 was 3986.5 million cubic feet per day (mmcfd) as compared to 3965.9 (mmcfd) during the corresponding period last year, showing an increase of 0.52 percent. Presently 26 private and public sector companies are engaged in oil and gas exploration & production activities. Total natural gas production by company wise is given in table 15.8.

Table- 15.8: Production of Natural Gas (mmcfd)				
Company	**2007-08**	**July-March (2007-08)**	**July-March (2008-09)**	**Change (%)**
BHP	379.43	359.88	435.36	20.97
ENI	386.53	378.65	416.6	10.02
Dewan	22.04	19.21	40.45	110.57
MGCL	468.36	468.19	469.07	0.19
OGDCL	901.77	909.35	920.11	1.18
OMV	517.27	520.76	467.61	-10.21
OPII	76.82	81.6	54.14	-33.65
POL	34.88	36.01	25.81	-28.33
PPL	827.31	832.82	812.17	-2.48
Tullow	17.62	17.83	12.69	-28.83
PEL	30.42	30.85	30.66	-0.62
BP	224.26	224.04	222.99	-0.47
Petronas	24.04	23.51	15.4	-34.50
MOL	62.47	63.19	63.45	0.41
Total:	3,973.21	3,965.89	3,986.53	0.52

Source: Ministry of Petroleum & Natural Resources

(i). Liquefied Petroleum Gas (LPG):

Liquefied Petroleum Gas (LPG) contributes about 0.7 percent of the country's total primary energy supply mix. The main objective to enhance the use of LPG is to stop deforestation in the areas where the supply of natural gas is technically not viable. As a result of the government's policies, LPG supplies have been increasing at an annual cumulative growth rate of 18.2 percent during last few years with a supply of 601,592 Metric Ton in 2007-08. The cornerstone of the LPG Policy is to ensure enhanced availability of the product at a competitive price. LPG marketing companies have imported provisionally around 32,621 MT of LPG during July-March, 2009.

(ii).Compressed Natural Gas (CNG):

In an effort to reduce dependency on other fuels as well as to improve the environment, the use of CNG in vehicles is being encouraged. Due to price difference of about 60.0 percent between petrol and CNG, vehicles are still being converted to CNG and approximately 2.0 Million vehicles are using CNG. The numbers of CNG stations are increasing with an increase in the conversion rate and there are about 2,700 established CNG stations in the country presently. With an investment of Rs.70 billion, Pakistan at present is the largest CNG user country. In addition, the government's policy of de-dieselization is being actively pursued with the provincial governments, who are implementing this policy to achieve import substitution. For instance, the diesel operated intra-city urban public transport is being phased out in Karachi, Hyderabad, Lahore Faisalabad, Peshawar, Quetta and Islamabad/ Rawalpindi.

(iii).Liquefied Natural Gas (LNG):

The government is encouraging LNG import by the private sector and in this connection the first LNG policy was announced during 2006. SSGC has been mandated to launch the "Pakistan Mashal LNG Project" and to act as a project vehicle company for implementation of the project through the private sector in two phases between the years 2011 to 2014. At present, SSGC is in the process of finalizing the LNG project. Additionally, Pakistan GasPort Limited, a private company, is also pursuing the LNG import project at their own cost and risk.

c) Drilling Activities

During July-March 2008-09, altogether a total of 60 wells were drilled, including 20 wells in the public sector and 40 in the private sector as compared to 45 wells in the same period last year showing an increase of 33.3 percent. Exploratory wells witnessed a negative growth, whereas the development wells posted a positive growth in both the public and the private sector during period under consideration. A total investment of US $1001 million has been made so far in the current financial year in the upstream petroleum sector. Table 15.9 reveals the details of the drilling activities of the public and private sector companies engaged in the exploration and development of wells, with achievements made during July-March 2008-09 as well as in the corresponding period last year.

Table 15.9: Drilling Activities (Achievements) *(No. of Wells)*

Sector	2007-08	July-March 2007-08	July-March 2008-09	Change (%)
Public Sector (OGDCL)	31	18	20	11.11
i) Exploratory	8	9	7	-22.22
ii)Appraisal/Dev	23	9	13	44.44
Private Sector	49	27	40	48.15
iii) Exploratory	18	13	10	-23.08
iv) Appraisal/Dev.	31	14	30	114.29
Total:	80	45	60	33.33

Source: Ministry of Petroleum & Natural Resources

Box Item
Petroleum Exploration & Production Policy 2009:

The Government has recently finalized the Petroleum Exploration & Production Policy 2009 with the objective to promote Exploration & Production (E&P) activities in the country and to attract investment in the upstream E&P sector for enhancing energy supply in line with mid term and long-term energy plans. In order to provide further incentives to the petroleum industry, the price of gas has been linked to the price of a basket of crude oils being imported by Pakistan and better gas prices have been offered to the investors as compared to Policy 2007 for all zones. The factor of the biddable Gas Price Gradient (GPG) having a weightage of 20 percent has been eliminated. Now the bids will be evaluated on the basis of best work programme with related financial commitment on work units. The stringent criteria for pre-qualification of the E&P Companies have also been simplified in order to encourage new local entrants. This simplification makes sense given that new entrants would be required to join other E&P companies, gain requisite experience to independently handle operator-ship, enter into a Technical Services agreement with an internationally renowned E&P/services company, and/or engage a high caliber technical and management team capable of exploiting a hydrocarbon resource to its full potential. The procedure of "Call for Nomination" has been discontinued in an effort to reduce time in award of blocks. In order to cater to the demand for natural gas, the discount during the EWT phase has been reduced to 10 percent to encourage companies towards early production. The existing leaseholder, already producing in the field and with better knowledge and experience of the lease area, will have the advantage of first right to match the highest bid to the existing lease holder to fully exploit the hydrocarbon potential of the lease area for another term of 10 years after expiry of the lease term. Recognizing the importance of local community for providing lasting benefits, the Government has also decided to increase the social welfare rates for the development of local remote areas. The Government's intention is to involve the community as an important stakeholder and have their support. The amount of social welfare obligation in the exploration phase may be raised to US$ 5000 in each zone. The first right of refusal has been given to the Government of Pakistan under item 10.4 of the Policy titled "sale of natural gas within Pakistan". The Federal Government in consultation with the Provincial Government will explore the possibilities of sharing its revenue of royalty rental etc. with locals of the area. The relevant clause of the model Petroleum Concession Agreement be amended to ensure the employment of unskilled workers of the area, at local/district level to the extent of at least 50 percent, both by the Operator and its Contractors. The scope of training fund utilization be extended to cover internship/scholarships and training of local inhabitants in different institutions.

15.4 Performance of Major Oil and Gas Companies

a). Oil and Gas Development Company Limited (OGDCL):

The company has drilled 20 wells showing an increase of 33 percent in the drilling activities as compared to the corresponding period last year. The production activities of OGDCL consist of oil, gas, LPG and sulphur. Average oil production during the period July-March 2009 was 40,745 barrels per day as compared to 41,128 barrels per day during the corresponding period last year while the average gas production during July-march 2008-09 stood at 920 MMscfd as compared to 909 MMscfd during the corresponding period last year. During the period July-March 2008-09, the production of LPG has decreased by 47 percent as compared to last year's production owing to depletion of gas production from Dhodak field. In addition, the production of LPG remained depressed due to the shut down of couple of plants owing to annual turnaround and other problems like refrigeration package and high line back pressure etc. Average sulphur production during the period was 66 Metric Tons per day. During the corresponding period in the previous financial year, the average production of sulphur was 71 Metric Tons per day (see Table 15.10).

During July 2008, the Company encountered Gas/Condensate in its Kunnar South Exploratory well No.1 located in district Tando Allah Yar of Sindh Province. The short duration initial testing results of zone no. 1 of the well produced 200 BPD of Condensate and 11 MMscfd of gas. Similarly zone no. 2 of the well produced 250 BPD of condensate and 14.7 MMscfd of gas.

TABLE 15.10: Physical Performance of OGDCL

S. #	Name of Activity		July-March 2007-08	July-March 2008-09	Change (%)
1	**Total wells Drilled**		15	20	33
	I	Exploratory Wells	8	8	
	ii	Development/Appraisal Wells	7	12	
2	**Production**				
	I	Oil (BBL)	11,310,177	11,164,017	-1
			(41,128)	(40,745)	
	ii	Gas (MMcft)	250,070	252,108	1
			(909)	(920)	
	iii	LPG (Tonnes)	78,476	41,795	-47
			(285)	(153)	
	iv	Sulphur (Tonnes)	19,543	18,000	-8
			(71)	(66)	

(Figures in bracket show daily average production) ***Source: OGDCL***

b). Sui Northern Gas Pipelines Limited (SNGPL):

SNGPL has supplied gas to 1300 towns and villages of Punjab, NWFP and AJK/Federal areas so far. During the first nine months of the current fiscal year 2008-09, the Company connected 450 industrial, 2,850 commercial and 180,000 domestic consumers. SNGPL carried out development work for extension of the gas network to the tune of Rs. 7,848 million on transmission projects, Rs. 5,831 million on distribution projects and Rs. 285 million on other projects (See Table15.11). The General Industry sector is the largest consumer of gas provided by SNGPL and transmission projects account for 56.2 percent of the total investment made by the company. During the next fiscal year 2009-10, the company is projected to invest Rs. 18,457 million in transmission, distribution and other projects.

c). Sui Southern Gas Company Limited: (SSGC)

By the end of March 2009, Sui Southern Gas Company Limited was supplying gas to 1,875 towns and villages of Sindh and Balochistan. During the period under review, SSGC provided new connections to 218 Industrial, 1,349 Commercial and 80,545 Domestic consumers bringing the total consumers to 2,148,622. During July-March 2008-09, the Company carried out development work for extension of the gas net work to the tune of Rs.1,034 million on transmission projects, Rs.3,907 million on distribution projects and Rs.579 million on other projects under the ‘Khushal Pakistan’ programme and with the collaboration of District Governments (See Table 15.11). Power and General industry has remained a major consumer of the gas provided to all sectors accounting for around 32.0 percent share each followed by the domestic sector with the share of 19.0 percent with 98.0 percent of new connections being provided to the domestic sector. Furthermore, most of the investments made by the SSGC are in distribution projects. During the next fiscal year the company plans to invest Rs.13,381/- million on transmission and distribution projects.

15.5 Power sector

The installed capacity in the private sector witnessed a positive growth of 3.4 percent during 2008-09 over the same period last year. While the private sector showed a negative growth of 1.7 percent in 2007-08.

The total installed capacity of WAPDA accounting for 58.0 percent of total capacity declined by 1.7 percent during July-March 2008-09. The total installed capacity of IPPs remained 5,954 MW followed by KESC's 1884.0 MW and nuclear energy's 462 MW in July-March 2008-09 (table 15.12).

Table 15.11: Physical Performance of SNGPL & SSGC

S. No	Name of Activity	July-March 2008-09 SNGPL	July-March 2008-09 SSGCL
1	Sector-Wise Gas Consumption (mmcf)		
	Power	91,347	91,360
	Fertilizer	35,001	19,303
	Cement	2,448	3,401
	CNG/Transport	51,196	16,377
	General Industry	142,475	93,011
	Commercial	19,213	7,218
	Domestic	109,510	54,206
	Total	451,190	284,875
2	New Connections (Nos.)		
	Domestic	180,000	80,545
	Industrial	450	218
	Commercial	2,850	1,349
	Total	183,300	82,112
3	Addition in Distribution Network (KMs)		
	Mains	4,000	1,429
	Services	820	328
	Total	4,820	1,757
4	Investment in Gas Sector (Rs. Million)		
	Transmission Projects	7,848	1,034
	Distribution Projects	5,831	3,907
	Others	285	579
	Total	13,964	5,520

Source: SNGPL, SSGC

Table 15.12: Total Installed Generation Capacity (MW)

S.No	Power Company	Installed Capacity 2007-08	Share (%)	Installed Capacity 2008-09	Share (%)	Change
1	WAPDA	11,654	59.6	11,454	58.0	-1.7
	Hydel	6,474	55.6*	6,555	57.2*	1.3
	Thermal	5,180	44.4*	4,899	42.8*	-5.4
2	IPPs	5,760	29.4	5,954	30.1	3.4
3	Nuclear	462	2.4	462	2.3	0.0
4	KESC	1,690	8.6	1,884.0	9.5	11.5
	Total	19,566	100	19,754	100.0	1.0

*** Share in WAPDA system** *Source: Hydrocarbon Development Institute of Pakistan*

15.5.1 National Electric Power Regulatory Authority (NEPRA)

NEPRA is the authority responsible for granting licenses, determining tariffs, prescribing performance standards and addressing the complaints of electric power consumers. During July-March 2008-09, ten applications for the grant of Generation License for conventional power plants including thermal and hydro with a cumulative capacity of 3300 MW were processed and one license was issued. An additional two generation licenses were granted to Wind Energy Projects.

NEPRA received generation license application from 21 existing captive power plants (CPPs), 12 CPPs were granted generation licenses after processing while the remaining cases are at different stages of processing currently.

Regarding addition of capacity for reducing the demand-supply gap, NEPRA processed the cases of six Rental Power thermal Power Plants and finalized the cases of four such plants. Further, the case for addition of a new 220 MW thermal power plant at Korangi was finalized for KESC and the application of another 150 MW is expected to be finalized shortly.

Five applications for the grant of Distribution License from Small Power Producers (SPPs) and Housing Colonies were processed out of which 2 SPPs were granted distribution licenses and the other cases were at different stages of processing.

Three companies were granted approval of tariffs under the Government of Pakistan's policy on Fast Track power Generation Projects.

Work on the Government of Pakistan's initiatives on power sector assistance and the Central Asia-South Asia transmission line continued as well along with continuous deliberations on the development of coal and hydel policies.

Supply Sources of Electricity:

15.5.2. WAPDA

The installed capacity of PEPCO system is 18,019 MW as of March 2009 with hydro 6555 MW and thermal 11,464 MW. The hydropower capacity accounts for 36.38 percent and thermal 63.62 percent. Out of 11,464 MW of thermal power, 4899 MW is owned by ex-WAPDA GENCos, 285 MW by rental, 325 by PAEC and 5954 by IPPs.

a). Power Development Programme

To meet the current and future energy demands, the government is working on different power generation projects expected to be completed by 2011-12 with total generation capacity of 9817 MW. These power generation projects, including 615 MW, have been planned to commission during 2008-09.The power generation projects having a capacity of 4039 MW are expected to be commissioned in the fiscal year 2009-10. Furthermore, 3370 MW of capacity will be added in 2010-11. In addition, 1793 MW capacity projects are expected to be commissioned during 2011-12.

b). Electricity Generation & Power Transmission

The long term (since 1998-99) energy consumption pattern exhibited a similar picture with the same mix of hydro-thermal in total energy consumption. The share of thermal generation remained higher than that of hydro generation which shows that hydro potential has not been fully utilized. The hydro potential which is located in the north is still largely untapped. During the fiscal year July-March 2008-09, the electricity generation from hydro and thermal decreased by 4.4 percent and 5.4 percent respectively as compared to the same period last year. Furthermore, the share in total energy generation by hydro generation remained at 33.7 percent while thermal generation stood at 66.3 percent during the period under review (see table 15.13).

By the end of June 2008, the total length of transmission line had increased to 49681 circuit kMs compared to 49645 ckM, at the end of June 2007. The length of transmission lines included 500-kV, 220-kV, 132-kV and 66-kV during the period under consideration (end June, 2008).

Table 15.13: Electricity Generation by WAPDA (GWh)					
Year	**Hydro**	**Share (%)**	**Thermal**	**Share (%)**	**Total**
1998-99	22,448	41.8	31,235	58.2	53,683
1999-00	19,288	34.3	36,585	65.5	55,873
2000-01	17,259	29.5	41,196	70.5	58,455
2001-02	19,056	31.3	41,804	68.7	60,860
2002-03	22,350	34.9	41,690	65.1	64,040
2003-04	27,477	39.8	41,617	60.2	69,094
2004-05	25,671	34.9	47,849	65	73,520
2005-06	30,855	37.5	51,370	62.5	82,225
2006-07	31,942	36.4	55,895	63.6	87,837
2007-08	28,667	33.23	57,602	66.77	86,269
July-March					
2007-08	21,606	33.5	42,963	66.5	64,569
2008-09	20,665	33.7	40,653	66.3	61,318
Total generation includes purchase from IPPs and imports					***Source: PEPCO***

c). Growth in Consumers.

With the expansion of the electricity network, the number of consumers has increased by 7,675 thousands since 1998-99. During July-march 2008-09, the growth of consumers stood at 4.2 percent as it reached 18.5 million consumers during July-March 2008-09 as compared to 17.7 million in same period last year. The share of domestic consumers remained 84.9 percent followed by the commercial and industrial sectors having a 12.3 percent and a 1.4 percent share respectively (See table 15.14).

Table 15.14: Consumers by Economic Groups (Thousands)						
Year	**Domestic**	**Commercial**	**Industrial**	**Agriculture**	**Others**	**Total**
1998-99	8,912	1,517	190	173	8	10,800
1999-00	9,554	1,654	195	175	8	11,586
2000-01	10,045	1,737	196	180	8	12,166
2001-02	10,483	1,803	200	184	8	12,678
2002-03	11,044	1,867	206	192	9	13,318
2003-04	11,737	1,935	210	199	10	14,092
2004-05	12,490	1,983	212	201	10	14,896
2005-06	13,390	2,068	222	220	10	15,911
2006-07	14,354	2,152	233	236	11	16,987
2007-08	15,226	2,229	242	245	11	17,955
July-March						
2007-08	15,026	2,214	240	243	11	17,734
2008-09	15,687	2,271	250	255	12	18,475
						Source: Water and Power Development Authority

d). Village Electrification.

About 67.0 percent of the population of the country resides in rural areas with agriculture being the main occupation Keeping this fact in view and in order to increase the productivity of a majority of the population, the village electrification progamme is being highlighted as a central component of the total power sector development programme. The number of villages electrified has increased to 66,280 since 1998-99. Furthermore, the village electrification facility has increased by 5.7 percent during the period of July-March 2008-09 as compared to same period last year. The detailed trend of village electrification is given in table 15.15.

Table 15.15: Village Electrification			(In Number)
Year	**Addition During the Year**	**Progressive Total**	**Growth (%)**
1998	1,232	67,183	
1999	1,109	68,292	1.7
2000	1,595	69,887	2.3
2001	1,674	71,561	2.4
2002	2,246	73,807	3.1
2003	7,193	81,000	9.7
2004	9,467	90,467	11.7
2005	12,764	103,231	14.1
2006	14,203	117,456	13.8
2007	10,441	127,897	8.9
July-March			
2007-08	8,840	126,296	
2008-09	5,566	133,463	5.7

***Including FATA** **Source: Water and Power Development Authority**

e). Electricity Consumption by Economic Group

The sectoral consumption of electricity by economic group identifies the domestic sector as the largest consumer of electricity for the past many years. During the current year (July-March 2008-09), the consumption pattern remained more or less the same since 1998-99 with a domestic share of 42.2 percent, industrial share of 25.2 percent and agricultural share of 13.3 percent. Table 15.16 shows detailed electricity consumption by economic groups.

Table 15. 16: Electricity Consumption by Economic Groups (% Share)

Year	Domestic	Comm-ercial	Indus-trial	Agri-culture	Public Lighting	Bulk Supply	Trac-tion	Supply to KESC
1998-99	43.6	4.7	25.6	14.3	0.41	6.72	0.04	4.65
1999-00	46.3	4.9	26.3	11	0.37	6.54	0.04	4.5
2000-01	46.1	4.9	27.1	11.3	0.34	6.07	0.03	4.17
2001-02	45.5	5.1	28	12.3	0.33	5.89	0.03	2.94
2002-03	44	5.3	28.4	12.6	0.35	5.54	0.02	3.8
2003-04	44	5.6	28.1	12.9	0.37	5.43	0.02	3.58
2004-05	43.5	5.8	28.1	12.5	0.41	5.17	0.02	4.54
2005-06	43.3	6	26.6	12.6	0.45	4.86	0.02	6.15
2006-07	43	6.04	26.09	12	0.47	4.84	0.02	7.27
2007-08	43.21	6.55	26	12.59	0.51	5.01	0.01	6.12
July-March								
2007-08	43	6.5	26.1	12.7	0.5	5.1	0.02	6
2008-09	42.2	6.4	25.2	13.3	0.5	4.9	0.01	7.5

Source: Water and Power Development Authority

f). Power Losses.

The transmission and distribution losses exhibited decreasing trend during July-March 2008-09 with transmission and distribution losses declining at 19.4 percent as compared to 20.3 percent in the corresponding period of last year. NTDC and DISCOs have started a range of technical and administrative measures to enhance operational and managerial efficiency to reduce power losses. These measures have showed positive signs resulting in the reduction of power losses and leading to an increase in revenue. Along with these, other measures which involve continuous processes like renovation, rehabilitation, capacitor installation and strengthening the distribution system network are being carried out to control the wastage of power. The Transmission and Distribution losses for the past 10 years are given in table 15.17.

TABLE 15.17: WAPDA Power Losses (%)	
Year	**T&D Losses***
1998-99	25.8
1999-00	24.6
2000-01	23.8
2001-02	23.6
2002-03	23.9
2003-04	23.5
2004-05	22.3
2005-06	21.9
2006-07	21.1
2007-08	20.92
July-March	
2007-08	20.3
2008-09	19.41

*** T&D = Transmission and Distribution**
Source: Water and Power Development Authority

15.5.3. Karachi Electric Supply Company Limited (KESC)

During July-March 2008-09, the company's own generation stood at 5837 Million units (kWh), 5.3 percent less than the previous year generation of 6164 Million Units (kWh) owing to "Planned Maintenance Outages" undertaken in the winter of 2008-09. The installed capacity of various generating stations increased to 1884 MW by the end of July-March 2008-09 compare to 1690 MW in the corresponding period last year (See table 15.18). KESC has increased the required supply of power by various sources including the purchase of 577 Million KWh from "Independent Power Producers" and 4398 Million KWh from WAPDA KANUPP & PASMIC.

The total units available to the company's system posted a decline of 0.8 percent by reaching 10,349 million KWh during July-March 2008-09 compared to 10,437 Million kWh in the corresponding period of last year. Transmission and Distribution losses have increased from 3216 million kWh during July-March 2007-08 to 3543 million kWh in the current fiscal year. The set-back in power purchase was due to the unavailability of DHA COGEN 80MW Power Station. KESC has made considerable progress in its comprehensive rehabilitation program for the restoration of its generating capacity. In addition to the completion of 220 MW Combined Cycle Power Station, the addition of two rental power stations in the current Fiscal Year will add supply of 50MW to the system.

The addition of two power generating stations of 87MW each at KESCs existing locations is in full swing. These stations will come into the system in first quarter of fiscal year 2009-10.

Furthermore, as part of the generation expansion program, the "Financial Close" of the 560MW Combined Cycle Power Station at the existing Bin Qasim power Station Site is expected in the next quarter.

15.5.4. Nuclear Energy

Pakistan Atomic Energy Commission (PAEC) is responsible for the planning, construction and operation of nuclear power plants in the country. Presently, two nuclear power plants; Karachi Nuclear Power Plant (K-1) and Chashma Nuclear Power Plant unit-1 (C-1) are operational, while construction of a third plant, Chashma Nuclear Power Plant unit-2 (C-2), is in progress. K1, has been in commercial operation since 1971. After completing its design life of 30 years, K-1 is operating on extended life at 90 MWe. K-1 generated 317 million kWh of electricity during the period July-March 2008-09, raising its life-time generation to 12.21 billion kWh. C-1, a PWR type plant with a gross capacity of 325 MWe, and has been in commercial operation since September 2000. C-1 generated 602 million kWh of electricity during July-March 2008-09, raising its lifetime generation to 16.86 billion kWh. The construction and installation activities of C-2 are in progress as per schedule. The commercial operation of C-2 is expected in 2011.

Pakistan Atomic Energy Commision has been given the task of increasing nuclear power generation capacity to 8,800 MW by the year 2030 with increasing share of indigenization. Studies are in progress at six new sites to establish their suitability for installation of additional nuclear power plants. PAEC is communicating with China National Nuclear Corporation for establishment of additional nuclear power plants.

Table 15.18: KESC Operating Results (Units in Million kWh)

S. No	Description	July-March (2007-08)	July-March (2008-09)	Change (%)
1	POWER PURCHASE			
	KANUPP	303.9	286.1	-5.8
	PASMIC	75.5	85.0	12.5
	TAPAL	604.0	441.6	-26.9
	GULAHMED	660.5	316.3	-52.1
	WAPDA	3,035.6	3,585.6	18.1
	ANOUD POWER	18.7	12.2	-34.8
	DHA COGEN	33.3	68.0	104.5
	INTL. INDUS. LTD	21.0	99.8	374.3
	AGGREKO	-	60.7	-
	Total	4,752.4	4,995.4	5.1
2	Units Available for Distribution	10,437.2	10,349.6	-0.8
3	Unit Sold	7,221.1	6,805.8	-5.8
4	Trans. & Dist. Losses	3,216.1	3,543.8	10.2
5	Installed Capacity (MW)	1,690.0	1,884.0	11.5

***Source:* KESC**

15.5.5. Coal

Pakistan has huge coal resources estimated at over 185 billion tones, including 175 billion tones identified at the Thar, Sindh province. Pakistan's coal generally ranks from lignite to sub-bituminous. The production of coal has remained stagnant with no significant market demand. The production of coal decreased by 28.8 percent during July-March 2008-09 over the comparable period last year. About 60.4 percent of total coal production in the country has been consumed by the brick kilns industry followed by cement with the 37.3. percent consumption share of coal during the period under consideration. The coal consumption shares of brick kilns and power sectors increased by 9.7 and 0.3 percentage points respectively during the first nine months of the current fiscal year over the corresponding period last year(table 15.19 & 15.20). Operational coal mines decreased production by 15 percent from 4.12 million tons in 2007-08 to 3.49 million tons in 2008-09. Almost the whole cement industry has been switched over to coal from furnace oil which has enhanced utilization of indigenous coal along and imported coal. Utilization of indigenous coal in cement manufacturing plants has saved considerable scare foreign exchange.

Table 15.19: Consumption of Coal ***(Percentage Share)***

Year	Household	Power	Brick Kilns	Cement
1998-99	0	12	88	-
1999-00	0	11	89	-
2000-01	0	5.1	70.2	24.7
2001-02	0	5.7	58.5	35.9
2002-03	0	4.2	53.3	42.5
2003-04	0	3	42.7	54.2
2004-05	-	2.3	49.5	48.2
2005-06	-	1.9	54.7	43.3
2006-07	0	2.1	41.5	56.4
2007-08	0	1.6	37.2	61.2
Jul-March				
2007-08 (e)	0.0	2.0	50.7	47.3
2008-09 (e)	0.0	2.3	60.4	37.3

- not available
e: Estimated

Source: Ministry of Petroleum Natural Resource
Hydrocarbon Development Institute of Pakistan

As part of promotional activity to increase the share of coal, the Government of Sindh has leased out a coal block for an integrated mining project and a 250 MW coal based power plant to M/s China National Chemical Engineering Group Corporation in Sonda Jherrick coalfield. The Government of Pakistan has developed the infrastructure of Thar coal field (i.e. roads, water supply, communication network, airstrip & railway track). The Government of Sindh has incorporated "Thar Coal Energy Board" for the development of the coal resources of Thar to fulfill the energy requirements. The establishment of experimental small scale open-pit mining is also under consideration to collect data for large-scale mining, as a guideline for investors.

Table 15.20: Production of Coal (000 tones)

Year	Imports	Production	Total
1998-99	910	3,461	4,371
1999-00	957	3,168	4,125
2000-01	950	3,095	4,045
2001-02	1,081	3,328	4,409
2002-03	1,578	3,312	4,890
2003-04	2,789	3,275	6,064
2004-05	3,307	4,587	7,894
2005-06	2,843	4,871	7,714
2006-07	4,251	3,643	7,894
2007-08	5,987	4,124	10,111
Jul-March			
2007-08 (e)	4000	2559	6,559
2008-09 (e)	3000	1822	4,822

e: Estimated *Source: Ministry of Petroleum Natural Resource Hydrocarbon Development Institute of Pakistan*

15.5.6 Private Power and Infrastructure Board (PPIB)

Private sector projects in the power sector are processed by the Private Power and Infrastructure Board. The potential of hydropower in Pakistan is around 50,000 MW, while total coal reserves in Pakistan are estimated to be around 185 Billion tones. PPIB is currently processing thirty three multiple fuel (Oil, Coal, Gas and Hydel) power projects with a cumulative capacity of 8,145 MW which are expected to be commissioned from year 2009 to 2013. The annual expected capacities of private power generation up to the year 2013 are as given in table 15.21

These include 12 Oil based Projects with 2261 MW capacity, 6 Hydel Projects with 667 MW capacity, 4 Pipeline Quality Dual Fuel/LNG Projects with 900 MW capacity, 5 Dedicated Gas projects with 1,218 MW capacity, four Oil based Rental Power Projects with 699 MW capacity, and two Imported Coal based power projects with a cumulative capacity of 2,400 MW. Out of this, Implementation Agreements (IAs) have been signed with 14 projects of 2,757 MW, while twelve IPPs totaling 2,539 MW of power generation capacity have achieved Financial Close, out of which 165 MW oil based Attock Gen Limited has been commissioned during March 2009 and other companies are aggressively working to achieve the financial close/commissioning.

Table 15.21: Annual Expected Capacity (IPPs)

Year	(MW)
2009	2543
2010	1201
2011	1268
2012	482
2013	2651
Total	**8145**

In addition, three bids for establishing IPP projects totaling 964 MW of cumulative power generation capacity have been received under Package-II of the initiative for establishing Rental Projects/IPPs launched in September 2008. These are expected to be commissioned during year 2010/2011.

15.5.7 Alternative Sources of Energy

To meet the growing demand of energy and the target of 9700 MW generation by the year 2030, the Alternate Energy Development Board (AEDB) has taken various initiatives. Under the remote village electrification program; AEDB is to electrify 7874 remote off-grid villages in the Sindh and Balochistan provinces through RE technologies.

(i) Mega Wind Power Projects

AEDB has developed Wind Resource Analysis for wind speed benchmarking and has prepared the first Energy Purchase Agreement (EPA) for Wind Energy in Pakistan. Furthermore**,** ZORLU Energy Pakistan Ltd has commissioned its first phase (6 MW) of a wind power plant in April 2009. Complete 50 MW will be commissioned by the end of the 1st quarter of the year 2010. AEDB has so far identified 50,000 acres of Government land in Sindh and 33,976 acres of land have been provisionally allocated. Eleven (11) IPPs have completed their Feasibility Studies for 50 MW wind power projects each.

(ii) Biodiesel

The Government of Pakistan has given a target for replacement of 5 percent of total annual petroleum diesel consumption with Biodiesel by the year 2015 and 10 percent by 2025. A pilot project for a production plant of biodiesel has been successfully implemented. The project includes the electrification of a remote village in District Thatta, Sindh using Biodiesel technology. Beside, that AEDB has engaged Pakistan State Oil (PSO) for furthering the National Biodiesel Programme and provided a production plant of biodiesel to PSO for the optimization of processing techniques for Biodiesel.

(iii) Bio Gas Projects

AEDB is facilitating a New Zealand based firm with a pilot project for biogas at Landhi Cattle Colony, Karachi where waste from 400,000 cattle in the area would be utilized to generate electricity and high grade organic fertilizer. The pilot phase of the project (250 kW) has been initiated and the full scale plant is estimated to generate up to 50 MW of electricity and 1500 tons of organic fertilizer per day.

AEDB is working on fast track basis to assist and facilitate an American firm to undertake a feasibility study for generation of up to 10 MW of electricity from solid waste in Karachi.

AEDB is also facilitating cement industry for establishing Refuse Derived Fuel (RDF) plants by utilizing Municipal Solid Waste (MSW) that would replace imported coal.

(iv) Small Hydro

AEDB is facilitating TASAQ Energy (Pvt.) Limited for the establishment of a 16 MW Hydro Power Project at Gilgit river near Gilgit city as an IPP. This project will deliver 16 – 20 MW of energy to Gilgit city during the winter and up to 40 MW during the summer if required. The project will take 4 to 5 years to complete (i.e. by the year 2013).

AEDB is actively working to install 103 micro hydro power plants in Chitral and at other locations in the Northern areas.

TABLE 14.1

COMMERCIAL ENERGY CONSUMPTION

Fiscal Year	1. Oil/Petroleum (tonnes)						
	Households	Industry	Agricul-ture(a)	Transport	Power	Other Govt.	Total
1991-92	613,706	1,369,525	281,539	5,619,552	2,775,418	323,228	10,982,968
1992-93	622,075	1,479,935	287,181	6,107,416	3,158,124	357,115	12,011,846
1993-94	589,851	1,653,516	307,795	6,414,582	3,902,308	357,529	13,225,581
1994-95	585,173	1,889,443	268,631	6,646,175	4,215,635	355,110	13,960,167
1995-96	596,031	2,416,278	250,031	7,135,631	4,785,856	417,254	15,601,081
1996-97	509,738	2,141,065	268,866	7,172,269	5,110,233	403,795	15,605,966
1997-98	498,949	2,081,172	244,977	7,364,767	6,053,784	380,756	16,624,405
1998-99	492,768	2,139,889	249,229	7,864,063	5,525,669	376,133	16,647,751
1999-00	477,305	2,115,860	293,034	8,307,977	6,227,595	346,050	17,767,821
2000-01	450,960	1,924,048	254,833	8,157,893	6,487,988	372,176	17,647,898
2001-02	334,501	1,611,995	225,742	8,018,777	6,305,419	463,654	16,960,088
2002-03	282,521	1,604,068	196,747	8,082,273	6,019,958	266,387	16,451,954
2003-04	231,459	1,493,080	183,506	8,464,042	2,739,763	309,263	13,421,113
2004-05	192,750	1,542,398	142,062	9,024,783	3,452,581	316,686	14,671,260
2005-06	128,651	1,681,517	81,896	8,156,831	4,218,982	358,807	14,626,684
2006-07	106,148	1,595,981	97,232	7,981,893	6,740,559	325,318	16,847,131
2007-08	120,961	1,071,191	109,351	9,384,482	7,083,933	310,501	18,080,419
Jul-Mar							
2007-08	81,897	860,565	86,784	6,815,634	5,254,657	242,766	13,342,303
2008-09	75318	718053	50,076	6,306,840	5,496,505	244,845	12,891,637

(a): HSD consumption in agricultural sector is not available seprately and is included under transport sector. Agricultural sector represents LDO only.

(Contd.)

source: Oil Company Advisory Committee

TABLE 14.1

COMMERCIAL ENERGY CONSUMPTION

Fiscal Year	2. Gas (mm cft)(b)							
	Households	Commercial	Cement	Fertilizer	Power	Industry	Transport (CNG)	Total
1991-92	70,741	13,057	11,761	101,493	193,893	95,661	25	486,631
1992-93	75,783	14,326	11,914	119,628	186,853	102,991	31	511,526
1993-94	82,461	15,239	10,187	144,514	197,694	100,631	43	550,769
1994-95	97,045	16,064	6,730	141,697	181,107	104,098	47	546,788
1995-96	110,103	16,960	7,569	150,374	186,507	111,202	153	582,868
1996-97	115,488	18,403	8,718	150,483	193,984	110,365	358	597,799
1997-98	134,500	18,764	12,092	147,752	179,042	115,250	490	607,890
1998-99	131,656	21,466	7,988	167,474	183,694	121,431	2,182	635,891
1999-00	139,973	21,712	8,558	177,152	227,364	134,916	2,426	712,101
2000-01	140,899	20,618	6,977	175,393	281,255	138,503	4,423	768,068
2001-02	144,186	22,130	7,063	177,589	314,851	151,416	7,369	824,604
2002-03	153,508	22,776	3,445	180,611	335,636	164,968	11,320	872,264
2003-04	155,174	24,192	7,711	185,350	469,738	193,395	15,858	1,051,418
2004-05	172,103	27,191	13,383	190,409	507,398	226,116	24,443	1,161,043
2005-06	171,109	29,269	15,335	198,175	491,766	278,846	38,885	1,223,385
2006-07	185,533	31,375	14,686	193,682	433,672	306,600	56,446	1,221,994
2007-08	204,035	33,905	12,736	200,063	429,892	322,563	72,018	1,275,212
Jul-Mar								
2006-07	172,700	25,575	9,350	148,500	320,375	227,425	51,700	955,625
2007-08	171,875	26,400	6,050	149,600	278,300	233,750	65,725	931,700

- Not available.

(Contd.)

* : (CNG) Compressed Natural Gas.

TABLE 14.1

COMMERCIAL ENERGY CONSUMPTION

Fiscal Year	3. Electricity (Gwh) Trac-tion	House-hold	Commer-cial	Indus trial	Agricul-tural	Street Light	Other Govt.	Total	4. Coal (000 metric tonne) House-hold	Power	Brick Kilns	Cement	Total
1991-92	29	11,458	2,143	12,289	5,847	..	2,112	33,878	6.8	39.5	3,052.4	..	3,098.7
1992-93	27	13,170	2,333	13,043	5,635	297	1,987	36,493	3.2	46.7	3,216.6	..	3,266.6
1993-94	27	14,080	1,786	12,637	5,772	298	2,781	37,381	3.3	43.6	3,487.0	..	3,533.9
1994-95	22	15,585	2,623	12,528	6,251	324	2,116	39,448	3.2	40.7	2,998.9	..	3,042.8
1995-96	20	17,116	2,962	12,183	6,696	378	2,382	41,737	3.1	398.9	3,235.8	..	3,637.8
1996-97	18	17,757	2,241	11,982	7,086	390	3,440	42,914	9.7	351.9	3,191.3	..	3,552.9
1997-98	16	18,750	2,334	12,297	6,937	387	3,851	44,572	2.3	346.5	2,809.9	..	3,158.7
1998-99	15	19,394	2,409	12,061	5,620	224	3,573	43,296	1.3	415.3	3,044.8	..	3,461.4
1999-00	15	21,455	2,544	13,202	4,540	239	3,591	45,586	1.0	348.1	2,818.8	..	3,167.9
2000-01	13	22,765	2,774	14,349	4,924	213	3,547	48,585	1.0	205.8	2,837.9	1,000.0	4,044.7
2001-02	11	23,210	2,951	15,141	5,607	212	3,490	50,622	1.1	249.4	2,577.5	1,580.6	4,408.6
2002-03	10	23,624	3,218	16,181	6,016	244	3,363	52,656	1.1	203.6	2,607.0	2,078.2	4,889.9
2003-04	9	25,846	3,689	17,366	6,669	262	3,650	57,491	1.0	184.9	2,589.4	3,289.2	6,064.5
2004-05	12	27,601	4,080	18,591	6,988	305	3,750	61,327	..	180.0	3,906.7	3,807.2	7,893.8
2005-06	13	30,720	4,730	19,803	7,949	353	4,035	67,603	..	149.3	4,221.8	3,342.8	7,714.0
2006-07	12	33,335	5,363	21,066	8,176	387	4,373	72,712	1.0	164.4	3,277.5	4,451.2	7,894.1
2007-08	8	33,704	5,572	20,729	8,472	415	4,500	73,400	1.0	162.0	3,760.7	6,186.9	10,110.6
Jul-Mar													
2007-08	7	25,168	4,101	15,713	6,477	321	3,421	55,208	1.0	132.6	3,325.4	3,100.0	6,559.0
2008-09	4	23,643	3,829	14,563	6,501	307	6,767	55,614	0.8	110.0	2,911.6	1,800.0 e	4,822.4

.. not available.

e: estimated for coal

Source: Hydrocarbon Development Institute of Pakistan (HDIP)
Ministry of Petroleum and Natural Resources

TABLE 14.2

COMMERCIAL ENERGY SUPPLIES

Fiscal Year	Oil: Crude Oil Imports ('000 barrels)	Oil: Local Crude Extraction (000 barrels)	Gas (mcf) +	Petroleum Products: Imports (000 tonnes)	Petroleum Products: Production (000 tonnes)	Coal: Imports (000 tonnes)	Coal: Production (000 tonnes)	Electricity: Installed Capacity (MW)(a)	Electricity: Generation (Gwh)(b)
1991-92	30,016	22,469	550,715	5,275	5,961	1,069	3,099	9,369	45,040
1992-93	29,407	21,895	583,545	6,612	5,694	994	3,266	10,586	48,750
1993-94	30,770	20,675	624,229	7,910	5,841	1,094	3,534	11,319	50,640
1994-95	28,386	19,858	628,211	8,737	5,434	1,096	3,043	12,100	53,545
1995-96	31,044	21,063	666,580	10,137	5,874	1,080	3,638	12,969	56,946
1996-97	28,588	21,270	697,763	10,398	5,495	840	3,553	14,818	59,125
1997-98	29,826	20,543	699,709	11,064	5,858	960	3,159	15,659	62,104
1998-99	32,855	19,986	744,942	10,926	5,925	910	3,461	15,663	65,402
1999-00	32,938	20,395	818,342	11,878	6,115	957	3,168	17,399	65,751
2000-01	52,505	21,084	857,433	10,029	8,337	950	3,095	17,488	68,117
2001-02	51,982	23,195	923,758	9,023	9,028	1,081	3,328	17,789	72,405
2002-03	52,512	23,458	992,589	8,437	9,084	1,578	3,312	17,787	75,682
2003-04	57,699	22,625	1,202,750	5,170	9,740	2,789	3,275	19,252	80,827
2004-05	61,161	24,119	1,344,953	5,676	10,474	3,307	4,587	19,379	85,629
2005-06	63,546	23,936	1,400,026	6,009	10,498	2,843	4,871	19,450	93,774
2006-07	60,694	24,615	1,413,581	8,330	10,314	4,251	3,643	19,420	98,384
2007-08	64,912	25,603	1,454,194	9,025	10,754	5,987	4,124	19,420	95,860
Jul-Mar									
2007-08	46,748	19,296	1,090,620	6,730	7,859	4,000 e	2,559	19,355	74,032
2008-09	44,151	18,230	1,092,309	7,094	7,138	3,000 e	1,822	19,575 p	60,793 p

\+ Million cubic feet
(a) MW: Mega Watt
(b) Gwh: Giga Watt Hour
p: Provisional
e: Estimated for coal and electricity

Source: Hydrocarbon Development Institute of Pakistan (HDIP)
Ministry of Petroleum and Natural Resources

TABLE 14.3

COMMERCIAL ENERGY SUPPLIES

	Electricity						
	Hydroelctric (Hydel)		Thermal		Nuclear		
Fiscal Year	Installed Capacity (MW) a	Generation (Gwh) b	Installed Capacity (MW) a	Generation (Gwh) b	Installed Capacity (MW) a	Generation (Gwh) b	Imported (Gwh)
1990-91	2,898	18,343	5,741	22,354	137	385	
1991-92	3,330	18,647	5,902	26,375	137	418	
1992-93	4,626	21,112	5,823	27,057	137	582	
1993-94	4,726	19,436	6,456	30,707	137	497	
1994-95	4,826	22,858	7,137	30,176	137	511	
1995-96	4,826	23,206	8,006	33,257	137	483	
1996-97	4,826	20,858	9,855	37,921	137	346	
1997-98	4,826	22,060	10,696	39,669	137	375	
1998-99	4,826	22,449	10,700	42,669	137	284	
1999-00	4,826	19,288	12,436	46,064	137	399	
2000-01	4,857	17,194	12,169	48,926	462	1,997	
2001-02	5,041	18,941	12,286	51,174	462	2,291	
2002-03	5,041	22,351	12,285	51,591	462	1,740	0.36
2003-04	6,491	26,944	12,299	52,122	462	1,760	73
2004-05	6,494	25,671	12,423	57,162	462	2,795	109
2005-06	6,499	30,862	12,489	60,283	462	2,484	146
2006-07	6,479	31,953	12,478	63,972	462	2,288	171
2007-08	6,480	28,707	12,478	63,877	462	3,077	199
Jul-Mar							
2007-08	6,482	21,640	12,412	49,825	462	2,319	202
2008-09	6,481	20,526	12,632 p	39,154 p	462	918	195

(a) MW: Mega Watt.
(b) Gwh: Giga Watt Hour.
e: import of electricity is estimated for the last three months

Source: Hydrocarbon Development Institute of Pakistan (HDIP).
Ministry of Petroleum and Natural Resources

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars		Fixed/Min Charges (Rs/KwM)	Effective 10-5-2003 Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
GENERAL SUPPLY TARIFF A-1(including FATA)						
Upto 50 Units		-	0.61		0.73	
For Consumption > 50 units upto 1000 units			-	-	-	
For First 100 units		-	0.41	0.50	1.58	0.44
For next 200 units (101-300)		-	0.58	0.50	2.29	0.44
For next 700 units (301-1000)		-	1.51	0.50	3.55	0.44
Above 1000 units		-	1.88	0.38	4.42	0.32
Minimum Monthly Charges:	a) Single Phase Connections Rs 45/-					
	b) Three Phase Connection: Rs 100/-					
GENERAL SUPPLY TARRIF A-2(including FATA)						
For first 100 units		-	2.77	0	3.82	
Above 100 Units		-	3.01	0	3.92	
For peak load requirment above 20kv		220	1.09	0.19	2.83	
Minimum Monthly Charges:	a) Single Phase Connections Rs 150/-					
	b) Three Phase Connection: Rs 300/-					
INDUSTRIAL SUPPLY						
B-1 upto 40 kw		-	1.81	0.20	3.07	
There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw						
B-2 (>41-500 kw)		300	1.3	0.20	2.09	
B-2 TOD (Peak)		300	1.98	0.20	2.78	
B-2 TOD (Off Peak)		300	1.2	0.20	2.07	
B-3 (Normal) 11&33 kv not exceeding 5000 k		290	1.29	0.20	2.01	
B-3 TOD (Peak)		290	1.97	0.20	2.26	
B-3 TOD (off Peak)		290	1.15	0.20	1.60	
B-4 Normal 66/132/220 kv - All loads		280	1.24	0.20	1.86	
B-4 TOD (Peak)		280	1.87	0.20	2.20	
B-4 TOD (off Peak)		280	1.11	0.20	1.49	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted. (Contd.)

2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable

3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
	Effective 10-5-2003				
BULK SUPPLY TARIFFS					
C-1(a) 400 Volts upto 20kw		1.24	0.41	3.42	
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.41	3.21	
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.41	2.96	
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.41	2.90	
AGRICULTURAL TUBE-WELL TARIFF-D					
D-1 SCARP	-	1.26	0.50	3.13	0.37
D-2 (i) Punjab & Sindh	82	0.9	0.50	1.59	0.37
D-2 (ii) NWFP & Baluchistan	72	0.75	0.50	1.38	0.37
Districr Mainwali,Bhawalpur and Tharparkar.					
TEMPORARY SUPPLY TARIFFS					
E-1 (I) Domestic Supply		2.11	0.50	3.68	
E-1 (ii) Commercial Supply		3.79	0	4.74	
Minimum charges E-1(I) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.					
E-2 (I) Industrial Supply		2.36	0.20	3.51	
E-2(II)a Bulk Supply at (400KV)		1.76	0.41	3.85	
E-2(II)b Bulk Supply at (11KV)		1.64	0.41	3.62	
E-2 (III) Bulk Supply to Other Consumers		1.85	0.41	3.67	
F-Seasonal Supply to industries		125% of "Supply and Additioan charges" cor. Industrial Tariff			
G-1 (I) Public Lighting Supply			Unit Charges as per Tariff A-1above		
G-1(ii) Other than above in G-1(i)		1.93	0.36	4.57	
RESIDENTIAL COLONIES OF INDUSTRIES					
H-1Residential Colonies with own transformer		1.45	0.50	4.02	
H-2 Residential Colonies (others)		1.46	0.50	4.04	
OTHERS					
I Railway Traction		1.02	0.46	3.50	
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.37	3.36	
J-2 (a) COG. Tariff (Purchase by WAPDA Dec.July		1.03			
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov		0.78			
SPECIAL CONTRACT TARIFF					
K-a AJ&K		1.10	0.42	2.53	
K-b KESC				3.80	
K-c Rawat Lab.		1.88	0.25	2.11	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.
2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable
3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

Source: WAPDA.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 19-8-2003 Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
GENERAL SUPPLY TARIFF A-1(including FATA)					
Upto 50 Units	-	0.61		0.73	
For Consumption > 50 units upto 1000 units		-	-	-	
For First 100 units	-	0.41	0.53	1.58	0.47
For next 200 units	-	0.58	0.53	2.29	0.47
(101-300)					
For next 700 units	-	1.51	0.53	3.55	0.47
(301-1000)					
Above 1000 units	-	1.88	0.41	4.42	0.35
Minimum Monthly Charges: a) Single Phase Connections Rs 45/-					
b) Three Phase Connection: Rs 100/-					
GENERAL SUPPLY TARRIF A-2(including FATA)					
For first 100 units	-	2.77	0.03	3.82	
Above 100 Units	-	3.01	0.03	3.92	
For peak load requirment above 20kv	220	1.09	0.22	2.83	
Minimum Monthly Charges: a) Single Phase Connections Rs 150/-					
b) Three Phase Connection: Rs 300/-					
INDUSTRIAL SUPPLY					
B-1 upto 40 kw	-	1.81	0.23	3.07	
There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw					
B-2 (>41-500 kw)	300	1.3	0.23	2.09	
B-2 TOD (Peak)	300	1.98	0.23	2.78	
B-2 TOD (Off Peak)	300	1.2	0.23	2.07	
B-3 (Normal) 11&33 kv not exceeding 5000 k	290	1.29	0.23	2.01	
B-3 TOD (Peak)	290	1.97	0.23	2.26	
B-3 TOD (off Peak)	290	1.15	0.23	1.60	
B-4 Normal 66/132/220 kv - All loads	280	1.24	0.23	1.86	
B-4 TOD (Peak)	280	1.87	0.23	2.20	
B-4 TOD (off Peak)	280	1.11	0.23	1.49	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted Contd…..
2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable
3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
	Effective 19-8-2003				
BULK SUPPLY TARIFFS					
C-1(a) 400 Volts upto 20kw		1.24	0.44	3.42	
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.44	3.21	
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.44	2.96	
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.44	2.90	
AGRICULTURAL TUBE-WELL TARIFF-D					
D-1 SCARP	-	1.26	0.53	3.13	0.40
D-2 (i) Punjab & Sindh	82	0.9	0.53	1.59	0.40
D-2 (ii) NWFP & Baluchistan	72	0.75	0.53	1.38	0.40
Districr Mainwali,Bhawalpur and Tharparkar.					
TEMPORARY SUPPLY TARIFFS					
E-1 (I) Domestic Supply		2.11	0.53	3.68	
E-1 (ii) Commercial Supply		3.79	0.03	4.74	
Minimum charges E-1(I) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.					
E-2 (I) Industrial Supply		2.36	0.23	3.51	
E-2(II)a Bulk Supply at (400KV)		1.76	0.44	3.85	
E-2(II)b Bulk Supply at (11KV)		1.64	0.44	3.62	
E-2 (III) Bulk Supply to Other Consumers		1.85	0.44	3.67	
F-Seasonal Supply to industries		125% of "Supply and Additioan charges" cor. Industrial Tariff			
G-1 (I) Public Lighting Supply			Unit Charges as per Tariff A-1above		
G-1(ii) Other than above in G-1(i)		1.93	0.39	4.57	
RESIDENTIAL COLONIES OF INDUSTRIES					
H-1Residential Colonies with own transformer		1.45	0.53	4.02	
H-2 Residential Colonies (others)		1.46	0.53	4.04	
OTHERS					
I Railway Traction		1.02	0.49	3.50	
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.4	3.36	
J-2 (a) COG. Tariff (Purchase by WAPDA Dec.July		1.03			
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov		0.78			
SPECIAL CONTRACT TARIFF					
K-a AJ&K		1.10	0.45	2.53	
K-b KESC				3.80	
K-c Rawat Lab.		1.88	0.28	2.11	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPD/ Source: WAPDA.
2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable
3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 1-11-2003				
	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
GENERAL SUPPLY TARIFF A-1(including FATA)					
Upto 50 Units	-	0.61		0.73	
For Consumption > 50 units upto 1000 units		-	-	-	
For First 100 units	-	0.41	0.49	1.68	0.43
For next 200 units (101-300)	-	0.58	0.49	2.29	0.43
For next 700 units (301-1000)	-	1.51	0.49	3.55	0.43
Above 1000 units	-	1.88	0.37	4.42	0.31
Minimum Monthly Charges:	a) Single Phase Connections Rs 45/-				
	b) Three Phase Connection: Rs 100/-				
GENERAL SUPPLY TARRIF A-2(including FATA)					
For first 100 units	-	2.7	0.0	3.82	
Above 100 Units	-	2.94	0.0	3.92	
For peak load requirment above 20kv	220	1.09	0.12	2.83	
Minimum Monthly Charges:	a) Single Phase Connections Rs 150/-				
	b) Three Phase Connection: Rs 300/-				
INDUSTRIAL SUPPLY					
B-1 upto 40 kw	-	1.81	0.13	3.07	
There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw					
B-2 (>41-500 kw)	300	1.30	0.13	2.09	
B-2 TOD (Peak)	300	1.98	0.13	2.87	
B-2 TOD (Off Peak)	300	1.20	0.13	2.07	
B-3 (Normal) 11&33 kv not exceeding 5000 k	290	1.29	0.13	2.01	
B-3 TOD (Peak)	290	1.97	0.13	2.26	
B-3 TOD (off Peak)	290	1.15	0.13	1.60	
B-4 Normal 66/132/220 kv - All loads	280	1.24	0.13	1.86	
B-4 TOD (Peak)	280	1.87	0.13	2.20	
B-4 TOD (off Peak)	280	1.11	0.13	1.49	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted Contd.....

2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable

3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
	Effective 1-11-2003				
BULK SUPPLY TARIFFS					
C-1(a) 400 Volts upto 20kw		1.24	0.34	3.42	
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.34	3.21	
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.34	2.96	
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.34	2.90	
AGRICULTURAL TUBE-WELL TARIFF-D					
D-1 SCARP	-	1.26	0.49	3.13	0.36
D-2 (i) Punjab & Sindh	82	0.9	0.49	1.59	0.36
D-2 (ii) NWFP & Baluchistan	72	0.75	0.49	1.38	0.36
Districr Mainwali,Bhawalpur and Tharparkar.					
TEMPORARY SUPPLY TARIFFS					
E-1 (I) Domestic Supply		2.11	0.49	3.68	
E-1 (ii) Commercial Supply		3.72	0	4.74	
Minimum charges E-1(I) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.					
E-2 (I) Industrial Supply		2.36	0.13	3.51	
E-2(II)a Bulk Supply at (400KV)		1.76	0.34	3.85	
E-2(II)b Bulk Supply at (11KV)		1.64	0.34	3.62	
E-2 (III) Bulk Supply to Other Consumers		1.85	0.34	3.67	
F-Seasonal Supply to industries		125% of "Supply and Additioan charges" cor. Industrial Tariff			
G-1 (I) Public Lighting Supply			Unit Charges as per Tariff A-1above		
G-1(ii) Other than above in G-1(i)		1.93	0.39	4.57	
RESIDENTIAL COLONIES OF INDUSTRIES					
H-1Residential Colonies with own transformer		1.45	0.49	4.02	
H-2 Residential Colonies (others)		1.46	0.49	4.04	
OTHERS					
I Railway Traction		1.02	0.49	3.50	
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.40	3.36	
J-2 (a) COG. Tariff (Purchase by WAPDA Dec.July		1.03			
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov		0.78			
SPECIAL CONTRACT TARIFF					
K-a AJ&K		1.10	0.41	2.53	
K-b KESC				3.69	
K-c Rawat Lab.		1.88	0.28	2.11	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPD/ Source: WAPDA.
2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable
3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 1-07-2004 Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. Subsidized (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	Surcharges @ 10.4% (Rs/Kwh)	Total Avg-Rate (Rs/Kwh)
GENERAL SUPPLY TARIFF A-1(including FATA)						
Upto 50 Units	-	0.61		0.73	0.06	1.40
For Consumption > 50 units upto 1000 units		0.00	0.00	0.00		
For First 100 units	-	0.41	0.43	1.48	0.09	2.41
For next 200 units (101-300)	-	0.58	0.43	2.19	0.11	2.31
For next 700 units (301-1000)	-	1.51	0.43	3.45	0.20	5.59
Above 1000 units	-	1.88	0.31	4.32	0.23	6.74
Minimum Monthly Charges: a) Single Phase Connections Rs 45/-						
b) Three Phase Connection: Rs 100/-						
GENERAL SUPPLY TARRIF A-2(including FATA)						
For first 100 units	-	2.70	0.00	3.82	0.28	6.80
Above 100 Units	-	2.94	0.00	3.67	0.31	6.92
For peak load requirment above 20kv	220	1.09	0.12	2.83	0.23	5.27
Minimum Monthly Charges: a) Single Phase Connections Rs 150/-						
b) Three Phase Connection: Rs 300/-						
INDUSTRIAL SUPPLY						
B-1 upto 40 kw	-	1.81	0.13	2.97	0.20	5.11
There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw						
B-2 (>41-500 kw)	300	1.30	0.13	1.99	0.26	4.76
B-2 TOD (Peak)	300	1.98	0.13	2.22	0.36	6.01
B-2 TOD (Off Peak)	300	1.20	0.13	2.07	0.24	4.57
B-3 (Normal) 11&33 kv not exceeding 5000 k	290	1.29	0.13	2.01	0.22	4.38
B-3 TOD (Peak)	290	1.97	0.13	2.68	0.28	4.61
B-3 TOD (off Peak)	290	1.15	0.13	1.60	0.19	3.62
B-4 Normal 66/132/220 kv - All loads	280	1.24	0.13	1.86	0.23	4.29
B-4 TOD (Peak)	280	1.87	0.13	1.69	0.27	4.57
B-4 TOD (off Peak)	280	1.11	0.13	1.49	0.19	3.50

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.

2) The above tariffs are inlusive of GOP subsidy in FAS and discount in addl. Surcharges

Contd.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. Subsidized (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	Surcharges @ 10.4% (Rs/Kwh)	Total Avg-Rate (Rs/Kwh)
	Effective 1-07-2004					
BULK SUPPLY TARIFFS						
C-1(a) 400 Volts upto 20kw		1.24	0.34	3.42	0.16	5.16
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.34	3.21	0.20	5.29
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.34	2.96	0.20	5.09
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.34	2.90	0.19	4.96
AGRICULTURAL TUBE-WELL TARIFF-D						
D-1 SCARP	-	1.26	0.36	3.13	0.17	4.92
D-2 (i) Punjab & Sindh	72	0.90	0.36	1.59	0.16	3.28
D-2 (ii) NWFP & Baluchistan	72	0.75	0.36	1.38	0.13	2.80
Districr Mainwali,Bhawalpur and Tharparkar.						
TEMPORARY SUPPLY TARIFFS						
E-1 (I) Domestic Supply		2.11	0.49	3.68	0.27	6.55
E-1 (ii) Commercial Supply		3.72	0.00	4.74	0.39	8.85
Minimum charges E-1(I) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.						
E-2 (I) Industrial Supply		2.36	0.13	3.51	0.26	6.26
E-2(II)a Bulk Supply at (400KV)		1.76	0.34	3.85	0.22	6.17
E-2(II)b Bulk Supply at (11KV)		1.64	0.34	3.62	0.21	5.81
E-2 (III) Bulk Supply to Other Consumers		1.85	0.34	3.67	0.23	6.09
F-Seasonal Supply to industries		125% of "Supply and Additioan charges" cor. Industrial Tariff				
G-1 (I) Public Lighting Supply	Unit Charges as per Tariff A-1above					
G-1(ii) Other than above in G-1(i)		1.93	0.39	4.57	0.24	7.13
RESIDENTIAL COLONIES OF INDUSTRIES						
H-1Residential Colonies with own transformer		1.45	0.49	4.02	0.20	6.16
H-2 Residential Colonies (others)		1.46	0.49	4.04	0.20	6.19
OTHERS						
I Railway Traction		1.02	0.49	3.50	0.16	5.17
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.40	3.36	0.22	5.72
J-2 (a) COG. Tariff (Purchase by WAPDA Dec.July		1.03	0.00	0.00	0.00	1.03
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov		0.78	0.00	0.00	0.00	0.78
SPECIAL CONTRACT TARIFF						
K-a AJ&K		1.10	0.41	2.53	0.16	4.20
K-b KESC		0.00	0.00	3.69	0.00	6.69
K-c Rawat Lab.		1.88	0.28	2.11	0.22	4.49

Source: WAPDA.

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.
2) The above tariffs are inlusive of GOP subsidy in FAS and discount in addl. Surcharges

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 1-07-2005 Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. Subsidized (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	Surcharges @ 10.4% (Rs/Kwh)	Total Avg-Rate (Rs/Kwh)
GENERAL SUPPLY TARIFF A-1(including FATA)						
Upto 50 Units	-	0.61	0.00	0.73	0.06	1.40
For Consumption Exceeding 50 units						
For First 100 units (1-100)	-	0.41	0.43	1.48	0.09	2.41
For next 200 units	-	0.58	0.43	2.19	0.11	2.31
(101-300)						
For next 700 units	-	1.51	0.43	3.45	0.20	5.59
(301-1000)						
Above 1000 units	-	1.88	0.31	4.32	0.23	6.74
Minimum Monthly Charges: a) Single Phase Connections Rs 45/-						
b) Three Phase Connection: Rs 100/-						
GENERAL SUPPLY TARRIF A-2(including FATA)						
For first 100 units	-	2.70	0.00	3.82	0.28	6.80
Above 100 Units	-	2.94	0.00	3.67	0.31	6.92
For peak load requirment above 20kv	220	1.09	0.12	2.83	0.23	5.27
Minimum Monthly Charges: a) Single Phase Connections Rs 150/-						
b) Three Phase Connection: Rs 300/-						
INDUSTRIAL SUPPLY						
B-1 upto 40 kw	-	1.81	0.13	2.97	0.20	5.11
There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw						
B-2 (>41-500 kw)	300	1.30	0.13	1.99	0.26	4.76
B-2 TOD (Peak)	300	1.98	0.13	2.22	0.36	6.01
B-2 TOD (Off Peak)	300	1.20	0.13	2.07	0.24	4.57
B-3 (Normal) 11&33 kv not exceeding 5000 k	290	1.29	0.13	2.01	0.22	4.38
B-3 TOD (Peak)	290	1.97	0.13	1.68	0.28	4.61
B-3 TOD (off Peak)	290	1.15	0.13	1.60	0.19	3.62
B-4 Normal 66/132/220 kv - All loads	280	1.24	0.13	1.86	0.23	4.29
B-4 TOD (Peak)	280	1.87	0.13	1.69	0.27	4.57
B-4 TOD (off Peak)	280	1.11	0.13	1.49	0.19	3.50

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.

Contd.

2) The above tariffs are inlusive of GOP subsidy in FAS and discount in addl. Surcharges

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 1-07-2005 Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. Subsidized (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	Surcharges @ 10.4% (Rs/Kwh)	Total Avg-Rate (Rs/Kwh)
BULK SUPPLY TARIFFS						
C-1(a) 400 Volts upto 20kw		1.24	0.34	3.42	0.16	5.16
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.34	3.21	0.20	5.29
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.34	2.96	0.20	5.09
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.34	2.90	0.19	4.96
AGRICULTURAL TUBE-WELL TARIFF-D						
D-1 SCARP	-	1.26	0.36	3.13	0.17	4.92
D-2 (i) Punjab & Sindh	72	0.90	0.36	1.59	0.16	3.28
D-2 (ii) NWFP & Baluchistan	72	0.90	0.36	0.84	0.16	2.53
Districr Mainwali,Bhawalpur and Tharparkar.						
D-2 Normal	72	0.75	0.36	1.38	0.13	2.80
D-2 (II) TOD NWFP (OFF-PEAK)	72	0.75	0.36	0.63	0.13	2.05
TEMPORARY SUPPLY TARIFFS						
E-1 (I) Domestic Supply		2.11	0.49	3.68	0.27	6.55
E-1 (ii) Commercial Supply		3.72	0.00	4.74	0.39	8.85
Minimum charges E-1(I) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.						
E-2 (I) Industrial Supply		2.36	0.13	3.51	0.26	6.26
E-2(II)a Bulk Supply at (400KV)		1.76	0.34	3.85	0.22	6.17
E-2(II)b Bulk Supply at (11KV)		1.64	0.34	3.62	0.21	5.81
E-2 (III) Bulk Supply to Other Consumers		1.85	0.34	3.67	0.23	6.09
F-Seasonal Supply to industries		125% of "Supply and Additioan charges" cor. Industrial Tariff				
G-1 (I) Public Lighting Supply	Unit Charges as per Tariff A-1above					
G-1(ii) Other than above in G-1(i)		1.93	0.39	4.57	0.24	7.13
RESIDENTIAL COLONIES OF INDUSTRIES						
H-1Residential Colonies with own transformer		1.45	0.49	4.02	0.20	6.16
H-2 Residential Colonies (others)		1.46	0.49	4.04	0.20	6.19
OTHERS						
I Railway Traction		1.02	0.49	3.50	0.16	5.17
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.40	3.36	0.22	5.72
J-2 (a) COG. Tariff (Purchase by WAPDA Dec.July		1.03	0.00	0.00	0.00	1.03
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov		0.78	0.00	0.00	0.00	0.78
SPECIAL CONTRACT TARIFF						
K-a AJ&K		1.10	0.41	2.53	0.16	4.20
K-b KESC		0.00	0.00	3.69	0.00	6.69
K-c Rawat Lab.		1.88	0.28	2.11	0.22	4.49

Source: WAPDA.

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.
2) The above tariffs are inlusive of GOP subsidy in FAS and discount in addl. Surcharges

Table 14.4

SCHEDULE OF ELECTRICITY TARIFFS OF DISCO

TARIFF CATEGORY	Effective from 24-02-2007	
	Fixed Charges (Rs/KW)	Variable Charges (RS/KW)
A-1 GENERAL SUPPLY TARIFF- RESIDENTIAL		
Upto 50 Units per month		1.40
FOR CONSUMPTION EXCEEDING 50 UNITS		
1 - 100 Units per month		2.65
101 - 300 Units per month		3.64
301 - 1000 Units per month		6.15
Above 1000 Units per month		7.41
Time of Day (TOD) - Peak	365.00	6.00
Time of Day (TOD) - Off-Peak	365	3.55
Min. Charges: single & 3/ Phase	Rs 75/- & 150/-	
A-2 GENERAL SUPPLY TARIFF - COMMERCIAL		
a) For Sanctioned Load upto 20 KW		
i) For First 100 units		7.48
ii) Above 100 units		7.61
b) For Sanctioned Load exceding 20 KW	267.17	4.59
c) Time of Use - Peak	365.00	6.00
Time of Use -Off- Peak	365.00	3.55
Min. Charges/month: Single & 3 Phase	Rs 75/- & 350/-	
B- INDUSTRIAL SUPPLY TARIFFS		
B-1 upto 40 KW (400 Volts)		5.62
B-2 Load >40 to 500 KW at 400 Volts.	364.32	3.93
B-2 TOD (Peak)	364.32	5.01
B-2 TOD (Off-Peak)	364.32	3.89
B-3 11/33kV TOD -Peak	352.18	4.40
B-3 11/33kV TOD Off-Peak	352.18	3.31
B-4 66/132kV TOD-Peak	340.03	4.29
B-4 TOD (Off-Peak)	340.03	3.15
Min. Charges/monthB-1,B-2,B-3 &B-4		
C-SINGLE POINT BULK SUPPLY TARRIFS		
C-1 (a) 400/230 Volts Load upto 20 kW	267.17	5.68
C-1 (b) 400-V- Load 21-500kW	365.00	5.27
C-1 (c) TOD Opt. Peak	365.00	6.00
TOD Off-Peak	262.31	3.55
C-2(a) at 11/33-kV load upto 5000kW	355.00	4.96
C-2 (b) load upto 5000 kW -peak	355.00	5.95
Off-Peak	259.88	3.45
C-3 supply at 66kV & above	340.00	4.86
Time of Day (TOD) Peak	340.00	5.90
Time of Day (TOD) Off-Peak	340.00	3.40
D-AGRICUTURAL TUBEWELL TARIFFS		
D-19(a) - SCARP less than 20kW		5.41
D-2- Agri. T/Wells- Punjab & Sindh	87.44	3.28
D-2- Agri. T/Wells NWFP & Blochistan	87.44	2.87
D-1(b) TOD SCARP & Agri>20kW Peak	3.55	6.00
Off-Peak	3.55	3.55
E-TEMPORARY SUPPLY TARRIFS		
E-1(i) Residential Supply		
E-1(ii) Commercial Supply		
E-2 Industrial Supply		
Min. Charges per day E-1(i & ii)	Rs 50. Min. 500/-	
F- SEASONAL INDUSTRIAL SUPPLY	125% of Industrial Tarrif	
G- PUBLIC LIGHTINING		7.59
Minimum charges per month per Kw	Rs. 500	
H- Residential Colonies Attached to Industiral Premises		
I- Railway Traction		
J- Special Contracts		
J-1 AJ& K		
Time of use peak		
Off Peak		
J-2 Rawat Lab.		

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.

Table 14.4

SCHEDULE OF ELECTRICITY TARIFFS OF DISCO

TARIFF CATEGORY	EFFECTIVE FROM 01-03-2008								
	Fixed Charges	Variable Charges Rs/KWh							
	Rs/KW	IESCO	LESCO	GEPCO	FESCO	MEPCO	QESCO	PESCO	HESCO
A-1 GENERAL SUPPLY TARIFF- RESIDENTIAL									
Upto 50 Units per month		1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
FOR CONSUMPTION EXCEEDING 50 UNITS									
1 - 100 Units per month		3.08	3.08	3.08	3.08	3.08	3.08	3.08	3.08
101 - 300 Units per month		4.08	4.08	4.08	4.08	4.08	4.08	4.08	4.08
301 - 1000 Units per month		6.53	6.53	6.53	6.53	6.53	6.53	6.53	6.53
Above 1000 Units per month		7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79
Time of Day (TOD) - Peak	315	7.24	7.13	7.22	7.04	7.73	7.84	9.45	9.99
Time of Day (TOD) - Off-Peak	315	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28
Min. Charges: single & 3/ Phase	Rs 75/- & 150/-								
A-2 GENERAL SUPPLY TARIFF - COMMERCIAL									
a) For Sanctioned Load upto 20 KW									
i) For First 100 units		7.86	7.86	7.86	7.86	7.86	7.86	7.86	7.86
ii) Above 100 units		7.99	7.99	7.99	7.99	7.99	7.99	7.99	7.99
b) For Sanctioned Load exceding 20 KW	365.00	4.97	4.97	4.97	4.97	4.97	4.97	4.97	4.97
c) Time of Use - Peak	315.00	7.24	7.13	7.22	7.04	7.73	7.84	9.45	9.99
Time of Use -Off- Peak	315.00	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28
Min. Charges/month: Single & 3 Phase	Rs 75/- & 360/-								
B- INDUSTRIAL SUPPLY TARIFFS									
B-1 upto 40 KW (400 Volts)		6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
B-2 Load >40 to 500 KW at 400 Volts.	315.00	4.63	4.63	4.63	4.63	4.63	4.63	4.63	4.63
B-2 TOD (Peak)	315.00	7.24	7.13	7.22	7.04	7.73	7.84	9.45	9.99
B-2 TOD (Off-Peak)	315.00	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28
B-3 11/33kV TOD -Peak	305.00	6.99	6.88	6.97	6.79	7.48	7.59	9.2	9.59
B-3 11/33kV TOD Off-Peak	305.00	3.88	3.88	3.88	3.88	3.88	3.88	3.88	3.88
B-4 66/132kV TOD-Peak	295.00	6.74	6.63	6.72	6.54	7.23	7.34	8.95	9.19
B-4 TOD (Off-Peak)	395.00	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63
Min. Charges/monthB-1,B-2,B-3 &B-4	Rs. 350, 2000, 50,000 & 500,000 respectively								
C-SINGLE POINT BULK SUPPLY TARRIFS									
C-1 (a) 400/230 Volts Load upto 20 kW		6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17
C-1 (b) 400-V- Load 21-500kW	315.00	5.68	5.68	5.68	5.68	5.68	5.68	5.68	5.68
C-1 (c) TOD Opt. Peak	315.00	7.24	7.13	7.22	7.04	7.73	7.84	9.45	9.99
TOD Off-Peak	315.00	4.28	4.28	4.28	4.28	4.28	4.28	4.28	4.28
C-2(a) at 11/33-kV load upto 5000kW	305.00	5.38	5.38	5.38	5.38	5.38	5.38	5.38	5.38
C-2 (b) load upto 5000 kW -peak	305.00	6.99	6.88	6.97	6.79	7.48	7.59	9.2	9.59
Off-Peak	305.00	3.88	3.88	3.88	3.88	3.88	3.88	3.88	3.88
C-3 supply at 66kV & above	295.00	5.28	5.28	5.28	5.28	5.28	5.28	5.28	5.28
Time of Day (TOD) Peak	295.00	6.74	6.63	6.72	6.54	7.23	7.34	8.95	9.19
Time of Day (TOD) Off-Peak	295.00	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63
D-AGRICUTURAL TUBEWELL TARIFFS									
D-19(a) - SCARP less than 20kW		5.99	5.88	5.97	5.94	6.48	7.59	7.7	7.59
D-2- Agri. T/Wells- Punjab & Sindh	90.00	3.73	3.73	3.73	3.73	3.73	3.73	3.73	3.73
D-2- Agri. T/Wells NWFP & Blochistan	90.00	3.73	3.73	3.73	3.73	3.73	3.73	3.73	3.73
D-1(b) TOD SCARP & Agri>20kW Peak	305.00	7.24	7.13	7.22	7.04	7.73	7.84	9.45	9.99
Off-Peak	305.00	3.13	3.13	3.13	3.13	3.13	3.13	3.13	3.13
E-TEMPORARY SUPPLY TARRIFS									
E-1(i) Residential Supply		7.90	7.79	7.97	7.94	8.48	9.59	10.7	11.19
E-1(ii) Commercial Supply		8.10	7.99	8.17	8.19	8.88	9.79	11.2	12.59
E-2 Industrial Supply		6.11	6	6.47	6.94	6.98	7.09	6.7	8.59
Min. Charges per day E-1(i & ii)		Rs. 500, Min. 500/-							
F- SEASONAL INDUSTRIAL SUPPLY	125% of relvent industrial tarrif								
G- PUBLIC LIGHTINING		8.08	7.97	8.22	8.19	8.48	8.34	8.7	11.59
Minimum charges per month per Kw		500.00							
H- Residential Colonies Attached to Industiral Premises		7.27	7.16	7.47	7.44	7.73		7.8	10.59
I- Railway Traction			6.07			6.48			
J- Special Contracts									
J-1 AJ& K	355	2.59		2.59				2.59	
Time of use peak	295	7.24		7.22				9.45	
Off Peak	295	3.99		3.97				4.2	
J-2 Rawat Lab.		5.43							

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.

Table 14.4

SCHEDULE OF ELECTRICITY TARIFFS

Tarrif Category	Effective from Feb, 2009 (FOR ALL DISCOs) Fixed Charges (Rs/Kwh)	Variables Charges (Rs/Kwh)
A-1 General Supp;y Tarrif - Domestic		Schedule-II
A-1(a) For Sanctioned Load upto 5 KW		
i. Upto 50 Units		1.40
For Consumption Exceeding 50 Units		
ii. 1 - 100 Units		3.29
iii. 101-300 Units		4.96
iv. 301 - 700 Units		8.03
v. Above 700 Units		10.00
A-1(b) For Sanctioned Load exceeding 5 KW		
Time of Use (TOU) - Peak		9.21
Time of Use (TOU) - Off Peak		5.62
Minimum Monthly Charges for: S/ Phase Rs. 75/- & 3/Phase Rs. 150/-		
A-2 GENERAL SUPPLY TARIFF - COMMERCIAL		
A-2(a) For Sanctioned Load upto 5 KW	315	9.81
A-2(b) For Sanctioned Load exceeding 5 KW	315	6.12
A-2(c) Time of Use - Peak	315	8.65
Time of use - Off Peak		5.28
Minimum Monthly Charges for: S/ Phase Rs. 175/- & 3/Phase Rs. 350/-		
B- INDUSTRIAL SUPPLY TARRIFS		
B-1 Upto 5 KW (400/230 Volts)		7.38
B-2(a) Load 6 - 500 KW (at 400 volts)	315	5.71
B-2(b) 6 - 500 KW TOU Peak	315	8.65
B-2(b) 6 - 500 KW TOU Off Peak	315	5.28
B-3 For All Loads upto 5000 KW (at 11/33kv) - Peak	305	8.34
B-3 For All Loads upto 5000 KW (at 11/33kv) - Off Peak	305	4.79
B-4 For All Loads (at 66, 132 kv & above) - Peak	295	8.04
B-4 For All Loads (at 66, 132 kv & above) - Off Peak	295	4.49
Fixed Min. Charges/month for B-1 Rs. 350/-, B-2 Rs. 2000/-, B-3 Rs. 50,000/- & B-4 Rs. 500,000/-		
C-BULK SUPPLY TARIFFS		
C-1(a) For supply at 400/230 volts, load upto 5 KW	-	7.46
C-1(b) Load above 5 KW & upto 500 KW	315	6.88
C-1(c) load > 5 & upto 500 KW Peak	315	8.51
C-1(c) load > 5 & upto 500 KW Off Peak	315	5.20
C-2(a) 11/33 kV upto load 5000 KW	305	6.52
C-2(b) 11/33 kV upto load 5000 KW Peak	305	8.21
C-2(b) 11/33 kV upto load 5000 KW Off Peak	305	4.72
C-3(a) 66 kV & above, loads > 5000 KW	295	6.40
C-3(b) 66 kV & above, loads > 5000 KW Peak	295	7.91
C-3(b) 66 kV & above, loads > 5000 KW Off Peak	295	4.42
D-AGRICULTURE TUBEWELL TARIFFS		
D-1(a) Scarp less than 5 KW		6.37
D-2 Agricultural Tube Wells	90	4.00
D-1(b) TOU for SCARP & Agri. - Peak	315	7.61
TOU for SCARP & Agri. - Off Peak	315	3.42
E- TEMPORARY SUPPLY TARIFFS		
E-1(i) Residential Supply	-	10.00
E-1(ii) Commercial Supply	-	10.50
E-2 Industiral Supply	-	7.50
Mimimum Monthly charges for E1 (i & ii) Rs. 50/day subject to a minimum of Rs. 500/-		
OTHERS TARIFFS		
F - SEASONAL SUPPLY TARIFF		
G - PUBLIC LIGHTING TARIFF		9.62
Minimum Monthly Charges Rs. 500/- per KW month of lamp capacity installed		
H-RESIDENTIAL COLONIES OF INDUSTRIES		8.65
I - RAILWAYS Traction		7.50
K - SPECIAL CONTRACTS		
K(1) AJ&K	295	3.17
K(1) AJ&K TOU - Peak	295	8.72
K(1) AJ&K TOU - Off Peak	295	4.82
Rawat Lab		6.58

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	01-07-2005	01-08-2005	16-08-2005	01-09-2005	16-09-2005	01-10-2005
Ex-Depot Sale Price						
Motor Gasoline	48.94	48.94	48.94	52.61	52.29	56.29
HOBC (Automotive 100 Octane)	54.33	54.33	54.33	58.40	58.40	62.77
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	29.53	29.53	29.53	31.00	31.00	32.87
HSD	31.74	31.74	31.74	34.59	34.59	37.18
LDO	27.84	27.84	27.84	29.22	29.22	30.97
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	31.27	30.48	32.10	33.75	34.88	34.07
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	31.54	31.51	33.53	35.31	36.9	35.93

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Date	01-11-2005	16-11-2005	01-12-2005	16-12-2005	01-01-2006
Ex-Depot Sale Price					
Motor Gasoline	56.29	56.29	56.29	56.29	56.29
HOBC (Automotive 100 Octane)	62.77	62.77	62.77	62.77	62.77
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)					
Kerosene	32.87	32.87	32.87	32.87	32.87
HSD	37.18	37.18	37.18	37.18	37.18
LDO	30.97	30.97	30.97	30.97	30.97
Aviation gasoline (100LL)					
JP-1:					
i) For sale to PIA Domestic Flight	31.59	28.34	28.78	29.89	32.15
ii) For sale to PIA foreign flights & foreign airline					
iii) For Cargo & Technical Landing Flights					
JP-4	33.87	31.44	31.33	32.36	33.37

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	16-01-2006	01-02-2006	16-02-2006	01-03-2006	16-03-2006	01-04-2006
Ex-Depot Sale Price						
Motor Gasoline	56.29	56.29	56.29	56.29	56.29	56.29
HOBC (Automotive 100 Octane)	62.77	62.77	62.77	62.77	62.77	62.77
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	32.87	32.87	32.87	32.87	32.87	32.87
HSD	37.18	37.18	37.18	37.18	37.18	37.18
LDO	30.97	30.97	30.97	30.97	30.97	30.97
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	32.57	33.93	33.61	32.89	33.72	34.37
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	34.04	35.50	35.11	34.83	35.86	36.52

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	16-04-2006	01-05-2006	16-05-2006	01-06-2006	16-06-2006	1-07-2006
Ex-Depot Sale Price						
Motor Gasoline	56.29	57.70	57.70	57.70	57.70	57.70
HOBC (Automotive 100 Octane)	62.77	64.88	64.88	64.88	64.88	64.88
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	32.87	35.23	35.23	35.23	35.23	35.23
HSD	37.18	38.73	38.73	38.73	38.73	38.73
LDO	30.97	32.57	32.57	32.57	32.57	32.57
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	35.86	39.22	38.73	37.51	38.66	37.98
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	37.75	40.33	40.35	39.22	40.24	40.09

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	16-07-2006	01-08-2006	16-08-2006	01-09-2006	16-09-2006	01-10-2006
Ex-Depot Sale Price						
Motor Gasoline	57.70	57.70	57.70	57.70	57.70	57.70
HOBC (Automotive 100 Octane)	64.88	64.88	64.88	64.88	64.88	64.88
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	35.23	35.23	35.23	35.23	35.23	35.23
HSD	38.73	38.73	38.73	38.73	38.73	38.73
LDO	32.57	32.57	32.57	32.57	32.57	32.57
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	38.64	39.48	40.00	39.40	38.04	34.22
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	41.30	44.71	41.52	40.48	38.39	35.41

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	16-10-2006	01-11-2006	16-11-2006	01-12-2006	16-12-2006	01-01-2007
Ex-Depot Sale Price						
Motor Gasoline	57.70	57.70	57.70	57.70	57.70	57.70
HOBC (Automotive 100 Octane)	64.88	64.88	64.88	64.88	64.88	64.88
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	35.23	35.23	35.23	35.23	35.23	35.23
HSD	38.73	38.73	38.73	38.73	38.73	38.73
LDO	32.57	32.57	32.57	32.57	32.57	32.57
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	33.49	33.05	32.66	33.25	35.20	34.32
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	35.03	34.86	34.82	35.34	37.09	36.49
JP-8						39.61

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	16-01-2007	01-02-2007	16-02-2007	01-03-2007	16-03-2007	01-04-2007
Ex-Depot Sale Price						
Motor Gasoline	53.70	53.70	53.70	53.70	53.70	53.70
HOBC (Automotive 100 Octane)	64.88	64.88	64.88	64.88	64.88	64.88
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	35.23	35.23	35.23	35.23	35.23	35.23
HSD	37.73	37.73	37.73	37.73	37.73	37.73
LDO	32.57	32.57	32.57	32.57	32.57	32.57
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	31.52	30.57	31.66	31.75	33.22	33.53
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	33.93	33.30	35.02	35.63	37.87	38.11
JP-8	36.65	35.64	36.80	36.89	38.46	38.78

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	1-05-2007	16-05-2007	01-06-2007	10-06-2007	16-06-2007	01-07-2007
Ex-Depot Sale Price						
Motor Gasoline	53.70	53.70	53.70	53.70	53.70	53.70
HOBC (Automotive 100 Octane)	64.88	64.88	64.88	64.88	64.88	64.88
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	35.23	35.23	35.23	35.23	35.23	35.23
HSD	37.73	37.73	37.73	37.73	37.73	37.73
LDO	32.57	32.57	32.57	32.57	32.57	32.57
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	36.48	36.58	37.03	36.96	36.90	38.07
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	40.89	41.29	42.23	41.91	40.86	41.30
JP-8	41.91	42.01	42.49	42.06	42.00	43.22

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	16-07-2007	01-08-2007	16-08-2007	01-09-2007	16-09-2007	01-10-2007
Ex-Depot Sale Price						
Motor Gasoline	53.70	53.70	53.70	53.70	53.70	53.70
HOBC (Automotive 100 Octane)	64.88	64.88	64.88	64.88	64.88	64.88
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	35.23	35.23	35.23	35.23	35.23	35.23
HSD	37.73	37.73	37.73	37.73	37.73	37.73
LDO	32.37	32.57	32.57	32.57	32.57	32.57
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	38.67	39.34	38.36	37.38	39.19	40.96
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	42.44	42.32	41.15	40.50	41.94	43.83
JP-8	43.86	44.55	43.53	42.49	44.40	46.26

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	16-10-2007	01-11-2007	16-11-2007	02-12-2007	16-12-2007	01-01-2008
Ex-Depot Sale Price						
Motor Gasoline	53.70	53.70	53.70	53.70	53.70	53.70
HOBC (Automotive 100 Octane)	64.88	64.88	64.88	64.88	64.88	64.88
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	35.23	35.23	35.23	35.23	35.23	35.23
HSD	37.73	37.73	37.73	37.73	37.73	37.73
LDO	32.57	32.57	32.57	32.57	32.57	32.57
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	41.12	44.13	49.68	50.89	47.89	48.85
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	44.21	46.89	51.42	52.69	50.61	51.73
JP-8	46.43	49.58	55.42	56.68	53.53	54.54

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	17-01-2008	01-02-2008	17-02-2008	01-03-2008	17-03-2008	01-04-2008
Ex-Depot Sale Price						
Motor Gasoline	53.70	53.70	53.70	58.70	62.81	62.81
HOBC (Automotive 100 Octane)	64.88	64.88	64.88	64.88	74.77	74.77
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	35.23	35.23	35.23	38.37	41.13	41.13
HSD	37.73	37.73	37.73	41.23	44.13	44.13
LDO	32.57	32.57	32.57	36.07	38.59	38.59
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	49.98	47.39	48.83	52.77	56.45	59.47
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	53.07	51.06	52.06	55.46	57.79	59.17
JP-8	55.72	53.02	54.51	58.66	62.53	65.69

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	18-04-2008	01-05-2008	16-05-2008	01-06-2008	21-06-2008	29-06-2008
Ex-Depot Sale Price						
Motor Gasoline	65.81	68.81	68.81	68.81	68.81	75.23
HOBC (Automotive 100 Octane)	77.77	80.77	80.77	80.77	80.77	88.85
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	41.44	41.44	41.44	41.44	41.44	49.73
HSD	47.13	50.13	50.13	50.13	50.13	55.14
LDO	41.59	44.59	44.59	44.59	44.59	49.05
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	62.31	67.33	72.25	84.90	80.07	81.40
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	61.32	65.70	70.02	80.05	73.59	76.13
JP-8	65.69	73.95	79.11	92.39	83.29	84.62

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	01-07-2008	21-07-2008	01-08-2008	16-08-2008	01-09-2008	16-09-2008
Ex-Depot Sale Price						
Motor Gasoline	75.69	86.66	86.66	86.66	86.66	81.66
HOBC (Automotive 100 Octane)	88.85	96.08	96.08	96.08	96.08	96.08
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	49.73	58.37	58.37	58.37	58.37	61.87
HSD	55.14	64.64	64.64	64.64	64.64	68.14
LDO	49.05	56.50	56.50	56.50	56.50	60.00
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	82.10	90.36	86.11	77.07	75.34	71.44
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	76.79	83.75	79.45	72.59	72.13	68.56
JP-8	85.35	93.6	89.34	80.31	78.57	74.66

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	01-10-2008	16-10-2008	01-11-2008	16-11-2008	01-12-2008	16-12-2008
Ex-Depot Sale Price						
Motor Gasoline	81.66	81.66	76.66	66.66	57.66	57.66
HOBC (Automotive 100 Octane)	96.08	96.08	96.08	81.08	72.08	72.08
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)						
Kerosene	61.87	61.87	61.87	56.87	51.87	51.87
HSD	68.14	68.14	68.14	61.14	57.14	57.14
LDO	60.00	60.00	60.00	53.00	48.00	48.00
Aviation gasoline (100LL)						
JP-1:						
i) For sale to PIA Domestic Flight	69.01	59.75	50.90	48.57	42.54	36.40
ii) For sale to PIA foreign flights & foreign airline						
iii) For Cargo & Technical Landing Flights						
JP-4	64.36	55.26	42.66	37.67	33.55	30.73
JP-8	72.22	62.96	54.10	51.77	45.75	39.61

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

Date	01-01-2009	01-02-2009	01-03-2009	01-04-2009
Ex-Depot Sale Price				
Motor Gasoline	57.66	57.66	57.66	57.66
HOBC (Automotive 100 Octane)	72.08	72.08	72.08	72.08
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)				
Kerosene	51.87	51.87	51.87	51.87
HSD	57.14	57.14	57.14	57.14
LDO	48.00	48.00	48.00	48.00
Aviation gasoline (100LL)				
JP-1:				
i) For sale to PIA Domestic Flight	35.89	35.62	31.24	31.83
ii) For sale to PIA foreign flights & foreign airline				
iii) For Cargo & Technical Landing Flights				
JP-4	31.40	33.54	32.60	33.50
JP-8	39.09	38.84	34.45	35.04

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.6

GAS SALE PRICES

(Rs/mcft)

Category	20-08-2002	25-10-2002	21-03-2002	20-08-2008	1-7-2003	1-7-2004	1.12.2004	2-2-2005
DOMESTIC (Slab)								
i Upto 1.77 M cu.ft./ Month	66.86	67.95	67.95	67.95	69.31	73.95	73.95	73.95
ii Upto 1.77 to 3.55 M cu.ft./ Month	100.73	102.37	102.37	102.37	104.42	111.42	111.42	120.61
iii Upto 3.55 to 7.1 M cu.ft./ Month	161.16	163.78	163.78	163.78	167.06	178.25	178.25	192.96
iv Upto 7.1 to 10.64 M cu.ft./ Month	201.45	213.06	213.06	213.06	217.32	231.88	231.88	251.01
v Upto 10.64 to 14.20 M cu.ft./ Month								
vi Upto 4.20 to 17.75 M cu.ft./ Month	217.85							
vii All over 17.75								
COMMERCIAL	186.98	190.02	190.02	190.02	193.82	204.88	204.88	221.78
General Industry	166.18	168.88	168.88	168.88	172.26	182.09	182.09	197.11
Cement	222.32	222.32	222.32	222.32	209.78	209.78	209.78	227.09
CNG Station	166.18	168.88	168.88	168.88	172.26	182.09	182.09	197.11
Pakistan Steel							182.09	
Captive Power								
Independent Power Projects								
FERTILIZER								
SNGPL'S SYSTEM								
i For Feed Stock								
Pak.Americal Fertilizer Ltd.PAFL	36.77	36.77	36.77	36.77	36.77	36.77	36.77	36.77
F.F.C Jorden	36.77	36.77	36.77	36.77	36.77	36.77	36.77	36.77
Dawood Hercules/ Pak Arab	62.57	62.57	62.57	62.57	67.26	73.99	73.99	73.99
Pak china/ Hazara	66.40	66.40	66.40	66.40	71.38	78.52	78.52	78.52
ii For Fuel Generation	166.18	168.88	168.88	168.88	172.26	182.09	182.09	197.11
Dawood and Pak Arab	168.88	168.88	168.88					
FOR MARI GAS CO. SYSTEM								
i For Feed Stock								
(a) Engro Chemical	13.09	13.09	61.68	61.68	66.31	72.94	72.94	72.94
FFC	61.68	61.68	61.68	61.68	66.31	72.94	72.94	72.94
(b) Pak Saudi	61.68	61.68	61.68	61.68	66.31	72.94		72.94
ii For Power Generation	166.18	166.88	168.88	168.88	172.26	182.09	182.09	182.09
POWER Stations								
SNGPL & SSGCL'S SYSTEM	166.18	168.88	168.88	168.88	172.26	182.09	182.09	197.11
Liberty Power Ltd.	190.80	190.80	190.80	222.89	235.77	234.33	235.76	262.03
GAS DIRECTLY SOLD TO								
WAPDA'S GUDDU POWER STATION								
SUI FIELD (917 BTU)	145.51							
KANDHKOT FIELD (866 BTU)	160.54	163.15	163.15	163.15	166.41	175.90	175.90	190.41
MARI FIELD (754 BTU)	156.14	158.68	158.68	158.68	161.85	171.08	171.08	185.19
SARA/SURI FIELD	156.14	158.68	158.68	158.68	161.85	171.08	171.08	185.19

(Contd.)

Billing/pricing system changed from Rs. Per thousand cubic feet to Rs. Per million btu w.e.f.1-1-2002

TABLE 14.6

GAS SALE PRICES

(Rs/mcft)

Category	1-7-2005	1-1-2006	1-7-2006	1-2-2007	1-1-2008	30-6-2008	01-01-2009
DOMESTIC (Slab)							
i Upto 1.77 M cu.ft./ Month	73.95	80.98	85.03	78.38	78.38	78.38	82.30
ii Upto 1.77 to 3.55 M cu.ft./ Month	127.62	147.41	89.03	82.07	82.07	82.07	86.17
iii Upto 3.55 to 7.1 M cu.ft./ Month	204.17	235.84	162.07	149.40	149.40	149.40	156.87
iv Upto 7.1 to 10.64 M cu.ft./ Month	265.59	306.79	259.29	239.01	239.01	313.10	332.12
v Upto 10.64 to 14.20 M cu.ft./ Month			337.30	310.92	310.92	407.31	432.06
vi Upto 4.20 to 17.75 M cu.ft./ Month						529.50	561.67
vii All over 17.75							730.17
COMMERCIAL	234.67	271.07	298.03	268.23	283.05	370.80	393.33
General Industry	208.56	240.91	264.87	238.38	251.55	329.54	339.43
Cement	240.28	277.55	305.15	305.15	335.67	428.89	454.95
CNG Station	208.56	240.91	264.87	238.38	291.36	388.32	427.15
Pakistan Steel	208.56						
Captive Power	208.56	240.91	264.87	238.38	251.55	422.60	339.43
Independent Power Projects							295.03
FERTILIZER							
i For Feed Stock							
(i)For Feed Stock							
Pak.Americal Fertilizer Ltd.PAFL	36.77	36.77	36.77	36.77	36.77	36.77	36.77
F.F.C Jorden	36.77	36.77	36.77	36.77	36.77	36.77	102.01
Dawood Hercules/ Pak Arab	83.24	83.24	91.52	91.52	91.52	91.52	96.14
ii For Fuel Generation	88.34	88.34	97.11	97.11	97.11	97.11	102.01
(ii)For Fuel Generation	208.56	240.91	264.87	238.38	251.55	329.54	339.43
Dawood and Pak Arab							
i For Feed Stock							
(i)For Feed Stock							
(a) Engro Chemical	82.06	82.06	90.22	90.22	90.22	90.22	94.78
FFC	82.06	82.06	90.22	90.22	90.22	90.22	94.78
ii For Power Generation	82.06						
(ii)For Power Generation	208.56		264.87	238.38	251.55	329.54	339.43
POWER Stations							
SNGPL & SSGCL'S SYSTEM	208.56		264.87	238.38	251.55	329.54	349.56
Liberty Power Ltd.	303.25	303.25	467.52	445.98	443.06	443.06	848.10
GAS DIRECTLY SOLD TO							
WAPDA'S GUDDU POWER STATION							
SUI FIELD (917 BTU)							
KANDHKOT FIELD (866 BTU)	201.47	232.72	255.86	230.28	243.00	318.34	337.68
MARI FIELD (754 BTU)	195.95	226.34	248.85	223.96	236.34	309.61	328.42
SARA/SURI FIELD	195.95		248.85	223.96	236.34	309.61	

Source : Hydrocabon Development Institute of Pakistan

Billing/pricing system changed from Rs. Per thousand cubic feet to Rs. Per million btu w.e.f.1-1-2002

Chapter No. 16

Environment

16.1. INTRODUCTION

Since sustainable development is the cornerstone of all efforts by the government, therefore, concern for environment- its protection, renewal and enrichment – has been reckoned as obligation towards the betterment of all the citizens at large. Pakistani cities are facing problems of urban congestion, deteriorating air and water quality and waste management while the rural areas are witnessing rapid deforestation, biodiversity and habitat loss, crop failure, desertification and land degradation. There is increasing realization that many of these issues are compounded by climate change. Environmental degradation is intrinsically linked to poverty because of the overwhelming dependence of the poor on natural resources for their livelihoods – whether agriculture, forestry, fisheries, hunting etc. Poverty combined with a burgeoning population and rapid urbanization, is leading to intense pressures on the environment. Significant strides have been made in Pakistan for forwarding the environmental agenda identifying itself as an integral element of the national mainstream development with Mid-Term Development Framework 2005-2010, which also lends itself to address sustainable environmental development as a vehicle for economic-growth.

Pakistan's natural resources are increasingly under stress due to rapid population growth and environmentally unsustainable practices. Although densely settled, Pakistan's terrain is largely arid or semi-arid. Only 8% of the country's area receives more than 500 millimeters (mm) of rainfall per annum, mainly in the form of monsoon rain spread across 3 summer months of the year (IUCN, 2008). This sub humid zone is essentially limited to the ecologically fragile uplands, comprising geologically recent mountains and foothills.

According to Asian Development Bank's, Country Environment Analysis Report, 2008, pressing environmental concerns facing the country relate broadly to the *management of scarce natural resources (green issues), pollution and waste management (brown) and potential vulnerabilities to natural hazards and climate change.*

According to the World Bank Report 2006, collective estimated environmental degradation costs the country at least 6 percent of GDP or about Rs. 365 billion per year, and these costs fall disproportionately upon the poor. The most significant causes of environmental damage include; *Illness and premature mortality caused by air pollution (indoor and outdoor), (almost 50 percent of the total damage cost); Diarrhea diseases and typhoid due to inadequate water supply, sanitation and hygiene (about 30 percent of the total), and Reduced agricultural productivity due to soil degradation (about 20 percent of the total) development concern.*

The Government of Pakistan along with various international donor agencies [1] has highlighted a number of environmental issues. The main concerns belonging to critical areas have been listed below;

- **Water:** Declining per capita availability, pollution of water bodies, groundwater depletion, and inadequate service delivery.

[1] State of Environment Report 2005-2006, Pakistan Millennium Development Goals Report 2006, Planning Commission, Strategic Country Environmental Assessment Report by World Bank, 2006, Asian Development Bank Report, 2008

- **Energy:** Inefficient use, high transmission losses, air pollution (caused by vehicles and industries).
- **Health:** Impact of air pollution, impact of water pollution, lead exposure.
- **Irrigated agriculture:** Soil erosion, water-logging, salinity, and sodicity, rangeland degradation and desertification, intrusion of saline water into freshwater.
- **Biodiversity:** Low forest cover, deforestation, loss of habitats and species extinction.

Diverse and complex environmental issues call for complementary policies that address environmental realties while facilitating development. The Government of Pakistan has been keenly pursuing policies aimed at curbing environmental hazards. The **National Conservation Strategy (NCS)** adopted in 1992, supported by the World Bank through the **Environmental Protection and Resource Conservation Project (EPRCP),** was the first initiative aimed at preventing environmental degradation. In 1997 the first environmental legislation in the form of **Pakistan Environment Protection Act** was promulgated along with supporting institutional mechanisms to provide sustainable and efficient use of limited resources.

In a further initiative to strengthen implementation of the NCS, the **National Environmental Action Plan (NEAP)** was approved in early 2001. The key policies and programmes that have stemmed from NEAP include: *Air and Water Quality Monitoring, Clean Drinking Water for All, Pakistan Wetlands Programme, National Sanitation Policy, Sustainable Land Management to Combat Desertification in Pakistan, Environmental Rehabilitation and Poverty Reduction through Participatory Watershed Management in Tarbela Reservoir* etc. The United Nations Development Programme (UNDP) has been supporting the implementation of this initiative though the NEAP Support Programme (NEAP-SP). In March 2007, NEAP-SP entered its second phase.

Environmental data in Pakistan, is collected, compiled and published by a host of organizations, which include federal agencies, provincial agencies, research institutes and NGOs. For better coordination of material the Ministry of Environment (MoEnv) under the NEAP-SP has created the **National Environmental Information Management System (NEIMS)** with an overall objective to promote the national capacity in developing, managing and utilizing environmental information for informed decision-making.

The linkages between environment and poverty through the impact of environmental degradation on livelihoods, health and vulnerability have been explicitly recognized in **Pakistan's Poverty Reduction Strategy Paper I (PRSP),** circulated in December, 2003**.** The rural poor comprise 34% of the rural population and include mainly landless households or small tenant farmers. In the absence of any formal sources of employment, their livelihoods are linked to agriculture and the use of natural resources. According to ADB Report, 2008, there has been an impressive decline in national poverty during 2001-2005. Rural poverty, however, has fallen more slowly than the national average despite satisfactory growth in the agricultural GDP in 3 of the 4 years of poverty decline. One implication of this is that poverty in Pakistan is more concentrated in rural areas.

The **PRSP II** released in February 2009, has aligned itself with **Millennium Development Goal 7**, which is specific to environmental sustainability. Its targets include; *integration of the principles of sustainable development into country policies and programmes and reversing the loss of environmental resources, such as* including: *biodiversity conservation, climate change mitigation and adaptation, phasing out ozone depletion substances; sustainable access to safe drinking water, sanitation and hygiene; controlling outdoor and indoor air pollution, reduction of vulnerability to natural disasters, and significant improvement in the lives of squatter settlement dwellers e.g. by providing access to secure tenure.*

Government of Pakistan has also declared **2009** as the **National Year of Environment**. In this regard the current year was kicked off with a Regional level workshop on Climate Change which was inaugurated by the Prime Minister of Pakistan.

It is encouraging to note that Pakistan's overall policy framework takes into account environmental considerations to an extent by setting targets as well as allocating resources for environmental programs. It is critical however that the existing environmental legislation be reviewed and updated to align with the new growth and development strategy. In the absence of a coordinated endeavour, it is likely that policy, legislative and institutional gaps may persist, undermining the functional capacity of progressive initiatives. For this purpose it is essential to ensure effective enforcement of environmental rules and regulation. Public institutions such as **Environment Protection Agencies (EPA)** both at federal and provincial levels should be entrusted with the necessary authority and more importantly its management capacity should be enhanced.

Table-16. 1: The MTDF 2005-10 and MDG's targets and achievements

Name of Sector/Sub-Sector	Physical Target of MTDF period			Achievement of Targets
	Year 2004-05	2009-10 Targets	MDG Targets 2015	
Forest cover including State and private forests/ farmlan (%age of total land area)	4.9%	5.2%	6.0%	5.2%
Area protected for conservation of wildlife (%age of total area)	11.3%	11.6%	12.0%	11.3%
GDP (at constant factor cost) per unit of energy as a proxy for energy efficiency	27,000	27,600	28,000	N.A
No. of petrol & diesel vehicles using CNG fuel	380,000	800,000	920,000	>2,000,000
Access to sanitation (national)%	42	50	90	44
Access to clean water (national)%	65	76	93	65
Number of continuous air pollution monitoring stations	0	4	--	7
Number of regional offices of Environmental Protection Agencies	0	8	16	6
Functional Environmental Tribunals	2	4		4

Source: Planning Commission of Pakistan

A **Medium Term Development Framework 2005-2010 (MTDF)** adopted by the GoP in mid-2005 coincided with the approval of a new and far-reaching **National Environmental Policy (NEP),** with the goal to "*protect, conserve and restore Pakistan's environment in order to improve the quality of life of the citizens through sustainable development*", *and establishing directions for water supply and management, air quality, waste management, forestry, biodiversity, energy efficiency, and agriculture.*

The MTDF 2005-10 and MDG's targets and achievements reported by the Planning Commission of Pakistan are given in Table 1.

The Government of Pakistan has made a considerable increase in its funds allocation for Environmental projects in the **Public Sector Development Programme (PSDP)**. Overall, an allocation of Rs 6,500 million has been made in the federal PSDP 2008-09. However, the release of these funds has been a serious issue for the Environment sector due to financial crunch faced by the country.

There are about **55 projects** under implementation, which fall in the brown, green and capacity building components/sub-sectors of environment such as*: mass awareness, environmental education and environment protection; preparation of land use plan; fuel efficiency in road transport sector; protected areas management; forestry; biodiversity; watershed management; hospital waste management; environmental monitoring;*

capacity building of environmental institutions; natural disaster early warning and mitigation; improvement of urban environment; etc.

16.2. AIR POLLUTION

The National Conservation Strategy (NCS) of Pakistan, published in 1992, considers air pollution in conjunction with water pollution, and places considerable emphasis on these issues. Air pollution by its very nature is highly visible and has noticeable impacts on human health and on the environment. As such, it has received considerable attention as one of the primary environmental issues in the country. Nevertheless, measuring air pollution and assessing the extent of air quality degradation is a complex process.

According to the World Wide Fund (WWF) fact sheet, major air pollutants include: Suspended Particulate Matter, Volatile Organic Compounds, Carbon Monoxide, Nitrogen Oxides, Sulphur Oxides, Sulphur Dioxide, Lead & other heavy metals, Ground Level Ozone and Fuel wood. Sources of air pollution have been highlighted as Motor vehicles, Industry, Municipal Solid Waste, Smog and Medical waste.

The World Bank Report 2006 gives an estimated 35 percent of Pakistan's population living in cities. A substantial body of research demonstrates that high concentrations of suspended particulates in urban areas adversely affect human health, provoking a wide range of respiratory diseases and heart ailments.

Given the lack of enforcement of motor vehicle fitness regulations, the increase in air pollution from vehicle population alone could be alarming. The problem is compounded by the fact that the average life of vehicles in use in the country is quite long. As a result, vehicles in Pakistan are estimated to emit 25 times the amount of carbon monoxide, 20 times the amount of hydrocarbons and 3.6 times the amount of nitrous oxide of an average vehicle in the United States (GoP/IUCN, 1992).

Though many cities are adversely affected, air quality monitoring is restricted to the six major cities of Karachi, Lahore, Islamabad, Peshawar, Quetta and Rawalpindi. Ambient concentrations of particulates in these cities lie consistently above World Health Organization (WHO) guidelines, and are on average two to four times the recommended levels. Studies conducted in Lahore and Karachi, the two largest cities; suggest that carbon monoxide, cadmium and lead levels in particular may exceed thresholds recommended by the United States Environmental Protection Agency (USEPA). (GoP/IUCN 1992 and SUPARCO, 1999).

According to Pakistan Environmental Protection Agency (EPA) and Japan International Cooperation Agency (JICA), 2006, common gases emitted by vehicles include carbon monoxide, nitrous oxides, and ozone, and are dangerous to human health beyond certain levels of concentration. Poly-aromatic hydrocarbons released by diesel-powered vehicles are known carcinogens, while smoke from diesel engines has aggravated already elevated levels of airborne soot. Nitrous oxides are emerging air pollutants with the highest concentrations recorded in Karachi, followed by Lahore, Quetta, Peshawar, and Islamabad. Industries located in urban areas are the main source of sulfur dioxide (dangerous to human, animal, and plant life) while brick kilns powered by low-grade coal are notable sources of soot.

Table-16.2: Growth in CNG Sector

As on	CNG Station	Converted Vehicles
December, 1999	62	60,000
December, 2000	150	120,000
December, 2001	218	210,000
December, 2002	360	330,000
December, 2003	475	450,000
December, 2004	633	660,000
December, 2005	835	1,050,000
December, 2006	1,190	1,300,000
16th May, 2007	1,450	1,400,000
February, 2008.	2,063	1,700,000
April, 2009.	2,760	>2,000,000

Source: HDPI (http://www.hdip.com.p
OGRA, IANGV (http://www.iangv.o

It is encouraging to note however that the government has been quite successful in taking preventive measures to curb the emission of poisonous gases. Pakistan has become the largest user of Compressed Natural Gas (CNG) in the world, as per the statistics issued by the International Association of Natural Gas Vehicles (IANGV). Presently, more than 2 million vehicles are using CNG as fuel and 2,760 CNG stations are operational in different parts of the country (as on April 2009) (see, Table 2). The CNG used as fuel has grown substantially in the transport sector, replacing traditional fuels while greatly reducing the pollution load in many urban centers. As a result, Pakistan has the largest fleet of vehicles running on CNG in South Asia, and is third worldwide after Argentina and Brazil. In addition to this, the government is also on the look out for replacing more polluting "diesel fuel" in road transport sector. For this purpose the administration will offer suitable incentives to investors for the introduction of CNG buses in the major cities.

Latest statistics collected by the MoEnv suggest that the use of coal in power sector has persistently shown a decreasing trend during the last five years. This has mainly been caused by the conversion of a number of plants to natural gas. Likewise, there has been a considerable reduction in coal usage for domestic purposes.

The use of biomass fuels in unventilated rooms has been identified as the primary cause of **indoor air pollution**, particularly in rural areas. Women and children are most affected by it as they are more exposed and vulnerable to smoke inhalation. According to ADB report 2008, about 86 percent of rural households and 32 percent of urban households use biomass fuels for cooking purposes. Most urban households, however, have switched from biomass fuels to cleaner and more convenient sources of energy. Several studies have shown strong associations between biomass combustion and an increased incidence of chronic bronchitis and acute respiratory infections. Evidence is also emerging of linkages with tuberculosis, asthma, cataracts and low birth weights, though further research is needed to quantify the magnitude of these impacts.

16.2-I. Measures to Improve Air Quality:

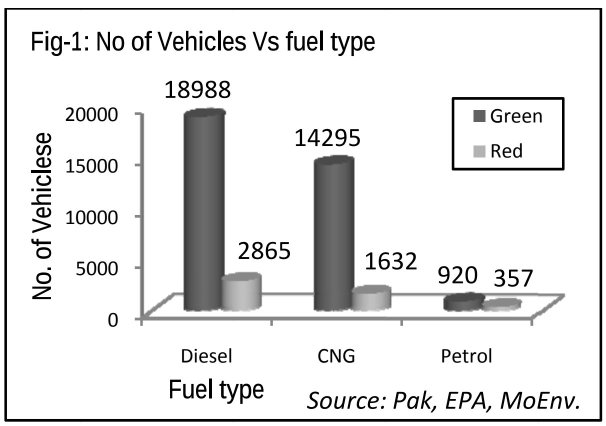
The GoP has ensured the implementation of an **Environmental Monitoring System (EMS)** to monitor the air quality at both Federal and four Provincial Capitals; this will help in managing the ever deteriorating air quality in major cities. The Government has also given a road map for introducing Euro-II [2] compliant vehicles in the country under the given road map. The Euro-II compliant Petrol Vehicles shall be introduced from 1st July, 2009.

A successful pilot activity of **Vehicle Emission Testing System (VETS)** is under way in Islamabad. Pakistan Environmental Protection Agency (EPA) and Islamabad Traffic Police (ITP) has carried out emission test of 39,057 (Thirty Nine Thousand and Fifty Seven) vehicles since 2005, out of which 34,203 (87.57 %) vehicles have been cleared and have accordingly been issued green stickers, 4,854 (12.43 %) vehicles causing pollution have been issued red (warning) stickers (see, Table-3 and Figure 1).

Table- 16.3: Vehicular Emission Testing in Islamabad
(May, 2005 - 31st September, 2008)

Fuel Type	Green/ Compliance	Red/ Non Compliance	Total Checked Vehicles
Diesel	18,988	2,865	21,853
CNG	14,295	1632	15,927
Petrol	920	357	1277
Total	**34,203**	**4,854**	**39,057**

Source: Pak, EPA, MoEnv



2 Euro norms refer to the permissible emission levels from both petrol and Diesel vehicles, which have been implemented in Europe.

Air Quality Monitoring System has been provided to both the Federal and Provincial governments through Pak, EPA. The information collected after analysis of data has been given in Table 4.

Table- 16.4: Ambient Air Quality Index (02-03-2009)

ISLAMABAD						
	Safe Limit		Unhealthy for Sensitive group			
	Good	Moderate		Unhealthy	Very Unhealthy	Hazardous
ISD-AQI (Air Quality Index)	0 – 50	51 - 100	101 - 150	151 - 200	201 - 300	301 - 500
AQI Particulate Matter (PM) 2.5 = 166						
LAHORE						
	Safe Limit		Unhealthy for Sensitive group			
	Good	Moderate		Unhealthy	Very Unhealthy	Hazardous
LHR-AQI (Air Quality Index)	0 – 50	51 - 100	101 - 150	151-200	201 - 300	301 - 500
AQI Particulate Matter (PM) 2.5 = 166 Mobile Station: at Hockey Stadium						
PESHAWAR						
	Safe Limit		Unhealthy for Sensitive group			
	Good	Moderate		Unhealthy	Very Unhealthy	Hazardous
PWR-AQI (Air Quality Index)	0 – 50	51 - 100	101 - 150	151 - 200	201 - 300	301 - 500
AQI Particulate Matter (PM)2.5 = (As per AQI calculator)						
* AQI is not calculated due to maintenance of anlyser						
KARACHI						
	Safe Limit		Unhealthy for Sensitive group			
	Good	Moderate		Unhealthy	Very Unhealthy	Hazardous
KHI-AQI (Air Quality Index)	0 – 50	51 - 100	101 - 150	151 - 200	201 - 300	301 – 500
AQI Particulate Matter (PM)2.5 = 101 (As per AQI calculator)						
QUETTA						
	Safe Limit		Unhealthy for Sensitive group			
	Good	Moderate		Unhealthy	Very Unhealthy	Hazardous
BAL-AQI (Air Quality Index)	0 – 50	51 - 100	101 - 150	151 - 200	201 - 300	301 – 500
AQI Particulate Matter (PM)2.5 = (As per AQI calculator)						

Source: Pakistan, Environmental Protection Agency

16.3. WATER POLLUTION

Water pollution mainly refers to the contamination of water bodies such as lakes, rivers, oceans, and groundwater caused by human activities, which can be harmful to organisms and plants that live in these water bodies. It occurs when pollutants are discharged directly into water bodies without treating it first. Being recognized as one of the most important life-supporting elements in the world's ecological systems, water, has particular importance for the arid ecosystems such as the Indus plains in Pakistan.

The Indus delta's ecosystem has been degraded by diversions for irrigation since the major barrages have acted as barriers to migrating fish and rare mammals such as the Indus dolphin. Many riverine wetlands have been drained and converted to agricultural land. Outside the Indus Basin, water is even more limited. According to ADB report, 2008, in parts of Balochistan, geological water is being mined, while in Quetta Valley, the water table is overdrawn by 26 million m^3 each year—it is estimated that the aquifer will be exhausted by 2020.

The existing water resources in Pakistan and the world over are under imminent threat due to rapid industrialization, over exploitation, soil erosion, deforestation and untreated discharge of municipal and industrial wastes to rivers and other water bodies. In the South East Asian region where water has become a vital challenge, Pakistan is severely affected by the effects of water scarcity and is already ranked as the 12th most vulnerable country on a worldwide scale according to the Agriculture and Rural Development Unit South Asia Region, World Bank, 2008. With an average rainfall of below 240mm a year, Pakistan is already one of the most water-stressed countries in the world, and will move to outright water scarcity by 2025 according to the International Water Management Institute (IWMI), due to a high level of population growth. Thus, the demand for water is likely to grow from 4% to 15% of aggregate water demand in the next twenty years.

Contrary to most countries, Pakistan suffers from its dependency on a single river system and on the glaciers of the western Himalayas. As a result, the country faces serious threat of being exposed to the scarcity of water caused by climate change. The downstream location of our water in the western rivers makes pollution and especially salinity major problem, with 15 tons of salt accumulated every year in the Indus Basin (World Bank, 2006). The GoP realizes that a pragmatic approach to safe and unpolluted water, should involve transboundary management and interdependence. The need for bilateral and multilateral agreements on water cannot be overestimated. This action can be implemented through subsidies allocated to regional and national programs, and through quotas and performance indicators.

Inadequate quantity and quality of potable water and poor sanitation facilities and practices are associated with a host of illnesses such as diarrhoea, typhoid, intestinal worms and hepatitis. In urban areas, most water is supplied from groundwater except for the cities of Karachi, Hyderabad and a part of Islamabad, where mainly surface water is used. In rural areas with saline groundwater, irrigation canals serve as the main source of domestic water. World Bank report 2006 estimates, more than 1.6 million DALYs[3] are lost annually as a result of death and disease due to diarrhoea, and almost 900,000 as a result of typhoid. Diarrhea and typhoid mortality in children accounts for the bulk of the losses, reflecting the vulnerability of children to these diseases. Data from World Water Forum suggests water pollution causes 60 percent of infant mortality in Pakistan and is now one of the leading causes of death in the country.

16.3-I. Measures to Restore Water Quality:

According to the 2008 **Millennium Development Goals (MDG)**, significant improvements have been made in sanitation facilities and access to safe water. In order to achieve desired results however, the number of people benefiting from these programs must increase substantially, especially in the rural areas. In its 2000 Millennium Declaration, the United Nations resolved to halve the proportion

[3] DALYs are standard measures that combine disparate health effects using a consistent common denominator.

of people without sustainable access to safe drinking water, by 2015. In addition to this the UN has identified water as a new priority target on its agenda through the implementation of the **"Water for Life"** program (2005-2015), in the 2008 MDG Report, and the recently held **"World Water Day"** on March 22nd 2009.

The MoEnv has recently prepared the Draft on **National Drinking Water Policy** in collaboration with **United Nations International Children Emergency Fund (UNICEF)** and through an extensive stakeholder consultation process both at the Federal and Provincial levels. The Policy will be finalized and submitted in the forthcoming **Pakistan Environmental Protection Council (PEPC)** meeting along with **National Drinking Water Quality Standards.**

Realizing the importance and role of sanitation in the improvement of environment as well as the commitment to achieve the MDG sanitation goals, the MoEnv launched the **National Sanitation Policy of Pakistan** before the Federal Cabinet soon after the **Second South Asian Conference.** The primary focus of sanitation policy is on the safe disposal of excreta away from the dwelling units and work places by using sanitary latrines. The policy resolves to meet the MDGs and targets whereby the proportion of people without sustainable access to improved sanitation will be reduced by half, by the year 2015 and 100 percent population will have access to sanitation facilities by 2025.

The Ministry in collaboration with UNICEF, Water & Sanitation Programme (World Bank), Water Aid, Rural Support Programme Network (RSPN) etc, launched awareness and training programmes in the year 2008, the **International Year of Sanitation (IYS 2008).** Installation of **water filtration plants** in different areas is underway. The implementation of which is targeted to be completed within this fiscal year. Sustainability of these water filtration plants needs to be ensured through compliance of already deliberated operation and maintenance aspects.

16.4. LAND DEGRADATION AND DEFORESTATION

The latest figures released by the MoEnv estimated that about 38 percent of Pakistan's irrigated land is waterlogged; the productivity of soil is being lost due to salinity and sodicity. An estimated 16 percent of land is saline and the application of agricultural chemicals has increased by a factor of almost 10 percent since 1980. Salinity imposes direct economic losses, through reduced yields and less visible indirect losses through changes in farming practices or the cropping mix. Pakistan has naturally saline soils, but the problem has been compounded by consistent mismanagement of irrigation and human induced soil erosion.

According to figures released by the Forest Wing at MoEnv, Pakistan has about 3.8 million ha of rangeland (see, Table 5). The ADB report suggests that the alpine grasslands of NWFP, the Northern Areas, and AJK remain relatively intact, but 85–90% of the country's arid and semi-arid rangeland has been degraded as a result of the fivefold increase in livestock numbers since Independence in 1947. In addition, the influx of more than 5 million Afghan refugees in the 1980s has transformed community pastures in the tribal areas of NWFP and northern Balochistan into open access rangelands.

The GoP is following a multi-pronged policy for food, energy, water, and forest conservation. Undoubtedly, forests occupy a pivotal role in an era of energy crisis, in which fuel wood production on farmland may serve as a renewable source of energy besides providing livelihood for farmers. Forests also provide multiple ecological-services such as watershed protection, soil conservation, biodiversity habitat and play a vital role in assuring eco-system resilience. In this context it is extremely disquieting to note that the Juniper forests, located in the province of Balochistan are continuously being cut beyond their regeneration capacity. Mangrove forests along the coast of Sindh play an economically significant role in protecting ports from the excessive accumulation of silt, providing breeding grounds for commercially important shrimp and fish larvae, and offering sanctuaries for migratory birds (ADB, 2008)

Estimated deforestation rate over the 1990-2005 period is 2.1 percent or 47 thousand hectares annually. According to World Bank Report, 2006, forest types included in this definition of forests are Coniferous forest, Riverain and Mangrove forest. It is estimated that the most valuable coniferous forest is declining at the rate of 40,000 hectares annually. Northern Areas and NWFP have the highest annual rates of deforestation (about 34,000 hectares in Northern Areas and 8000 hectares in NWFP). Riverain and mangrove forests are also decreasing at the rate of 2,300 and 4,900 hectares annually. This is an alarming rate given the quite high ecological value of these types of forest.

Table- 16.5: Forest Area under the Control of Provincial/Regional Forest Departments (By vegetation type)

(Hectares) (000)

Vegetation Type	NWFP	Punjab	Sindh	Balochistan	NAs	AJK
Coniferous forests	844.784	49.338	-	145.098	0.282	407.527
Irrigated Plantations	-	150.000	98.18	0.115	0.087	-
Riverine forests	-	58.414	241.12	14.177	-	-
Scrub forests	87.947	257.182	-	574.234	0.100	9.308
Coastal Forests	-	-	344.85	17.139	-	-
Mazri	24.282	-	-	-	-	-
Linear Plantations	2.000	19.144		-	200 Km	-
Private Plantations	734.487	-	-	-	0.014	-
Range lands	150.000	2679.116	457.55	375.073	0.212	149.905
Total	**1843.5**	**3213.2**	**1141.7**	**1125.8**	**0.69**	**566.74**

Source: Forest Wing, MoEnv

16.4-I. Measures to Enhance Forest Cover:

Trends and prospects of deforestation vary greatly depending on climatic conditions and social responses. Various tree planting projects are under implementation and the tree cover in the country (state and privately owned) has increased to 5.2% (see, table 1). To achieve the MDGs targets of vegetation cover of 6% by 2015, the Planning Commission proactively interacted with the MoEnv and the Provincial Forest Departments to come up with project for afforestation/reforestation to meet the MTDF and MDGs targets. As a result, 5 projects of forestry resource development costing Rs. 11.5 billion are under implementation in order to achieve a 6% vegetative cover target.

The main constraints in developing forest resources are water shortage and lack of funds. To overcome these constraints, non-traditional and innovative approaches need to be adopted. Forest Departments should promote native and less water demanding trees besides introducing water harvesting and conservation techniques. Supplementary financial assistance is being provided under PSDP but other international sources of funding need to be explored. **Clean Development Mechanism (CDM)** is emerging as a potential source of income for tree growers in return for their service to sequester carbon. The MoEnv, as the focal point for CDM, is providing all possible technical assistance to tree farmers by getting them involved in carbon trading under CDM. Projects aimed at conservation and development of juniper forests with an estimated cost of Rs. 493.166 million and sustainable land management unit cost of Rs. 238 million, are underway in this connection.

Table-16.6: Trees Planted (In Million)

S #	Year	Spring	Monsoon	Total
1	2001	83.039	47.111	130.15
2	2002	66.752	39.705	106.457
3	2003	55.018	38.398	93.416
4	2004	63.166	58	121.166
5	2005	65.799	30.654	96.453
6	2006	57.17	35.34	93.51
7	2007	61.48	33.66	95.14
8.	2008	73.31	38.12	111.43

Source: Forest Wing, MoEnv

In order to enhance tree cover in the country, **tree planting campaigns** are held each year. The tree planting campaigns involve all government departments, private organizations and NGOs. The achievements during 2001-08 have been documented in Table 6.

The **Federal Forestry Board** constituted in 1954 to provide a platform for the improvement of forest policy remained dormant. This board has been reconstituted by the government and comprises the representatives from the Provincial Forest Departments in AJK, NAs, NGOs, progressive farmers and other stakeholders.

The President of Pakistan launched a **Mass Afforestation Programme** on December 22, 2008. This programme will be spread over a period of five years and shall largely be sponsored by private entrepreneurs for planting trees on state and other suitable lands. In this connection, MoEnv, has requested the chief secretaries of all provinces to provide the details of suitable lands that can be brought under tree cover. Private entrepreneurs are an integral part of this programme. Many private companies are expressing great interest in investing in environmental forestry as part of their Corporate Social Responsibility (CSR).

16.5. CLIMATE CHANGE: IMPACT AND ADAPTABILITY IN PAKISTAN

The Nobel Peace Prize winning report by the Intergovernmental Panel on Climate Change (IPCC) has highlighted the fact that the worsening trends are expected to accelerate to a point of no return. In its 2007 assessment, the first working group established by the United Nations' IPCC places the probability that global warming has been caused by human activities at greater than 90%. Further changes in the world's climate are now inevitable. The IPCC's second working group concludes in the summary of its findings (April 2007) that human-induced warming has indeed had a discernable influence on many physical and biological systems.

According to the South Asia Region, World Bank Group, about 70 percent of South Asians live in rural areas and account for about 75 percent of the poor. Most of the rural poor depend on agriculture for their livelihoods. Agriculture employs about 60 percent of the labor force, but contributes only 22 percent of regional GDP. With rural economies tied to climate sensitive sectors such as agriculture, the poor are likely to be disproportionately affected by the calamities of climate change. The Himalayan ecosystem sustains some 1.5 billion people who live directly in the floodplains of its many rivers (e.g. Brahmaputra, Ganges, Indus, and Meghna). The receding trends of glacier masses threaten water supplies, livelihoods and the economy of the region. With melting glaciers, flood risks would increase in the near future. In the long term, there can be no replacement for the water provided by glaciers, and this could result in severe water shortages.

Climate Change poses a serious threat for Pakistan because of the impact it will have on glaciers releasing water for crops. The receding glaciers will increase water flows in the Indus basin, followed by permanent reductions. Sustained water availability for agriculture will help reduce our food insecurity. In addition to a web of mini-dams and check dams, a chain of large dams are needed in order to protect the downstream populations and their livelihoods form flash floods, the human suffering this entails, and the damage they can inflict on sparse infrastructure.. Changing patterns and temperament of the monsoon is another area which will affect crop production.

The rural population in more fragile ecosystems (such as the mountain regions and rain-fed agricultural areas), the urban poor, and communities living downriver on the Indus and coastal areas will be at huge risk. According to ADB report, 2008 the risk of hunger will also increase because of declining crop productivity owing to heat stress. In addition to this, critical concerns include:

1. Increased intrusion of saline water along the Sindh coastal zone due to an accelerated rise in sea level;
2. Frequent and stronger cyclones caused by rising sea surface temperatures that will affect Karachi and other coastal settlements;

3. Heat strokes brought on by summer temperature spikes; and
4. The spread of disease vectors encouraged to breed in stagnant water bodies during mild winters.

16.5-I. Mitigation Measures

It is possible to adapt to climate change by devising anticipatory response strategies to minimize the adverse impacts. Neighboring countries like India and China have developed national plans of action on climate change. The main challenge is to develop an understanding of how climate change could affect Pakistan's uplands and rivers, its agro-ecological zones and subzones in the Indus Plain, and coastal lands.

Pakistan's Planning Commission has recently established a task force to investigate the impact of climate change on the country's agriculture, economy and natural resources. Pakistan has actively participated in the following Climate Change related initiatives:

- United Nations Framework Convention on Climate Change (UNFCCC) was adopted in 1992 at Earth Summit at Rio de Janeiro to meet the challenge of Climate Change. UNFCCC aims at stabilization of Greenhouse Gas (GHG) concentrations in the atmosphere. The convention was signed by 154 states. Pakistan signed the UNFCCC as Non Annex- I Party in June 1994 and it became effective for Pakistan, as Party, on 30th August 1994.
- The Kyoto Protocol was adopted under the UNFCCC at the 3rd Meeting of the Parties held in Kyoto, Japan, which entered into force on 16th February 2005. Under the Protocol, developed countries (Annex-1 parties), agreed to reduce their combined Greenhouse Gas emissions by 5.2% below the 1990 level during the period 2008-2012. Pakistan adopted the Kyoto Protocol in 1997 and acceded to it on 11th January 2005. The Protocol introduced Clean Development Mechanism (CDM) in order to achieve sustainable development goals in developing countries of the World.
- The Government of Pakistan after its accession to the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) in January 2005 has declared the Ministry of Environment as the Designated National Authority for Clean Development Mechanism under the Protocol. The CDM Cell has now been strengthened to ensure institutional sustainability of the Cell in the Ministry through the Public Sector Development Programme (PSDP) Fund with a total cost of Rs. 38.93 million for a period of three years (July 2006- June 2009). The project aims at strengthening of the CDM Secretariat and enhancing the capacity of CDM staff and project proponents in developing, managing and approval of the CDM projects.
- The Government in collaboration with various concerned organizations has recently initiated the Technical Advisory Panel (TAP) on Climate Change. TAP is expected to provide the requisite input to the government to combat the threat of climate change by an enabling policy, regulatory framework and vulnerability assessments of Climate Change. The official launch of the TAP was held on February 15, 2008.

The economy of a country will, to a large extent, determine the ability to adapt and resist the various effects of Climate Change. The adaptation measures that can be taken as part of the macroeconomic policy framework can focus upon;

- Strengthening economic and institutional development,
- Increasing fiscal insurance, government budgets must allow for adaptation expenditures, environmentally related taxes, more commonly known as green taxes[4], can curb the emission of pollutants,

[4] The Green Tax Commission was appointed in Norway in the year 1994, and assessed how to change the tax system away from taxation on labor and towards activities that imply increased use of resources and harmful emissions in a long term perspective.

- Financial Markets can reduce the macroeconomic costs of adapting to Climate Change by generating price signals that create incentives for people to move to lower-risk areas and reallocating capital to newly productive sectors and regions.

The coming era is bound to see conflicts in the area of energy and water resources if timely strategies are not devised at the national and international levels. Pakistan has been blessed with a strategic location that enhances it's capacity to gain advantage from natural resources, provided these resources are managed in an efficient and productive manner.

An ever increasing population and depleting natural reservoirs of water, land, energy etc, combined with their degradation, demands urgent attention not in just conserving the existing resources but also devising new and efficient techniques to utilize and excavate new reservoirs.

So far the Government has taken significant initiatives in collaboration with international agencies to counter complex issues responsible for environmental degradation. A pragmatic approach towards multifarious challenges requires in depth and focused research, without which desired results will remain unachievable.

Annex - 1

Contingent Liabilities

Contingent liabilities are costs which the government will have to pay if a particular event occurs. These are obligations triggered by a discrete but uncertain event. Relative to government policies, the probability of a contingency occurring and the magnitude of the required public outlays are exogenous (such as natural disasters) or endogenous (such as implications of market institutions and government programs for moral hazard in the markets). Contingent liabilities are therefore not recognized as direct liabilities. However, contingent government liabilities are associated with major hidden fiscal risks. A common example of a contingent liability is a government-guaranteed loan. At the time a guarantee is entered into there is no liability for the government, since this is contingent upon the borrower failing to repay the loan as contracted. However, in the event of default, the lender can invoke the guarantee and the government will be obliged to repay the amount of the loan still outstanding. At that point, the contingent liability will become an actual liability of the government, and a payment must be made. These liabilities support specific policy objectives by creating financial incentives, without an immediate financial outlay. However, when these contractual guarantees or non-contractual commitments are realized, the government faces significant fiscal costs at the expense of other outlays.

Unreported contingent liabilities and the fiscal risks they pose played a major role in the economic crises that disrupted growth in a number of developing countries in the second half of the 1990s. These crises demonstrated that government analysis needs to cover a complete portfolio of assets and revenue base as well as direct and indirect contingent liabilities. This in turn requires the identification, classification and assessment of fiscal risks faced by the government so that it can provide an accurate estimate of future payments that may ensue from past and pending liabilities. Only by identifying and measuring its exposure can a government bring its fiscal risk under effective control.

The following framework highlights the two types of contingent liabilities. Contingent liabilities grow with weaknesses in the financial sector, macroeconomic policies, regulatory and supervisory system, and information disclosure.

Explicit Contingent Liabilities: These are specific government obligations defined by a contract or a law. The government is legally mandated to settle such an obligation when it becomes due.	• Guarantees for borrowing and obligations of provincial governments and public or private entities. • Umbrella guarantees for various loans (SME loans, agriculture loans) • Guarantees for trade & exchange rate risks • Guarantees for private investments • State insurance schemes.
Implicit Contingent Liabilities: These represent a moral obligation or expected burden for the government not in the legal sense, but based on public expectations and political pressures.	• Defaults of provincial governments and public or private entities on non-guaranteed debt and other obligations. • Liability clean-up in entities being privatized • Bank failures • Disaster and relief financing. • Failure on other non-guaranteed funds.

Explicit Contingent Liabilities:

Explicit contingent liabilities legally oblige the government to make a payment if a specific event occurs. Because their fiscal cost is invisible until they are triggered, contingent explicit liabilities represent a hidden subsidy, blur fiscal analysis, and can drain future government finances. Nevertheless, government guarantees and financing through government guaranteed institutions are more politically attractive than budget support even if they are more expensive later. The budgetary cost of these legal obligations during FY 2006-07 amounted to Rs.35.36 billion and Rs.63.05 billion in FY 2007-08. Explicit liabilities for FY 2008-09 reached a total of Rs. 72.481 billion. These comprise payments made on account of contractual guarantees issued on Ghee Corporation of Pakistan (GCP), Rice Export Corporation of Pakistan (RECP), Trading Corporation of Pakistan (TCP), Cotton Export Corporation (CEC) and Saindak bonds; Pakistan Steel Mills Corporation's liability payments contractually assumed by the Government; and payments to Fouji Fertilizer Company Bin Qasim on account of 1989 Investment Policy pertaining to the fertilizer industry. Key organizations with explicit and implicit guarantee structures have been discussed below. The following table analyses the trend.

PIA: During FY 2008-09, an amount of Rs.0.93 billion was paid out as an interest (equity) to the restructured loans and Term Finance Certificates to PIA. GOP has guaranteed interest payments (restructured loans and TFCs) for five years starting in FY 2001-02.

Railways: During FY 2008-09, an amount of Rs.2.376 billion has been paid on account of debt servicing liability (Government guaranteed loans).

Table-1 : Explicit Liabilities (Cash outflow streams from federal budget) **Rs. In billion**

	Enterprise	2006-07	2007-08	2008-09
1.	GCP, RECP, TCP & CEC (GOP's guaranteed)	2.64	4.12	-
2.	Saindak Metal Limited (GOP's guaranteed)	1.24	0.90	-
3.	GOP Bonds for Saindak Metal Limited (SML) liability	1.74	-	-
4.	GOP's Bond for the HEC, PODB; and the USC's liability	0.30	0.14	0.053
5.	Pakistan Steel Mills (GOP's guaranteed)	0.42	0.48	0.736
6.	PIA (Interest on GOP's guaranteed TFCs and loans)	0.73	0.89	0.93
7.	FFC Jordan(GOP guaranteed)	0.98	0.86	0.231
8.	SOPREST/GIK guaranteed)	0.08	0.80	0.078
9.	Peoples Steel Mills (GOP's guaranteed)	0.85	0.16	0.155
10.	Karachi Shipyard & Engineering Works (KS&EW) (GOP guaranteed loans)	-	0.17	0.432
11.	Pakistan Railways (GOP's guaranteed debt Servicing)	2.58	2.53	2.376
12.	WAPDA Sukuk Bonds	7.00	-	-
13.	System of Improvement of KESC (GOP's guaranteed loan)	3.00	-	3.0
15.	NBP Loan to WAPDA	7.00	8.00	15.59
16.	Loan from HBL, ABL, Bank Al-Falah, Askari Bank and Brunal Investment Company	-	44.00	48.90
17.	WAPDA Bond (10th Issue)	7.00	-	-
	Total:	**35.56**	**63.05**	**72.481**

Source: Ministry of Finance.

In consonance with the Macroeconomic and the Medium Term Budgetary Framework adopted by the Government and containing risk exposure, a policy of limiting guarantees and the risk analysis of contingent liabilities has been institutionalized. The Fiscal Responsibility and Debt Limitation Act 2005 places specific limits on contractually binding guarantees (i.e. explicit contingent liabilities) including those in rupee lending, bonds, rates of return, output purchase agreements and other claims that may threaten the future fiscal stance of the Government.

Implicit Contingent Liabilities:

Implicit contingent liabilities are not officially recognized until a failure occurs. The triggering event, the amount at risk, and the required government outlay are uncertain. In most countries the financial system is the most serious contingent implicit government liability.

Markets expect government support far beyond its legal obligation if financial stability is at risk. These include the government's quasi-fiscal activities including mainly the bail-outs of strategically important State Owned Enterprises and the non-performing loans of the banking sector. Through robust financial sector reforms, prudent monetary management and the strengthening of the State Bank of Pakistan's regulatory role, non-performing loans started declining.

It can be inferred from the Table 2 that the Water and Power Development Authority (WAPDA), the Karachi Electric Supply Corporation (KESC), and implicit liabilities in the shape of subsidies to various sectors have been the largest drain on the budget. Financial Improvement Plans of the two power utilities are currently under implementation to curtail these outflows. The privatization of KESC and the successful corporatization of WAPDA will eventually plug these financial leakages.

Table-2 : Impact of implicit contingent liabilities on the federal budget (Rs. In billion)

Enterprise	06-07	07-08	08-09
WAPDA's Subsidy	18.46	52.89	92.84
WAPDA's non-recovery of loans	6.15	-	16.44
WAPDA's new loans	38.02	5.825	3.88
KESC's Equity (An injection of fresh equity	0.77	-	-
KESC's subsidy against an adjustment of additional surcharge against GST	2.72	3.35	1.28
KESC's subsidy (Cash shortfall)	-	-	-
Subsidy to Utility stores Corporation (price differential for sale of goods)	0.47	1.73	2.70
Subsidy to TCP for import of wheat	-	30.00	35.00
Pakistan Railways (Other operational shortfalls)	4.25	4.77	8.158
Subsidy to TCP on import of Sugar	0.35	6.24	6.30
Subsidy to manufacturers of Phosphatic and Potassic fertilizer	4.67	5.26	21.03
Subsidy to importers of Phosphatic and Potassic fertilizers	-	20.00	7.62
Subsidy to TCP on import of Urea	2.95	4.00	3.00
Subsidy to PASSCO for commodity operations	0.13	0.41	0.30
Subsidy to exporters of textile sector	9.59	19.00	4.81
GOP grant to Dairy Development Company, Lahore	0.10	0.20	0.081
GOP's Equity in Pakistan Textile City Ltd.	-	0.5	-
Total:	**88.625**	**154.17**	**203.44**

Source: Ministry of Finance.

Table-3: Contingent Liabilities (Explicit and Implicit Liabilities)

Fiscal Year	Rs in billion	As % of GDP
2006-07	124.18	1.42%
2007-08	217.21	2.11%
2008-09	275.89	2.12%

Source: Ministry of Finance.

Annex - 2

Tax Expenditure

A Note on Tax Expenditure

Tax expenditures are provisions in the tax code, such are exclusions, deductions, credits, and deferrals that are designed to encourage certain kinds of activities or to aid taxpayers in special circumstances. When such provisions are enacted into the tax code, they reduce the amount of tax revenues that may be collected. In this sense, the fiscal effects of tax expenditure are just like those of direct government expenditure. Some tax expenditures involve a permanent loss of revenue, and thus are comparable to a payment by the government; others cause a deferral of revenue to the future, and thus are comparable to an interest-free loan to the taxpayer. Tax expenditures include exemptions from the tax base, allowances deducted from gross income, tax credits deducted from tax liability, tax rate reductions, and tax deferrals (such as accelerated depreciation). Any tax revenue lost because of these exemptions, allowances, and deductions is considered to be a tax expenditure. Since tax expenditures are designed to accomplish certain public goals that otherwise might be met through direct expenditures, it seems reasonable to apply to tax expenditures the same kind of analysis and review that the budget appropriation receives.

It is essential to distinguish between those provisions of the tax code that represent tax expenditures and those that are part of the "basic structure" of a given tax. The basic structure is the set of rules that defines the tax; tax expenditure is an exception to those rules. In general, most taxes have a series of features that define their basic structure. These features are a base on which the tax is levied, such as net income or a particular class of transactions; a taxable unit, such as a person or a corporation; a rate, to be applied to the base; a definition of the geographic limits of the state's exercise of its tax jurisdiction; and provisions for the administration of the tax.

The total expenditures for FY 2008-09 has been estimated to be around Rs.119.65 billion, which is about 38.1 percent higher than the amount incurred in FY 2007-08. The estimated revenue loss stemming from tax expenditure was substantially higher in the previous year mainly due to withdrawal of capital gains to promote stock markets. The details for the FY 2008-09 are discussed below:

Income Tax

The tax expenditure concept posits that an income tax is composed of two distinct elements. The first element consists of structural provisions necessary to implement a normal income tax, such as the definition of net income, the specification of accounting rules, the determination of the entities subject to tax, the determination of the rate schedule and exemption levels, and the application of the tax to international transactions. The second element consists of the special preferences found in every income tax. These provisions, often called tax incentives or tax subsidies, are departures from the normal tax structure and are designed to favor a particular industry, activity, or class or persons. They take many forms, such as permanent exclusions from income, deductions, deferrals of tax liabilities, credits against tax, or special rates. Whatever their form, these departures from the normative tax structure represent government spending for favored activities or groups, effected through the tax system rather than through direct grants, loans, or other forms of government assistance.

Section 53 of the Income Tax Ordinance, 2001 empowers the Federal Government to exempt from tax any income or classes of income, or persons. However, these powers are not being exercised by the Government as it is following a conscious policy of phasing out the existing exemptions gradually and not to allow fresh ones. Categories of exemption listed in Part-I of Second Schedule to the Income Tax Ordinance, 2001 are broadly as under:-

- Exemption related to pensions, provident funds and superannuation fund;
- Exemption of interest on borrowings from external sources;
- Exemption to non-profit charitable, religious and welfare activities;
- Exemption to non-profit educational institutions;
- Exemption relating to electric power generation; and
- Un-expired period to tax holidays for industrial undertaking.

The total number of exemptions under the aforesaid categories contained in Part-I of Second Schedule to the Ordinance 2001 is around 100. The cost of these exemptions amounts to Rs.40.86 billion for the outgoing fiscal year. It may be noted that exemption expenditure mainly relates to allowances, capital gains, pensions, provident fund and superannuation fund. Furthermore, exemptions related to charitable activities and non-profit educational institutes are common in both developed and developing countries. The position with regard to the basic threshold of income for charging taxes is similar. The following is the estimated cost of exemptions in fiscal year, 2008-09 as compared to fiscal year 2007-08:-

Table 1: Income Tax Expenditure *(Rs. in billion)*

No.	Major Income Tax Expenditure Items	Estimated Revenue Loss	
		2007-08	2008-09
1.	Pensions	0.39	0.054
2.	Allowances	-	0.359
3.	Income from Funds (e.g. NIT units)	0.22	0.828
4.	Donations and Contributions to Charitable Organizations	1.74	0.517
5.	Independent Power Producers	4.70	0.772
6.	Income from Certain Trusts, Welfare and charitable institutions/ non-profitable organization	0.92	1.050
7.	Profits on Debt/interest from government securities and certain foreign currency accounts/ books/ profit on debt earned by certain non-residents individuals and institutions	0.21	0.025
8.	Income of Boards of Education, Universities & computer training institutes	-	-
9.	NSS interest income	-	-
10.	Export of Information Technology	0.03	0.602
11.	Other interest income	-	-
12.	Capital gains	18.48	18.760
13.	Other Sector and enterprise specific exemptions	0.97	17.897
	TOTAL:	**27.66**	**40.864**

Sales Tax

Key exemptions of Sales Tax are pharmaceutical products, tractors and other agricultural machinery and fertilizers. The cost of Sales Tax exemptions is estimated to be Rs.17.5 billion for the fiscal year 2008-09 as against Rs.17.6 billion last year. The modest increase is mainly attributable to a rise in tax expenditure related to pharmaceutical. The Following are the main exemptions in Sales Tax allowable in fiscal year 2008-09 [Table 2].

Table 2: Sales Tax Expenditure			*(Rs. in billion)*
No.	**Major Sales Tax Expenditure Items**	**Estimated Revenue Loss**	
		2007-08	**2008-09**
1.	Pharmaceutical (excluding life saving drugs)	2.30	3.1
2.	Tractors and other agriculture machinery.	5.60	5.7
3.	Fertilizers	9.20	8.20
4.	Others (e.g. agri seeds, cattle feed)	0.50	0.50
	TOTAL:	***17.60***	***17.5***

Customs

Customs exemptions are mainly given on raw materials and components; plant, machinery and equipment imported by high-tech, priority and value added industries; imports for energy sector projects; and exemptions to exploration and production companies. Some of these exemptions are due to international contractual obligations. The following is the break-up of main exemptions in customs duties allowable in fiscal year 2008-09 compared to fiscal year 2007-08 [Table 3].

Table 3: Exemptions in Customs Duties				(Rs. in Million)
S. #	**SRO No. & Date**	**Description**	**Estimated Revenue Loss**	
			2007-08	**2008-09**
1.	410(I)/2001, dated 18.6.2001	Conditional Exemption of customs duty and sales tax on temporarily imported goods for subsequent exportation.	1.838	2.335
2.	456(I)/2004, dated 12.6.2004 Superseded by 565(I)/2005, Dated 05-06-2006	Conditional exemption of customs duty on import of raw materials and components etc. for manufacture of certain goods (Survey Based)	2.949	2.839
3.	567(I)/2005, dated 06.6.2005 Superseded by 567(I)/2006, Dated 05-06-2006	General and conditional exemption of customs duty (non Survey)	5.869	18.121
4.	678(I)/2004, dated 12.6.2004	Exemption of customs duty and sales tax to Exploration and Production (E&P) companies on import of machinery.	2.239	4.401
5.	570(I)/2005, dated 06.6.2005	Concession of customs duty on goods imported from Sri Lanka.	0.022	0.036
6.	575(I)/2005, dated 06.6.2005 Superseded by 575(I)/2006, Dated 05-06-2006	Exemption from customs duty and sales tax on import of specified machinery, equipment, apparatus and items	9.139	11.189
7.	Other SROs		19.341	22.361
	Total :		***41.397***	***61.282***

Following is the consolidated summary of tax expenditures showing percentage increase/ decrease for the fiscal year 2008-09 compared to FY 2007-08 [Table-4]

Table 4: Summary of Tax Expenditures (Rs. in billion)			
Type of Tax	**Cost of Exemptions**		**% Change**
	2007-08	**2008-09**	
1. Income Tax	27.66	40.864	47.74
2. Sales Tax	17.60	17.5	-0.57
3. Customs Duties	41.397	61.282	48.03
Total	***86.657***	***119.646***	***38.1***