

# Planning Commission Newsletter

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## Macroeconomic

European Union on 27<sup>th</sup> September, 2012 held "National Consultations for EU-Pakistan Cooperation, 2014-2020" to discuss five year engagement plan of European Union in Pakistan. Planning Commission, Economic Affairs Division, Finance Division and other stakeholders from provinces participated in the consultation. Deputy Chairman represented Planning Commission in the event with Additional Secretary P&D Division and Assistant Chief Macroeconomics Section. The meeting was chaired by EU Ambassador H.E. Mr. Lars Gunnar Wigemark.

Mr. Brend de Groot, Head of Cooperation took stock of growing European Union engagements with Pakistan and also outlined the post 2013 proposed cooperation strategy. Mr. Groot elaborated five pillars of EU intervention in Pakistan which are: Governance,

Local Development, Economic Growth & Trade, Humanitarian Assistance and Regional Cooperation.

Deputy Chairman Planning Commission gave a presentation on salient features of Framework for Economic Growth (FEG) and also highlighted possible avenues of Pak-EU cooperation for implementation of this growth framework. Deputy Chairman emphasized that better governance and economic growth are closely linked and are on the top of priority list of both FEG and EU engagement agenda, while trade openness and regional cooperation are also the common features of both strategies. He highlighted that EU and Pakistan should forge regular institutional links for sustainable cooperation.

Planning Division had nominated Chief Macroeconomics Section Mr.

Zafar ul Hassan to participate in Post-Program Monitoring (PPM) discussion with International Monetary Fund (IMF) in the last week of September. PPM discussions are standard in countries that have recently had large IMF arrangements. Both sides discussed the macroeconomic situation during the program period and also discussed the outlook for the 2012-13. IMF mission was of the opinion that Pakistan faces a challenging economic outlook. Government of Pakistan defended its macroeconomic framework and IMF was agreed to most of things except fiscal and energy outlook. Inflation has fallen recently but is expected to be back in double digits by the middle of next year if corrective measures are not taken to reverse monetary financing of the fiscal deficit.

## Science & Technology

The working papers of the following projects were prepared for consideration of CDWP:-

- Establishment of Main Campus of Federal Urdu University of Arts, Science & Technology at Islamabad.
- Enhancement of Infra-

structure at IMSciences, Peshawar

A position paper for the project titled "Establishment of National Capacity Building Institute (NCBI) for Water Quality, Islamabad" was also prepared for consideration of CDWP meet-

ing.

The comments were also submitted regarding the sub-themes for Prime Minister's participation in the annual meeting of new champions 2012; Tianjin, China 11-13 September, 2012.

## Money, Prices & Fiscal Policy

### Monetary Developments

The growth rate of real GDP and the inflation rate are taken into consideration for targeting expansion of broad money (M2). M2 is an indicator to measure money supply in the economy. One of the functions of a central bank in the modern time is to regulate the money supply in such a mode where the balance between growth and inflation can be manageable. As reflected in State Bank of Pakistan's Monetary Policy Statement in August 2012, the Broad Money (M-2) is projected to grow by 13.1 % during current financial year. To encourage the private sector real investment in the economy, the SBP has reduced the policy rate from 12.0% to 10.5% by reduction of 150 basis point with effect from 13<sup>th</sup> August 2012.

During 1st July 2012 to 31st August 2012, M2 increased by Rs 22.5 billion showing a growth of 0.3 % in the stock at the end of June 2012 as compared to an expansion of Rs 10.2 billion indicating an increase of 0.2 % during the corresponding period of previous year. Net Foreign Assets (NFA) has been expanded during period under review by 4.1 % whereas, Net Domestic Assets (NDA) has also been marginally expanded by Rs. 0.7 billion only.

During 1st July 2011

to 31st August 2012, Net Foreign Assets (NFA) of the banking system has been expanded by Rs 21.8 billion reflecting an increase of 4.1 % as compared to contraction of Rs 23.7 billion showing a decrease of 3.0% during the corresponding period of previous year. Expansion in NFA is mainly due to recent receipt of US\$ 1.12 billion Coalition Support Funds (CSF).

Net Domestic Assets (NDA) has shown a meager expansion which is less than one billion Rupees during the period under review reflecting nominal increase in stock at the end of June 2012 as compared to expansion of Rs 33.8 billion reflecting an increase of 0.6 % during corresponding period of previous year. Growth in the NDA has been increased due to government borrowing from banking system.

- During the period under review, borrowing for budgetary support from SBP has been considerably squeezed at the level of Rs 76.3 billion due to repayment of Rs 124.1 billion SBP loan reflecting growth of 2.0 % as compared to expansion of Rs 218.1 billion showing growth of 8.4 % during the corresponding period of previous year. However, borrowing from scheduled banks during this period has been increased by Rs 200.3 billion as compared to increase of Rs 164.5

billion during the corresponding period of previous year.

- Credit to private sector has shown contraction of Rs 23.9 billion during 1st July 2012 to 31st August 2012 as compared to contraction of Rs.84.2 billion in the corresponding period of previous year. Credit to public sector enterprises has shown growth of Rs.15.3 billion as compared to expansion of Rs.7.8 billion during the corresponding period of previous year. However, power crisis, security conditions and challenging political environment have significantly depressed the demand of credit for private sector.

As per SBP Monetary Policy Statement of August 2012 the Broad Money (M-2) is expected to grow between 13% to 14 % during the current financial year and fiscal deficit is likely to remain the major factor of the monetary expansion. Reduction in SBP's foreign exchange reserves due to repayment of IMF loan would widen the current account deficit and deteriorating capital and financial account surpluses during FY 13.

## Money, Prices and Fiscal Policy Inflation

(continued)

CPI inflation has been targeted at 9.5% for 2012-13. During July-August 2012-13, CPI registered an increase of 9.3% against an increase of 12.0% in the corresponding period of previous year. Food inflation during July-August 2012-13 grew by 8.8% against 15.1% over the corresponding period of the

previous year. Non-food inflation during July-August 2012-13 recorded at 9.7% against 9.8% over the corresponding period of the previous year. The WPI and SPI recorded an increase of 7.5% and 7.9% respectively during July-August 2012-13 against 19.5% and 12.3% during the corresponding period of last

year.

CPI inflation in August 2012 is the lowest since December 2009 and is in single digit. The ease in inflation is mainly contributed by food inflation and slightly by non-food inflation. Food inflation is slowing down due to improvement in domestic production and supplies.

## Stock Market Developments

KSE-100 index, in August 2012, remained buoyant and gained about 815 points. On August 31, 2012 KSE-100 index stood at 15,391.6 points as compared to 14,577 points on July 31, 2012. In terms of growth KSE-100 index showed a

growth of 5.6%. Market capitalization stood at Rs. 3,919.2 billion on August 31, 2012 as compared to Rs. 3,724.3 billion on July 31, 2012 depicting an increase of 5.2%.

Foreign Portfolio Investment (FPI) in August 2012, showed a strong

performance and its net inflow stood at US\$ 45.9 million, 59.7% higher compared to net inflow of US\$ 28.8 million during July 2012. During July-August 2012, FPI net inflow stood at US\$ 74.7 million.

## National Fertilizer Development Centre

The Monthly Fertilizer Review of Mid September, 2012 has been published, which reveals that total nutrient offtake during August, 2012 was about 206 thousand tonnes compared to 348 thousand tonnes of August, 2011, represented a decrease of 40.7 per cent. Among the nutrients, nitrogen, phosphate and potash offtake decreased by 41.4, 35.5 and 72.2 per cent respectively. Urea offtake during August 2012 was 322 thousand tonnes which decreased by 42.1 per cent over August 2011, while DAP offtake was 53 thousand tonnes, which also decreased by 30.3 per cent over correspond-

ing month of 2011.

Rabi 2012-13 is expected to start with the urea inventory of 440 thousand tonnes. Based on present gas supply position to urea manufacturing plants i.e. 12 percent gas curtailment at Mari-network and complete closure of urea plants at SNGPL (Ministry of Industries) the estimated domestic production of urea will be around 1900 thousand tonnes and 300 thousand tonnes of imports, already in pipeline will make urea availability around 2640 thousand tonnes. The estimated demand of urea for Rabi 2012-13 is around 3000 thousand tonnes reflecting a gap of 360 thousand tonnes. Around 150

to 200 thousand tonnes of urea is also required as buffer stock. Hence further imports of urea (around 400 to 500 thousand tonnes) will be required to meet the demand, if gas supply to urea plants at SNGPL is not restored during Rabi 2012-13. The DAP availability in upcoming Rabi 2012-13 season seems to be satisfactory. With opening inventory of 332 thousand tonnes, imported supply of 285 thousand tonnes and domestic production of 336 thousand tonnes, the total availability of DAP would be around 953 thousand tonnes against the estimated offtake of 785 thousand tonnes for Rabi 2012-13.

## International Trade & Finance

Provisional data released by Pakistan Bureau of Statistics shows that exports declined by 3.2% and stood at \$4,103 million during July-August, 2012. The imports declined by 1.99% and stood at \$ 7, 346 million during July-August, 2012 while the exchange rate during the same period remained at

Rs.94.47/\$ against Rs. 86.62/\$ during July, 2011, showing a depreciation of 8.3 percent.

The draft minutes of presentation made to the Prime Minister on 28<sup>th</sup> February, 2012 on Strategic Trade Policy Framework (STPF) 2012-15 by Ministry of Commerce were examined for vetting of Deputy Chairman,

Planning Commission. Comments on "Draft Country Assessment Report 2012 for Pakistan" and "National Trade and Transport Facilitation Committee" were offered.

## Industries & Commerce

A brief was prepared for Deputy Chairman / Secretary, Planning Commission on three ECC summaries i.e. Renewal of GoP guarantee of Rs 2.00 billion for Pakistan Steel Mills, Permission to release latex foam imported from India by Shafi Lifestyle (Pvt) Limited, Lahore and Protection to

Motorcycle Industry in Pakistan.

Pre-CDWP meeting of project "Expansion of the network of USC through Establishment of 30 Warehouses and 2000 New Stores throughout country" was arranged. A meeting on issues faced by Pakistan Ship breaking Association and Steel

Melters Association was also organized. Moreover, comments were offered on appeal of Small Cosmetic Traders of War / Terrorism hit Areas of FATA and Swat.

## Food & Agriculture

A schedule of field visit has been prepared to Agriculture Department AJK in connection with cost rationalization of the project, i.e Agricultural Research Institute Muzaffarabad. Different facts and figures regarding tea cultivation in Pakistan, its import, consumption and other parameters were collected for onward submission regarding different policy decisions.

Collection and compilation of documents is being made to undertake the midterm progress of the project "Special Programme for Strengthening SPS Facilities and Quality Inspection Services in Compliance with

WTO-Establishment of an Integrated National Animal and Plant Health Inspection Services (NAPHIS)".

Comments were prepared for submission to National Accountability Bureau (NAB) Islamabad about the expenditure incurred on the project "Establishment of Facilitation Unit Participatory Vegetable Seed and Nursery Program" and reasons for its termination. Moreover, comments on PC-I received from Planning & Development Department, Government of the Punjab titled as "Promotion of biogas supplemented tubewells for irrigation purposes in

Punjab" have also been prepared and offered to Planning & Development Department, Government of the Punjab.

Modified version of the PC-I "Agricultural Research Institute Muzaffarabad" was discussed with the representatives of AJK Government. The data regarding area and production of major crops from provinces for its transmission to Finance Division was collected.

## Pakistan Planning & Management Institute

During the month of September, 2012, two (02) training courses were conducted by PPMI. The brief of the training courses is as under:-

**Training Course on “MS Project” 10-12 September, 2012:** The main objective of program was to introduce basic concepts



of “MS Project” which may assist project managers in developing a plan, assigning resources to tasks, tracking progress, managing the budget and analyzing workloads. Twenty four Officers from Federal/ Provincial Governments and Public Sector Organizations attended the course. The course was inaugurated by the Director General, Pakistan Planning and Management Institute, Mr. Muhammad Ashraf Chaudhary. The main topics covered during the sessions included the introduction to the Project Management and MS

Project, Tracking and Reporting of the Progress, Advance Customization, Project Data Management and Project Performance Report.

**Training Course on “Estimation of Major Economics Aggregates” 24<sup>th</sup> -27<sup>th</sup> September, 2012:** Second training course organized

the essential advanced skills and competency in the field of Economics and Finance and to provide the essential knowledge of Estimation of Major Economic Aggregates. The orientation session was inaugurated by the Director General, Pakistan Planning and Management Institute, Mr. Ishfaqullah Khan on 24<sup>th</sup> September, 2012. In his inaugural address, he urged the participants to derive maximum possible benefits out of the training. The total number of participants was seventeen. The main contents of the course were Estimation of Labor Force Statistics and PSLM, Inflation and Price Statistics, National Accounts, investment and Saving, Monetary Accounts, and Estimation of Poverty and Income inequality. Participants found both the courses very relevant, comprehensive, educative, and productive and conducted in a professional way.



## Nutrition

A Consultative Session on 08-09-2012 with Provinces on Food Fortification with the collaboration of Global Alliance for Improved Nutrition (GAIN) was conducted. The technical assistance in Provincial workshops on multisectoral Nutrition Policy Guidance Notes & Strate-

gic & Operational Planning on Development of a National Nutrition Policy and formulation of plans for five years held on 18-19, September, 2012 for the Azad Jammu & Kashmir, was coordinated and extended.

The report on the estimated cost of minimum food Basket for the month of August, 2012 was completed in the month of September, 2012. The report highlights national, provincial and regional estimates and comparisons.

## Governance

During the month of September, 2012, brief for the Secretary, P&D Division for the meeting of the Committee on Structure of Pay and Allowances were prepared. Comments/Views on "Minutes of the Meeting of Cabinet Sub-Committee on Regularization of Contract/Daily Wages Employees in the Ministries/Divisions/Attached Departments/Autonomous Bodies/Organization" in respect of Project Management Unit, Access to Justice Program, Ministry of Law, Justice & Parliamentary Affairs were prepared and forwarded to Finance Division. Comments/Views

on "Conversion of 61 Projects Posts of Monitoring of PSDP Financed Project (Projects Wing) into Non-Development Side" were prepared and forwarded to Admn.VI. Comments/Views on contents of "Minutes of Pak-German Bilateral Consultation 2012" and "MOU between International Center for Water Hazard and Risk Management (ICHARM) TSUKUBA Japan and Government of Pakistan were prepared and forwarded to PIP Section. Briefs in respect of Governance Section on relevant PSDP funded projects being implemented in Balochistan since 2002

for Senate Sub-Committee meeting were prepared and forwarded to PIP Section. Proposal for "Funding of SDPI's Fifteenth Sustainable Development Conference, Islamabad" was examined and relevant information was forwarded to SDPI.

Twenty five Nominations for training/seminar/workshop (Local/Foreign) were processed. Two meetings of the Committee on Foreign Training were convened whereas 08 officers attended the foreign training/seminar/workshop during the month.

## Education

The Project of National Commission for Human Development has been thoroughly analyzed and supported in anticipation while the Project titled "Award of 400 scholarships to students from Indian occupied Kashmir under Prime Minister's directives (revised)" is under consideration and meetings have been held at different levels.

Comments /views were offered on "Procedure for Approval and Financing of Development Projects" and on the projects titled "Norwegian Grant Assistance for Basic Education Improvement Programme (BEIP) Phase-II" Khyber-pakhtunkhwa, "Communication for Effective Social Services Delivery (CESSD), Phase -II (Revised/Updated)",

"Updation of Development Partnership Arrangement (DAP) Pillars-DFID", "Provision of Equipments for Ten PAEC Cancer Hospitals", "Pak-German Bilateral Consultations-2012" and request for Releases by M/O IPC".

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## Administration Wing

Consequent upon the selection by Federal Public Service Commis-

sion, Mr. Faizan Ali has assumed the charge of the post of Research

Officer (BS-17), in Water Resources Section on 26<sup>th</sup> September, 2012.

## Information & Communication Technologies

### In-house computer training

First phase of short term computer training programme started by JACC w.e.f. December, 2011 has been successfully completed in 2<sup>nd</sup> week of



September, 2012.

The initiative was launch with training of Stenotypists/Stenographers and it was extended later on to R.O's, Asstt. Chief, Deputy Chief & Chief. The participants were awarded training certificates on completion of training.



### Progress on construction of JACC building

Construction work of JACC building continued



during September, 2012. Finishing works are in progress, inner flooring and under roof false ceiling has been fabricated. All efforts are in hand for completion of work.

### PRE-CDWP Meeting

Two Pre-CDWP meetings were conducted by JACC in September, 2012 to discuss following projects of IT Sector:

- E-Office replication at all Federal Divisions.
- Integrated Border Management System.

### Conversion of 24 project posts towards regular side

The case for conversion of 24 project posts for JACC is under process at Management Services Wing, Establishment Division. JACC is in liaison with the agency for earlier approval of the case. The project was allowed extension upto 30<sup>th</sup> September, 2012 as stopgap arrangement to retain project staff and get the posts regularised. However, regularization of posts

could not materialize and further extension of project would be required.



### Coding Scheme of PSDP Projects

A presentation on Coding Scheme of PSDP project was made to Deputy Chairman Planning Commission by software development team of JACC on 7<sup>th</sup> September, 2012. Deputy Chairman appreciated the effort of JACC and desired some additions in application software to make the Coding Scheme more useful.

### Website of Planning Commission

Planning Commission's website is regularly monitored and updated at JACC. A new initiative for development of website of Economists Group has been taken. Initially, the website will serve as a source of up-to-date information about the group members.

### IT Services

Provision of I.T. services to Planning & Development Division continued during September, 2012 as regular activity of JACC.