

Planning Commission Newsletter

Inside this issue:

International Trade & Finance	2
Industries & Commerce	2
Food & Agriculture	2
Money Price & Fiscal Policy	3
National Fertilizer Development Centre	3
Energy	3
Governance	4
Public Investment Authorization	5
Project WIng	5

New Growth Framework (NGF)

The Planning Commission, in collaboration with UNDP, organized a documentary competition titled "Youth Ideas Challenge" on 2 August 2011



at Planning Commission Islamabad with the view to start engaging youth in public policy making. The themes of the documentaries prepared by the youth included our cities, knowledge and productivity, social networking, youth entrepreneurship and market reforms.



Nineteen documentaries received under the competition were screened and ranked for prizes distribution in two categories: students of ages 13-19 years and 20 - 25 years. Winners in first

category were Mohammad Aleem Ansari of Generation School, Karachi, Sabeeh Ahmad, Haider Ali and Bilal Shakeel from Beaconhouse Garden Town, Lahore and Syed Faizan Raza Rizvi from Roots School System, Islamabad while Wajahat Ahmad from Bahria University, Islamabad, Syed Ahmed Faran, Ehsan Gul, Mohsin Gul and M.A. Jamil from NUST, Islamabad won prizes in 2nd category. At the occasion, the Deputy Chairman, Planning Commission said that economic policy is broader than the usual fiscal policy and that the idea of Youth Ideas Challenge was to include youth in new economic strategy.

Deputy Chairman, Planning Commission took a meeting with representatives of the international donor agencies, academia, civil society and government to debate the implementation mechanism and plan for the Growth Strategy on 7 August 2011 in the Auditorium of Planning Commission. Emphasizing the role of markets, the Deputy

Chairman stressed on the need to remove market distortions. Participants shared their views on the importance of improving productivity, agriculture, economic policy, energy sector, education and quality of education, creation of an advisory board for overseeing the implementation at the federal and provincial level, macroeconomic stabilization, governance, growth with equity, capacity building at the provincial level in the devolved set-up, linkage between academia and policy makers, true ownership of the growth strategy by the government and political will, entrepreneurship and new projects for backward areas. The representatives of UNDP reiterated the willingness to converting the existing CPRSPD into a growth centre that would perform three roles: advocacy and policy advice, monitoring and evaluation and facilitating global learning. Welcoming the idea, Deputy Chairman added that the growth centre would contribute as a think-tank in this process.

International Trade & Finance

International Trade & Finance Section performed the following major activities during the month of August.

- Updated the external sector performance during July 2010-11.
- Prepared brief for Deputy Chairman Planning Commission on High-Level Regional Policy Dialogue on "Asia-Pacific economies after the Global Financial Crisis: Lessons learnt, Challenges for building Resilience, and issues for Global Reform to be held on 6-8 September 2011 at Manila, Philippines.
- Held a meeting with Engineering Development Board on "Tariff rates of engineering

goods."

- Compiled data on item wise rates of goods for Deputy Chairman Planning commission.
- Prepared consolidated proposal on area for capacity building under institutional cooperation of Pak-French AETC.

Industries & Commerce

Prepared working papers for the CDWP/CCC on the following projects:

- Pakistan's Industrial Competitiveness - Strengthening the Linkages between Sustainable Development and Industrial Competitiveness.
- Kamalia Industrial Park.
- Establishment of Provincial Training Centre for Mine Workers and Emergency Response Training in Balochistan.

Prepared position papers for the CDWP on the following projects:

- Development of Infrastructure in various Estates of Sindh Industrial Trading Estates (SITE) Limited.
- Ex-Post Facto Approval of Purchase of Additional Machinery in Project 'Ceramics Development & Training Centre (CDTC)
- Ex-Post Facto Approval of Purchase of Additional Machinery in Project 'Gujranwala Tools,

Dies & Moulds Centre (GTDMC).

Offered comments on:

- National Climate Change Policy.
- Project Completion Report (PC-IV) of the project titled "Faisalabad Garment City"

Meetings Attended:

- Meeting of Chief (I&C) with World Bank Mining Sector Mission Balochistan on 15th August 2011.
- Briefing Meeting of the CDWP on 11th August 2011.

Food & Agriculture

Prepared working papers for the following projects:

- PC-II for Establishment of Agriculture Demonstration Zone in Sindh; (100% Chinese Grant)
 - Gwadar Lasbella Livelihood Support Project
- Offered comments on PC-I titled "Provision of Drinking Water to the Fishermen Community

along Coastline"

- Prepared lists of projects with new status as abandoned, shifted to other ministries or to provinces
- Prepared input for Pakistan Framework for Economic Growth for improvement of agriculture sector
- Meeting arranged to review the following

projects with regard to CDWP decisions:

- "Grain Storage Project Construction Steel Silos of 0.65 M Ton Capacity."
- Poverty Alleviation through Enhancement of Agriculture Productivity (Progressive Replacement of 100 Bulldozers for Land Development, Balochistan).

Food & Agriculture (cont..)

Briefs on the following projects were prepared:

- "Pak-China Project for Improved Rice

Processing"

- "Pak-china project for CA and Advanced Ventilators"

- "Crop Monitoring

through Remote imagery Satellite"

Money, Prices & Fiscal Policy

Money, Prices and Fiscal Policy Section performed following activities:-

- Prepared Monthly Update on Inflation for month of July 2011
- Prepared Reference Material for the ECC for Agenda Item pertaining to Analysis of Regional Prices of Critical Consumer Items
- Tracked trends in Prices, Monetary Aggregates, Fiscal Policy and Stock Market

- Prepared Monthly Monetary Aggregates Developments for month of July 2011

- Prepared brief/comment of Summaries moved by various Ministries/ Divisions for the consideration of ECC of the Cabinet and Federal Cabinet for Deputy Chairman, Planning Commission and Secretary, Planning & Development Division,

- Prepared brief/

comments on the Summary moved by Finance Division on Debt Management Policy for the consideration of Council of Common Interests (CCI),

- Coordinated the work of Tariff Reform Exercise with relevant Ministries/ Divisions/stakeholders.

National Fertilizer Development Centre

NFDC Published the Monthly Fertilizer Review, which reveals that total nutrient off take during July, 2011 was about 354 thousand tonnes compared to 304 thousand tonnes in July, 2010 (showing an increase of 16.5 %). Among the nutrients, nitrogen offtake increased by 0.8 %,

phosphate by 154.5 % while offtake of potash increased by 21.2 %. Urea offtake during July 2011 was 482 thousand tonnes registering a decrease of 8.7 %, while DAP offtake was 132 thousand tonnes which recorded an increase of 171 % over July 2010. Offtake of urea decreased

due to shortage of urea availability, high prices in the market and reduction in domestic production as a result of gas curtailment for fertilizer plants. Higher offtake of DAP in July 2011 as compared to July 2010 resulted due to tying up of DAP purchase with urea.

Energy

Mr. Faisal Jamil, Energy Specialist carried out a study under the supervision of Member (Energy) to identify relationship between petroleum policies and gas reserves position in Pakistan. The study titled "Relationship Between Gas Producer Price And Reserves" reveals that Pakistan

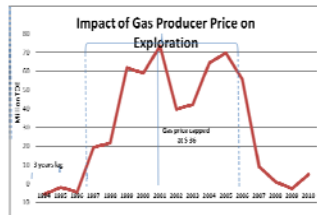
heavily relies on gas for its energy requirements. Low wellhead ceiling prices over the past decade have led to the beginning of a shortage in natural gas reserves and production. The findings show that 1994/1997 policies stimulate E&P activity, which is evident from incremental gas re-

serves in Pakistan.

Figure below showing 3-years moving average of recoverable reserves indicates that the reserves start elevating in 1997. A significant number of well known international oil and gas operators moved in, and their efforts have met with a high degree of success.

Energy (Cont..)

Petroleum Policy 2001 capped crude price and introduced progressive discount rates. It was then followed by policy 2007 and 2009. The impact of these policies can be seen by weakening reserves of gas.



Generally, government has objectives such as to increase indigenous oil and gas reserves, access to modern technology and foreign investments, ensure employment of its nationals and improve profit orientation in exploration activities, etc. To meet these objectives, government endeavors to maximize its share through a wide variety of mechanisms such as taxes, royalties, trainings and bonuses. The E&P companies' objectives are complementary in that by discovering the hydrocarbon reserves and producing from them at lower cost and the highest profit margin they can build equity and maximize shareholders' wealth. Government and E&P companies negotiate their interests through concession and contractual arrangements. Therefore, a pragmatic petroleum pol-

Governance

Governance Section organized a pre-CDWP

icy is essential for attracting adequate amounts of investment in upstream sector.

The petroleum policy 2009 with crude oil capped at \$100 and soft price curve with high discount rates for incremental blocks results in price of gas hover around \$4-4.5 per MMBTU. This gas price indexation does not seem attractive to investors and needs to be improved. Gas price is quite low in the country as compare to alternative options including LNG import, Iran-Pakistan Pipeline and import of crude oil. The main findings of the research are as follows.

- A pragmatic gas pricing is most robust instrument in stimulating exploration and development of domestic gas.
- Increase in domestic gas reserves is economically most viable option of increasing gas supplies.
- The development wells drilled to the corresponding gas price is found elastic in empirical analysis.
- Moreover, the government takes almost 40% of companies' revenues from sale of gas in the form of

levies associated with commercial production.

Study on "Comparison of Electricity Supply and Tariff Rates in South Asian Countries"

In another study, Mr. Faisal Jamil studied electricity supply and tariff rates in the South Asian countries. The study concludes is that electricity sector in the region is facing capacity shortfalls as it mostly relies on thermal (hydrocarbons) sources. Such sources are depleting domestically and at the same time, are becoming costly due to rising crude prices. The issue can be resolved by tapping domestic hydel potentials and choosing appropriate fuel mix and diversification in thermal electricity generation sources. It will reduce vulnerability of electricity supply with international energy prices and make electricity affordable, which is fundamental for economic growth in the region. There is limited potential for regional electricity trade also.

Note: Both the above stated studies are available at Planning Commission website: www.pc.gov.pk/energy.

meeting for the project "Construction of NIPA

Complex, at Samungli Road Quetta".

*We are on the
Web
www.pc.gov.pk*



Planning Commission

P-BLOCK, PAK SECRETARIAT,
ISLAMABAD.

Governance (Cont..)

Modified PC-Is of the projects titled "Governance Support Project for Federally Administrative Tribal Area (FATA)" and "Governance Support Project & PCNA Implementation Support Unit for Khyber Pukhtunkhwa" were examined and processed for approval of Deputy Chairman, Planning Commission. Material for emerging issues of poverty eradication to be discussed in the 50th Session of the Commission

for Social Development (CSocD) to be held during February 2012 at New York, from Governance point of view was forwarded to Poverty Alleviation Section. Comments on "Public Expenditure, Procurement and Financial Management Report", "draft Climate Change Policy" and "Public Policy and Governance Issues in Pakistan" were offered.

Fifty two nominations for trainings/workshops/

conferences were processed. Three meetings of the committee on foreign training were arranged. Eight officers, one for the long term course attended the foreign training.

Public Investment Authorization

Public Investment Authorization Section received 20 schemes/projects for con-

sideration of CDWP/ECNEC.

Project Wing

Monitoring

Projects Wing has monitored 07 development projects during August, 2011. As a result of the monitoring, Higher Education commission has reviewed all its on going projects in line with the observations raised by Projects Wing. 72 development projects being implemented in different universities have been granted extension in line by the HEC to regularize the expenditure.



Electrical Engg. Laboratory Block at Bahria University, Karachi Campus

As part of continued interaction the Projects Wing has recommended to the PIP Section to enhance PSDP allocation 2011-12 and timely release of funds for a number of on-going projects which are near completion, including Development of Khyber Medical University Peshawar to make these facilities functional at the earliest.



COMSATS Inst. of IT at Attock

Cash/Work Plans

The Projects Wing has cleared 161 Cash / Work Plans of the development Projects upto 30th August 2011.