

# OVERVIEW

## Background and Vision

Pakistan is facing economic, security, social and development challenges, which are constantly intensified by the ever-fluid and hostile political situation besides other factors. In the past, there have been a few episodes of economic successes, but unfortunately, these had not sustained for longer durations and never met envisaged prospects of stable and inclusive growth. Regional disparities in income and energy shortages have increased, resulting in high levels of poverty and discontent among the masses. Job market seems to be shrinking and leaving the educated youth vulnerable to radical philosophies causing serious threat to the stability of Pakistan ultimately.

An important reason behind Pakistan's inability to achieve sustained and rapid economic growth is the lack of a national vision. Leading growth-makers of the world such as China and Malaysia were inspired by visions of their great leaders. Pakistan was founded on the Quaid-e-Azam's vision – spelled out in his address to the Constituent Assembly on August 11, 1947. It was, however, never followed through. The Vision 2010 was an effort to restore the tradition of perspective planning in Pakistan, but unfortunately the then democratic government was unconstitutionally removed in October 1999, and thus the process was discarded. Serious internal and external problems made their own contribution, but their impact would have been far less if a systematic framework had been in place. Energy shortages, water scarcity, inadequate human capital development, institutional decay, and insecurity of life and property cannot be solved by short-run measures. The Pakistan Vision 2025 is intended to address all these issues and is being seen as the first stage of a greater and long-term vision leading up to the first centenary of the country.

The Vision aims to serve as an aspirational document visualising the destination of balanced human, social, and economic progress throughout Pakistan. It emphasises revival of growth, strengthening of the country's development foundation and enabling it to reach the status of an upper middle income country by 2025. The government has already undertaken measures to fulfil short-term prerequisites for stabilising the economy. Inflation is decelerating, the fiscal deficit has come down, increase in foreign reserves has made exchange rate movements more predictable for investors and exporters, the stock market is buoyant, the international capital market received Pakistan with oversubscription of the Eurobond issue, the successful auction of 3G and 4G licences established credibility with investors, and remittances from overseas Pakistanis continue to rise. The basic groundwork has been completed with the launch of a long-term vision, to be implemented through five-year plans.

## Macroeconomic framework

The Plan recognises the need for critical structural reforms in all sectors and suitable monetary and fiscal measures to achieve macroeconomic stability. The Plan aims to increase the per capita income by about 25 per cent, based on average GDP growth rate of 5.5 per cent and population growth rate of 1.9 per cent per annum.

Strategies have been devised to keep inflation to a single digit, overcome energy shortages, build infrastructure connecting remote areas with urban centres and beyond, improve business environment for attracting foreign investment, develop new vehicles to improve quality of output and efficiency of the public sector and open avenues in new sectors to channelize potential of the underprivileged sections of the society besides develop existing sectors. Strategies envisaged are formalisation of the economy, and accurate and timely quantification of economic aggregates with credible data to enable development of the requisite strategies.

Country's governance system will be revamped and institutions will be remodelled for better service delivery. The private sector-led development is envisaged by emphasising on projects, which will be crowding-in private investment. The public-private partnership will be promoted to reduce the burden on the Public Sector Development Programme (PSDP). The industrial development will be stimulated by increasing competitiveness and reducing the costs of doing business.

The macroeconomic policies, including exchange rate policies, will be designed to increase domestic savings, which will help reduce the country's reliance on foreign assistance for growth. Tax reforms will be undertaken and equitable sharing of tax burden by all income earners will be ensured. This public spending on infrastructure, institutions and social capital will encourage investment.

The agriculture sector currently contributes only 21 per cent to the economy, including 11.8 per cent by the livestock sub-sector. To modernise, deregulate and enhance productivity of the sector, various measures have been proposed, like providing effective marketing, advisory and extension services. Price setting mechanisms for wheat will be improved. Timely supply of agricultural inputs, including quality seeds, and efficient water management for crops will be ensured. Infrastructure, such as farm-to-market roads, irrigation centres, refrigeration facilities and research centres, will be developed. For the livestock sector, a milk augmentation plan will be formulated by facilitating import of high yielding cows from the Netherlands and Australia. Corporate farming will be incentivised to expand supply of meat, while the poultry sector will be given incentives for production and exports.

The industrial reforms will be strengthened further by taking steps including enabling business environment, affordable and uninterrupted energy supply, improving market information, modernising the vocational and technical education network, promotion of the SMEs and establishing Special Economic Zones (SEZs). The Plan also envisages formation of one-window for investors to simplify the procedures for setting up businesses. Entry and exit barriers will be reduced, and infrastructure will be improved to encourage investment. Priority clusters will be made for putting focus on industries with higher export potential. Venture capital will also be promoted by making appropriate policies.

Currently, the services sector is the largest contributor to the GDP and presents large potential for growth and improvement. This sector will be given boost by providing technology upgrades, developing human resource, introducing export credit insurance, better financial regulations and rapid transit network.

Savings will be encouraged by improving and deepening corporate and government debt markets, increasing surveillance by the State Bank of Pakistan, limiting spread between lending and deposit rates and inviting foreign banks for competition with local banks.

## Population

Pakistan has a very high population growth rate – currently at 1.9 per cent – which hindered achievement of the Millennium Development Goals (MDGs) 3, 4 and 5. The Plan calls for a greater investment in human resource development, health, education, employment, gender and youth. It is expected that Pakistan’s population will reach 344 million by 2050. Pakistan aims to increase its Contraceptive Prevalence Rate to 55 per cent from the current 35 per cent, that is, to increase the number of contraceptive users from 11.9 million to 16.1 million. Furthermore, the Plan aims to reduce the Crude Birth Rate to 20.5 per thousand, and strategises that the population growth rate declines from 1.9 per cent to 1.87 per cent by 2017-2018.

Multiple issues have hampered efforts made for controlling population, and the Plan prioritises redressing of these problems. The latest evidence shows that there are about four million unwanted pregnancies, and half of these end in unwanted births. In this regard, strict monitoring and quality birth-control advisory services at the doorstep of individuals have important roles to play.

In the post-18<sup>th</sup> Constitutional amendment scenario, the provincial health and population departments will have to play their role in order to implement, coordinate and monitor various policies. Furthermore, a multi-channel communication and media strategy will further assist in achieving the goals. A declining population will enhance chances of the much-needed development boost by reducing strain on resources.

## School and college education

Education serves as the foundation of economic, social and human development. A concerted effort in planning and implementation, along with strong political will, is needed to uplift the education sector. Policy initiatives with regards to improving quality, delivery, gender parity, provision of demand-based skills and increased shared of resources for the sector have been prioritised in the Plan. For this sector, role of the federal government has been reduced to coordination and facilitation after the 18<sup>th</sup> constitutional amendment.

The sector is facing challenges of non-availability of required number of schools, quality infrastructure, inadequate and improperly trained teachers, water, sanitation and boundary walls. In addition, quality of education, reducing drop-out rates and increasing access will also be dealt with during the Plan period. Strategies to deal with these challenges range from establishing a National Curriculum Council, augmenting research-based education, institutional linkages with industry, promoting inclusive education, engaging autonomous monitoring mechanisms, increasing public sector expenditure and initiating independent District Education Authorities (DEAs).

The Plan aims to engage community schools to achieve 100 per cent literacy rate and ensure universal primary education by 2018. Adult literacy programmes will also be started with the help of NGOs, universities and religious institutions. Engagement of the private sector will be ensured by providing incentives. Children, aged between six to ten years, are being enrolled in schools at easily accessible locations and provided free elementary education. Moreover, gender and regional balance will be promoted, and adequate facilities will be provided to improve enrolment rates.

A gradual restructuring of the secondary education system will be done without adversely affecting quality. A shift away from conventional to more labour market relevant secondary education is planned by providing pre-job assignments with local entrepreneurs and institutions. College education will be revamped by converting intermediate colleges to degree colleges, and ensuring necessary human and physical resources. Moreover, scholarships, provided at various levels, will account for living and maintenance allowances in addition to tuition coverage.

The Plan envisages a student-centric curriculum, elevated pay scales of teachers and opportunities for professional and skill development by strengthening technical and vocational education. Moreover, intensive research will be made the cornerstone of producing evaluation reports highlighting deficiencies of the education system, and propose recommendations accordingly. Special emphasis is being given to increase budgetary allocation for development programmes in the public sector.

## **Health**

Besides other serious health issues, Pakistan suffers from an unacceptably high infant and maternal mortality, which becomes a double burden considering inadequate facilities that are not keeping pace with the population growth. Slow progress in the indicators of maternal and child health, their morbidity and mortality are major concerns.

The health sector fiasco is an amalgamation of inadequacies in the services provision due to weak institutionalised referral system, unattended integration of decentralised vertical programmes by the provinces after devolution, professional and managerial deficiencies in district health system, absence of proper career structure for health care practitioners, an ever-increasing burden of diseases, widely prevalent malnutrition and a predilection for curative instead of preventive health care. Unhygienic living conditions along with improper sanitation add to health issues of growing population which plan will address.

Though the subject has been devolved to the provinces, the Plan sets clearly defined goals for infant, child and maternal mortality, immunisation, polio eradication, and control of communicable diseases. Succinctly, the Plan encompasses a wide range of factors, which are essential for good healthcare. The actualisation of the Plan goals will serve a dual purpose of improving national health and human resource to alleviate poverty.

## **Labour, employment and skill development**

The availability of job opportunities not only boosts economy, but also ensures protection of the social fabric. Pakistan can harness its labour power through creating equal and equitable job prospects for both men and women, developing professional work skills and creating relevant job markets to meet labour demands. The current employment trends show that women employment is improving, but qualified graduates are increasingly unemployed. Agro-based employment is also decreasing, and there is a gradual shift in labour market to services and manufacturing sectors. However, the unemployment rate is still high at 6.2 per cent; so serious efforts are needed to be undertaken for augmenting employment opportunities.

There are several challenges associated with mobilising Pakistan's labour force. The first is the population growth rate, which is increasing the number of people to be employed and a dearth of jobs to meet that need. Secondly, the law and order situation and inconsistencies of policies

hinder Foreign Direct Investment and creation of job opportunities in the private sector. Further, the lack of a comprehensive national policy on employment and linkages among job-seekers, job providers and training institutions contributes to the hurdles being faced of this sector.

In the next few years, the GDP growth rate of seven to eight per cent is required to absorb the annual additions in the current labour force. The average growth rate of 5.5 per cent in the Plan period will not be able to absorb available workforce. To tackle this issue, the government seeks a uniform strategy to bring together the fragmented Technical and Vocational Education and Training (TVET) programmes in order to harness skills and innovation among the emerging workforce. The Plan seeks to strengthen three programmes, that is, the National Vocational and Technical Training Commission (NAVTTTC), the National Training Bureau (NAT) and the National Talent Pool. The NAVTTTC's skills strategy will impart industrial specific skill-set, ensure access for all segments including disadvantaged groups, and assure quality of training given. The NAT will enrich policy-making, strategy formulation, regulation and revamping of the TVET and promoting linkages between the national and international labour market. In the next five years, 100,000 youth will be engaged in extensive training through a joint venture with the German Society for International Cooperation, and further 12,500 youth through the programme for the Care of Highly Qualified Overseas Pakistanis will be engaged in construction, agricultural innovation, IT and the services industry. Finally, the NTP will cater to expatriate professionals and place them in areas of specific sectoral needs.

Moreover, to maximise workforce output, the Plan seeks to promote an entrepreneurial culture in Pakistan, which is enabled by microfinance, create a national employment fund and promote public-private partnership. To further accelerate entrepreneurship, a twofold employment generation strategy has been envisaged, that is, employment expansion and activation. This includes encouragement of the Small and Medium Enterprises (SMEs) and intensive technical knowhow generated and transferred. The government will also actively look into overseas employment in labour importing countries with a plan to send approximately 600,000 workers abroad annually.

## **Poverty alleviation – Human resource development and achieving MDGs**

Poverty poses a serious challenge to Pakistan, whereas the country aspires for economic progress and accelerated growth. Poverty must be eradicated to guarantee sustained and long-term development encompassing all segments of the society. The Plan offers poverty alleviation strategies, shaped around the MDGs while keeping in view the upcoming new development agenda, that is, Sustainable Development Goals (SDGs), for sustainability and inclusivity of all disadvantaged classes. The Plan adopts a multi-dimensional approach for delivering social welfare services according to diversity of the social indicators. There has been a noticeable decrease in poverty incidences, and this may be due to greater output prices of agriculture in rural areas, greater yield from more productive crop seed varieties and targeted interventions. Pro-poor budgetary expenditures have allowed for such an improvement as well.

The strategy includes a greater focus on the need for strong outreach programmes, and easing communication between the government and target groups so that social protection services can be better provisioned. It also seeks social mobilisation at the local level in order to directly involve the community concerned in their own development. Microfinance is one very effective

way of doing this, and has proven to be successful; hence the government seeks to expand the market for this. In addition to this, more human development programmes are to be initiated and reforms of relevant institutions are being undertaken for efficient delivery of the welfare services. The devolution of economic powers and provision of productive assets, for instance, by giving state land to the landless peasants and allowing equity stakes through private-public partnerships, will also allow for greater empowerment of the poor at a grassroots level. Moreover, larger rural credit to reduce vulnerability to external shocks will be aimed at agro-based professions and promotion of non-traditional crop production, neglected fisheries and general entrepreneurial skills building.

The Plan includes increasing the number of female schools and improving existent programmes by enhancing the relevance and quality of education delivered. The Plan further aims to provide good sanitation services and safe water supply through efficient delivery mechanisms. Gender mainstreaming is another important MDG, which the government plans to achieve by increasing women landownership, female capacity-building, empowerment through greater role in policy-making, and by generating economic activities for them outside the home. For skills development, the government plans to install a large scale district-based national workforce plan to create work diversification. A professional team will also be employed to implement a comprehensive skill based curriculum to ensure work productivity. The Plan focuses on service delivery management, advancement of infrastructure of relevant institutions, completion of information on target groups, mapping of available and prospective services, and a liaison with various non-governmental and volunteer programmes working for social welfare in order to boost their capacity. Ultimately, all social protection programmes will be unified under one umbrella with a transparent and inclusive criterion.

The national pro-poor spending for poverty reduction covers 17 areas of expenditure and was measured at Rs2,298 billion or 9.96 per cent of the GDP in 2014-2015, which is expected to rise further to Rs3,865 billion by the 2017-2018. Fiscal leverage has been given to the provinces through the 7<sup>th</sup> NFC award, which will allow better use of the government finances towards poverty reduction.

### **Social welfare – inclusion of vulnerable groups**

Social welfare aims to reduce vulnerability of the underprivileged by engaging them in capacity-building exercises for managing economic and social risks, such as unemployment, sickness, disability and old age. The strategy of the Plan is socio-economic empowerment of the poor and marginalised population by programme interventions for human resource and community developments.

Social welfare programmes of the Plan will look to mainstream the target population by providing the marginalised segments of the society with secure livelihood options and equal income opportunities. The approach will also look to review and revise the existing social welfare policies, promote programmes of voluntary social welfare agencies, will look to implement national and provincial action plans and promote an inclusive education system for children with special needs, work for the welfare and protection of senior citizens, and to revamp the social welfare institutional machinery.

The Plan will ensure legal and administrative frameworks and policy interventions to mainstream Persons with Disabilities (PWDs) by increasing their employment options through vocational training programmes and skill development, and ensuring their employment rights

against their two per cent quota. The Plan will also look to increase their accessibility through infrastructure development. Moreover, as the education system fails to cater to the needs of the special children and PWDs, the Plan seeks to make the education system more inclusive. The Plan will also achieve sustainable community development by enhancing NGO services, providing grants to these and linking public and private sector organisations.

For implementation of the social welfare programmes and strategies, a budget of Rs23.531 billion has been allotted to the sector for the Plan. However, 98 per cent of the projected budget will be spent by the provinces, and the federation will only be spending an approximate of two per cent of the budget on the social welfare projects.

## **Gender and women empowerment**

Pakistan is committed to the United Nations Convention for Elimination of all forms of Discrimination Against Women (UNCEDAW), and the Plan looks to reduce gender inequality, discrimination and disempowerment by removing inequalities and imbalances in all the sectors of socio-economic development to ensure equal access of women to benefits and social services.

Through this Plan, the government will enable women to contribute to socio-economic development and increase their participation in the labour force, and thereby contribute to greater labour productivity levels and economic activity. To improve the ranking of Pakistan in the Gender Inequality Index (GII), the Plan will look to increase the female labour participation rate by attracting and inducting women in the formal labour force.

The objective is to ensure women ownership rights in movable and immovable assets, provide them with unimpeded access to legal, religious and social rights and resources, protect women's mobility, livelihood and disproportionate access to health, education and other opportunities. Moreover, the Plan will push for recognising women's contribution in socio-economic development of the country.

The strategy to achieve the objectives will take a holistic approach to formulate, implement and disseminate policies, plans and laws. Rules and regulations will be made gender sensitive. The Plan will look to conduct capacity-building programmes at various levels and institutions, review and access public programmes to ensure that these are gender sensitive and undertake research to identify gaps between theory and practice.

The implementation strategy will make policy interventions to ensure education for all girls, run awareness raising campaigns to eliminate discrimination against women, establish institutions for survivors of violence and women-in-distress, establish Information Management System on gender-based data about education, health, employment and sectoral budgeting and start Gender Impact Assessment of all public policies, plans and programmes.

A budget of Rs4,057 million has been proposed for women empowerment and their socio-economic development. Major chunk of the budget will be spent by the provincial governments, while the federal government will contribute 21 per cent to the budget.

## Youth empowerment, sports and tourism

The youth comprises 29 per cent of the total population, and thus provides a major window of opportunity for the government to invest and make use of their potential through different youth development programmes. The government has announced a number programmes to provide the youth, especially of the deprived segments of the society, with opportunities of employment, economic empowerment, skill development and on-the-job training. These programmes include the Prime Minister's Youth Business Loans, Qarz-e-Hasana, Youth Training, Skill Development, Provision of Laptops and Fee Reimbursement for the deserving poor.

The Plan envisages empowering the youth through development programmes, which include establishment of a National Youth Council and National Youth Hostels in different parts of the country for promoting youth travel, provide free education in the FATA and Balochistan, expansion of skill development institutions, provide career-counselling services, establish linkages between universities and the job markets, regularise Medressah education, establish Youth Development Councils to involve the youth in the development process and to closely liaison activities between the federation and the provinces.

### Sports

Competitive Sports are critical for building healthier nation as it involves constructive physical activities along with sense of competition which helps direct youth energy in a positive direction. It also helps in building a good character for young men and women by engaging and exposing them to a disciplined routine through which they can achieve success not only in their chosen sports but in life as well; hence it has a high priority in the national schemes.

The Plan encourages development and growth of sports through an institutionalised mechanism at the federal and provincial levels by establishing Sports Council of Pakistan. A sports fund will be created to facilitate national heroes, and to provide employment opportunities to the retired sportsmen. Talent hunt programmes at district levels will ensure capable individuals getting opportunities to represent their country internationally. The government also plans to provide sports facilities at district levels by establishing sport complexes in each district and by ensuring that educational institutions support playgrounds and gymnasiums.

### Tourism

Pakistan has tremendous potential for taking advantage of tourism to augment economic activity through encouraging domestic, cultural, historical, rural and pilgrim tourism. The economic activity can be boosted through spending on tourists' places, hotels and local artefacts. This will also help project soft image of Pakistan across the globe. Therefore, the Plan envisages increase in the number of foreign tourists to 2.136 million and domestic to 55 million. For this purpose, the Plan outlines a number of initiatives. A National Tourism Board and National Tourism Policy will be formulated in consultation with the federating units. The Plan will encourage public-private partnerships to develop tourism infrastructure, and for arranging sports and cultural shows. The government also plans to take concrete steps for providing tourism industry with tax relaxations for creation of infrastructure and tourism promotion.

## Religious pluralism and interfaith harmony

The way forward for the development process in Pakistan entails minimising religious conflicts by strengthening interfaith tolerance and embracing religious diversity. Learning from the country's recent past, the government plans to adopt strategies, which can initiate interfaith dialogue and take specific measures to curtail all sorts of discrimination in social, economic and religious domains.

A synergetic effort to meet this aim will be made so that people of all religions and sects feel protected, and aptly contribute to the progress of the nation. The government institutions will implement policies, including curriculum redesigning, regulating committees, promoting religious tourism, creating a reporting mechanism for discrimination cases and resource allocation for minorities' development.

Tolerance and peace-building will be the cornerstones of the policy framework. A consistent strategy will be devised to ensure that no psychological theme or rhetorical build-up of dogmatic values will ever permeate to the nascent and innocent minds of the untarnished youth. The Plan envisions youth as the agent of change to develop a more tolerant and progressive Pakistani image and restore the faith of the excluded in the nation. The government will take an intergenerational policy where the spill-overs of hate can be mitigated while ensuring the coming generations to be educated, informed, aware and sensitive to varying viewpoint, ideologies and internal logics consistent with popular faith, not according to numerical strength but the diversity and depth of their respective discourse.

## Mass media, culture, and national heritage

Development of mass media, culture and national heritage can be used to fulfil the aspirations of a progressive and developed Pakistan. There has been a phenomenal increase in the number of television channels, and print media has increased its coverage. Its outreach has now been stretched from big cities to small towns and hinterlands of the country. The government has allocated a budget of Rs5 billion to execute plans of assigning a proactive role to mass media along with shaping the culture and guarding the national heritage. The state will deal with key issues of the public broadcasting agencies, regulatory regimes, and improper facilitation of the private sector.

By adopting policy initiatives, which allow for greater digital broadcasts, public-private partnerships, establishing training institutions and introducing mobile TV, the Plan envisages overcoming impediments in the way of media development. The primary features of the mass media, as envisioned in the Vision 2025, include 100 per cent TV coverage, boosting the community television and radio and incorporating Internet Protocol Television and Direct-to-Home Television system. In addition, the Development Communication has been introduced at the state level as an endeavour to diffuse useful information, knowledge and awareness among the public regarding the development projects. Also, the film sector will be accorded status of an industry, and besides removing divergent hurdles, the film trade will also be facilitated in various ways.

In the pursuit of nation-building by developing culture and national heritage, the Plan will address issues of an absent national cultural policy, exclusion of the cultural curriculum and shortcomings in the post-devolution scenario of the federal culture ministry. The policy framework will encompass heritage documentation, inclusion of cultural studies, protection and

preservation of archaeological sites and staunchly supporting all cultural and artistic activities to ensure a befitting cultural evolution.

## **Fiscal, monetary and capital market development**

Fiscal reforms for mobilising domestic resources, broadening tax base and steering public expenditure towards development goals are crucial for sustainable growth in the economy. A supportive monetary policy is also required for maintaining price stability, deepening of the financial sector and providing price stability to production sectors.

The Plan aims to develop a broad-based and growth-oriented tax structure by widening the tax net to increase the tax-to-GDP ratio. It also seeks to decrease fiscal deficit from 8.2 per cent of the GDP in 2012-13 to four per cent in 2017-18 by curtailing government expenditure and mobilising indigenous resources for increasing fiscal space. The Plan presents a prudent debt management policy, which targets lower external debt-export ratio to ensure external credit worthiness and reduce stress on financial sector.

The Plan outlines expenditure policy to restrict non-development expenditure and entails a judicious choice between subsidies and development expenditure. The Plan proposes restructuring, simplification and automation of tax regime by broadening the tax base and increasing tax net, and offers rational and affordable rates to a wide range of taxpayers. The loss-making public enterprises will be privatised, divested or restructured to increase revenue.

The provinces are recommended to make their agriculture income tax more effective, broadening the net of services tax to the services utilised by the rich and devising mechanism to tax property at prevailing market rates. The Punjab government has introduced structural reforms, including automation of land revenue record as the Land Record Management Information System. The system of stamp duty on property has been improved by introducing e-stamping to gauge tax leakages. Institution and legal framework have been developed for collection of sales tax on services. The Sindh government has a plan to reform the provincial tax administration and enhance tax base of sales tax on services by removing anomalies. The KPK government has also developed comprehensive strategies for broad-based tax reforms for increasing revenue. The Balochistan government has enacted the Balochistan Finance Act 2013 to enhance the provincial revenue and among several other measures, plans to establish the Balochistan Revenue Authority (BRA) for improving tax efficiency and avoid tax evasion.

The monetary policy is developed in coordination with the Fiscal Policy. The interest and growth rates are to be kept in accordance with the inflation and growth targets. This will be achieved through combination of economic and institutional arrangements. The State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP) will play a facilitating role to enhance growth, and the government's reliance on lending from the SBP will be cut down. The private sector, including SMEs, will be encouraged to grow through value-addition and import substitution to bring in investment and increase consumption to drive growth in the economy.

Capital markets will be encouraged to grow by facilitating risk management and market-based operations, promoting competition, diversification and curbing speculation. The culture of savings and investments will be strengthened and broader documentation of the economy will be done by increasing public listing at the stock exchanges.

Appropriate action plans have been chalked out in the Plan for ensuring zero borrowing from the SBP at the end of each quarter, enhancing independence of the SBP and SECP, recording the economy, safeguarding financial sector from internal and external changes and broadening of the financial sector. A roadmap has been developed to attract foreign and domestic investments and development of primary, equity and corporate debt market and introducing reforms in the insurance industry.

Inflation rate is planned to be maintained at an average rate of eight per cent over the Plan period. The regulatory regime of the SECP will be strengthened by improving the consolidated registration, licensing and capital adequacy requirements for capital market intermediaries.

## **Trade and commerce – Balance of Payments**

The Plan aims to improve the trade sector by enabling it to achieve significant increase in export earnings to reduce reliance on the external borrowing. Stability and improvement in the BoP depend on the structural changes in the manufacturing sector. Workers' remittances will be further incentivised through reducing transfer costs, tightening money-laundering policy, strengthening the Pakistan Remittances Initiative (PRI). Foreign investment, both direct and portfolio, will also be encouraged in order to reduce dependence on the foreign borrowings.

The Plan envisages improvement in exports by enhancing productivity, diversification of products, reduction in import duties on technologies and imported raw material thereby encouraging export-oriented industries, greater market access through trade diplomacy. Export of services will be encouraged through leveraging potential of the IT companies. Laws and regulatory framework will be enacted to promote e-businesses. Vertical specialisation and joint marketing initiatives will be taken under regional cooperation strategy.

During the Plan period, the current account is projected to remain in deficit at about one per cent of the GDP, whereas exports and imports are projected to grow at 3.6 per cent and five per cent per annum respectively.

## **Balanced Development – Focus on the Less Developed Regions**

It is very important that benefits of any development process are shared and reach out to everyone; otherwise an inequitable development process will further raise socio-economic and political challenges for the country. Unfortunately, Pakistan presents such a case where certain regions are lagging behind, and there is a dire need for state-led intervention to develop the Less Developed Regions (LDRs).

The Plan has chalked a roadmap to put forward a strategic framework for accelerated development of the Regions. It has been realised that after the 18<sup>th</sup> amendment, much of the responsibility lies with the provinces now, but still it is felt that the federal government has a tangible role to play in terms of providing direction and identifying potential areas where immediate action is needed. Along with providing guidance to provinces, the federal government is directly responsible for many regions itself.

The policy emphasises on development of growth centres, through public-private partnerships, besides persuading the provinces to generate their own resources for developing the LDRs. The Plan focuses to improve economic and transport infrastructure, natural resource management,

tourism, small and medium enterprises, vocational training opportunities, reforms in health and education, enhancing productivity and establishing social safety nets. China Pakistan Economic Corridor (CPEC) project will significantly impact the development of the LDRs.

## Physical Planning and Housing

Pakistan is experiencing rapid urbanisation; which is causing haphazard development pattern in urban centres. There is unsatisfactory provision of housing, water and sanitation services, transport services and roads. Approximately, nine million housing units are required to meet the existing demand. Currently, the supply of rental housing is one-third of what is required and what is available as the private sector housing excludes low income groups. The public sector housing is very scant. Hence the planning of physical space and housing for this large population is an imperative objective of the Plan. There is lack of housing finance and dearth of professionals to serve as town planners. Lack of a national spatial planning policy and framework is hampering the implementation of urban master plans.

The Plan envisages the development of smart cities with energy efficient housing for all. A national spatial strategy with contribution from provincial and district governments will be prepared for managing rural and urban settlement. Housing regulations will be enforced through the National Housing Policy. Some new initiatives will be: high rise residential buildings; establishment of the National Urban and Regional Policy Research Centre (NUPRC), growth centres along small and medium-sized towns and cities, and up-gradation of slums into low income housing schemes. An urban development fund will be set up and house mortgaging facilities, especially for low income segments, will be provided to reduce household shortage by nearly 50 per cent, and the government will be building nearly 500,000 housing units for identified groups.

## Institutional reforms and governance

Good governance is the bedrock of democracy, and the government envisages pluralistic frameworks for the public sector with a greater emphasis on accountability, openness, rule of law and fairness. The government is focusing on reforms in the administrative machinery by capacity-building of its employees, and linking their promotions to performance, besides leveraging e-governance. In this regard, the Project URAAN has been launched to reform the civil service.

The government has planned to take measures for curtailing tax evasion, and improving financial reporting and auditing so as to narrow down the avenues of corruption. The Plan outlines judicial reforms with a focus on greater legal transparency, accountability, performance of the judiciary and speedy justice. Considering the vital linkage between the police and judiciary, the government has taken initiatives to ensure the implementation and invocation of laws as per the constitution of Pakistan.

The government, through the local government system, aims to decentralise power for increased administrative efficiency, equity, service provision and democratisation. In the same vein, the Plan outlines role of the legislators as to assert their legitimate place in the decision-making. The government is also committed to reform the banking sector, while strengthening prudential regulations and supervision by updating banking legislation and regulations. Further, for a greater financial and administrative autonomy, the Competition Commission of Pakistan will play an active role.

## Energy

Pakistan is an energy-starved country with current per capita consumption of 520 KWH, which is significantly lower than other countries with similar economic standing. Non-availability of reliable energy is the biggest impediment to the country's economic growth, and it has to be addressed on war-footing if Pakistan aspires to become a middle-income country by 2025.

Since last 10 years, the energy sector, particularly its power sub-sector, has been plagued by mismanagement and lack of investments, which has made current situation extremely complex and gloomy. Despite having sufficient generation capacity, the power sector could not meet demand due to various reasons. The sector requires serious long-term thinking on part of the policy and decision-makers for not only overcoming the current gap of 6,000 to 8,000 MW, but also to plan for future energy needs in the medium-term. The Plan is to take up this enormous challenge head-on by initiating various programmes, which will slowly albeit surely alleviate the current crisis. The Plan aims at making electricity more affordable by improving and diversifying the fuel mix and fully harnessing country's renewable energy potential. Other measures are to reduce the pilferage, clear circular debt, curtail line losses and improve collection of arrears.

The Plan includes interventions to improve system efficiencies by taking up long-term strategic investments in the transmission and distribution networks. It also highlights the government's intention to corporatise or privatise GENCOS, TRANSCOS and DISCOS in order to bring efficiencies and private investments into the sector. Programmes on energy conservation and strengthening energy sector regulatory institutions are also part of this Plan. The total financial outlay is estimated at \$40 billion, which will be spent for the power generation (particularly improving the generation mix) and expansion and rehabilitation of our national grid (transmission and distribution network) besides strengthening the institutional capacity.

## Water

Pakistan is facing formidable challenge of ensuring ample water supply to meet its growing demands of population, agriculture, rapid industrialisation and urbanisation. Due to its geo-climatic situation, Pakistan is vulnerable to climate change, which is adversely affecting the water table, leading to floods in some areas and droughts in others.

The Plan prioritises access to adequate water for all, and proposes many knowledge-based interventions to deal with the water shortages. Water storage, through construction of dams on the Indus River and water conservation through management of water resources, are central to the Plan. Reducing floods, implementing Integrated Water Resources Management system, improving water governance and reducing water pollution are a few challenges to be dealt with during the Plan period.

An amount of Rs473.60 billion has been earmarked for water-related infrastructure. A number of initiatives are in the pipeline and some have already commenced. These projects include: building new dams, canals, and drainage and implementing provincial irrigation schemes and flood protection programmes.

## Food security and agricultural development

With vast cultivable lands and diverse climate, Pakistan is endowed to produce a large variety of agricultural commodities. Over the years, the agriculture sector has contributed significantly to

the economy and now stands at 21 per cent of the GDP. Majority of the population depends on this sector for its livelihood, while 60 per cent of exports are agro-based.

The Plan addresses some of the structural challenges hampering its growth that varies between two per cent to three per cent at present. The Plan aims to increase growth rate up to five per cent by introducing various interventions. The Plan has programmes to disseminate knowledge in order to equip farmers with necessary know-how to adopt resource conservation technologies for more productive, competitive and sustainable farming, and to deal with more complex climate change issues. Besides ensuring easy access to credit for farmers in order to buy quality inputs, the Plan also focuses on strengthening Agriculture Policy Institute of Pakistan, and improving price-setting mechanism. For livestock development, the Plan focuses on improved productivity of meat and milk per animal through genetic improvement.

The total budget is estimated to be Rs300 billion; mainly out of which 36 per cent will be used for water conservation, 26 per cent for livestock development, 15 per cent for improving agricultural value chain, 10 per cent for research, eight per cent for mechanisation of farms and five per cent for capacity-building of the farmers.

## **Nutrition**

Malnutrition remains a major cause of poor physical and mental health of the population, which should be addressed on priority basis. The Plan aims to ensure food security, healthy feeding practices, and nutrition awareness. Women and children will particularly remain the prime focus of this endeavour, and a strong coordination among stakeholders will be established at all levels. The state will strive to overcome malnutrition by investing in nutrition, creating a Nutrition Surveillance System and building capacity at secretarial and technical levels.

The Plan emphasises on food fortification of wheat flour with iron and folic acid, agronomic bio-fortification, research-led nutrition, and intervention of international entities at a larger scale. Revising curriculum to include nutrition education, academic training, improved water and sanitation, and hiring of the nutritionists will be at the centre of the medium-term policy framework.

## **Environment and climate change**

Pakistan is currently confronting a number of major environmental issues, which are further exacerbated by country's geographical location amongst two major industrial states, changing consumption and urbanisation patterns and climate change. In the past few years, the environment sector has made no visible improvement, and inadequate incorporation of its components in the economic and social sectors has resulted in economic losses. The inability of addressing these issues will affect Pakistan's sustainable economic growth in the coming years. Therefore, it is essential to create balance between country's ecological footprint and the bio-capacity.

The current status of air, water and soil pollution indicates an alarming situation. Marine and fresh water bodies are polluted by untreated industrial, municipal and agricultural discharge. Major cities show high levels of air pollutants due to ever-increasing number of automobiles and industrial units, which are lacking emission control technologies. Also, inadequate and inefficient disposal of the solid waste leads to environmental degradation. Furthermore, over exploitation and deficient management of the natural resources, such as water and forest

cover, are causing deforestation, desertification and loss of biodiversity leading to accelerated environmental deterioration. Unfortunately, inadequate institutional capacities and systemic weaknesses in the Environmental Protection Agencies (EPAs) have further hindered harnessing of opportunities under the Multilateral Environmental Agreements and Protocols.

In order to overcome the prevailing environmental problems, strategies are designed to undertake a holistic and integrated management approach in combination with capacity-building and institutional strengthening. Implementation of the respective national and provincial policies on sanitation, drinking water, eco-friendly transport, sustainable land and forest management will be undertaken through specified programmes by the federating units. This will ensure translation of the respective policies into on-ground actions. In addition, emphasis has also been laid on the Environmental Impact Assessment of the national projects during all phases.

## Climate change

Pakistan is highly vulnerable to climate change, a global concern which requires immediate actions. The country is ranked at 135<sup>th</sup> position in the world for its per capita GHG emissions. Therefore, it is imminent to put in place policies leading to energy efficiency, introduction of agriculture procedures with limited emissions, reforestation and clean development mechanism activities.

The policies will ensure increased water storage capacity through construction of small and medium dams, measures for recharging aquifers and improving the existing irrigation infrastructure. The policies have been designed to protect the vulnerable areas against natural hazards. In order to attain maximum benefit of the international CDM financing, the Plan focuses on strengthening institutional capacities for implementation of the CDM projects. Biodiversity loss is addressed through enforcement of ecosystem based adaptation strategies, which are cost-effective and generate benefits at a large scale.

About Rs5,689 million, with considerable international assistance, will be allocated for implementation of all the projects in adherence to achieve results specified in the MDGs and upcoming SDGs.

## Manufacturing and mineral sectors

Shrinking manufacturing sector, and resultant decline in its contribution to the GDP, is seriously hampering economic growth of the country. Currently, structure of the industry is predominantly based on low value-added textile products and other commodities, which have weak international prospects. The range of products is also very narrow and lacks innovation, which is adversely affecting exports competitiveness. A strategy has been formulated to enhance industrial competitiveness by improving total factor productivity and encouraging innovation. The Plan aims at diversifying the industrial base and capture international market share.

The Plan follows a three-pronged approach – formulation of a new industrial policy and reforming the previous rent-seeking regime, target export-led industrial growth, and building human and technological resources. The industrial policy will provide level-playing field to all players and give time-bound incentives to support industries in high-demand, like dairy, automobile, engineering, etc.

The Plan aims to strengthen the institutional structure for creating a business-friendly environment by ensuring property rights, efficient judicial system, enforcement of contracts and business-friendly regulations. It also encourages export-oriented industrialisation by reducing prevalent high Effective Rate of Protection (ERP) to encourage competition. The SME sector, scattered in several clusters, will be provided business development services and easy access to finance.

## **Mineral**

The mineral sector is of substantial economic significance as Pakistan has huge deposits of minerals and precious gems. Balochistan is rich in mineral resources where 52 minerals are mined and processed, whereas Khyber Pakhtunkhwa is rich in gem stones. Various public sector agencies are responsible for exploration and development of this sector, and these entities have been equipped with different facilities and qualified manpower. Visualising the need for expanding the mining sector, the government has announced the National Mineral Policy (NMP-2013) to expand and promote investment in the sector.

The NMP-2013 aims to address four major areas, that is, increasing private investment, ensuring competitive economic environment to attract foreign investment, effective coordination between the federal and provincial agencies, and encouraging environmental sustainability and small scale mining. The Plan focuses on developing university-industry linkages to cultivate innovation, improvement in storage and warehousing facilities, use of local manpower, capacity-building of public mining institutions, introducing mine equipment renting facility, promoting public-private partnership, and partnership with foreign firms, and developing physical infrastructure. The Plan also envisions setting-up Pakistan Mineral Exploration Corporation and Institutes of Mines in provinces to promote mineral exploration.

## **Knowledge and technology-based development**

In the recent times, economic growth hinges upon knowledge and technology-intensive activities. There have been revolutionary changes in science and technology globally, which compelled nations to adapt and innovate in accordance to their requirements.

To successfully compete in the globalised economy, increased access to quality higher education and launching of faculty development programmes have been envisaged. Stronger emphasis will be given to the indigenous technology development and Triple Helix system for promoting Research and Development.

The policy measures will anchor development in areas of the Metrology, Standards, Testing and Quality (MSTQ), food and leather technologies, space sciences, nano-technology, marine resources, biotechnology, and other emerging cutting-edge technologies. An allocation of Rs180 billion has been earmarked in order to achieve the targeted objectives.

## **Information and Communication Technologies**

The ICT has been a key driver of economic growth in knowledge economies due to its extraordinary capacity to enhance productivity, bring efficiency, drive innovation, create transparency and facilitate good governance. In Pakistan, presently, this sector is at initial stages of development, mainly led by the private sector.

There is a dire need to formulate short-term as well as long-term strategies regarding information technology to achieve accelerated economic growth. The hurdles to the ICT development include issues such as dearth of trained human resource having marketable skills and capacity to innovate, low volume of IT exports, little accomplishment on e-government initiative and little emphasis on e-services, very small usage of the IT in trading and commerce, negligible computer hardware manufacturing industry, etc.

In accordance with the Vision to increase the ICT industry size to \$20 billion by 2025, the Plan aims to have an \$8 billion ICT industry by 2018. In order to do so, the selected strategic areas and their corresponding initiatives include; education (Integrated Educational Boards Network, etc.), Health (Hospital Management Information System at the public sector hospitals), Judiciary (Witness Biometrics at courts), Security (Smart Traffic Control System), Agriculture (National Digital Dashboard for Improved Water Courses), Governance (Public Sector Centralised HRMIS), Internet Data Centres and Internet Traffic Exchange Points (IXPs). To actualise these initiatives, the financial outlay is estimated to the tune of Rs71.2 billion for the entire Plan period. However, major portion of this estimate is to be invested by the private sector.

## **Transport and logistics**

While the prices of transport and logistics services are decreasing worldwide due to global competition, these are generally higher in Pakistan even in comparison to the region because of numerous inadequacies. Sustainable economic development is also dependent on low-cost transport and logistics sector, which claims 15 per cent to 22 per cent share of the PSDP, but this investment is considered not enough for meeting the growing needs of the country.

Road transport dominates the transportation mix carrying 93 per cent and 94 per cent of all passenger and freight traffic respectively. The railways, although much cheaper, has lost its competitiveness to road transport, and is handling only six per cent of the freight. This imbalance is not only over-burdening road systems, causing congestion, creating pollution, damaging roads, but is also contributing towards the high cost of transportation due to imported fuel as 35 per cent of fuel energy is consumed by the transport sector. Sea ports handle 95 per cent of the trade but because of their limited infrastructure, the ports are congested and lack capacity to handle growing port traffic. Out of 42 airports, only 13 are being used for both international and national flights, whereas 18 are either scaled down or closed for operations due to various reasons.

Resultantly, high transport costs are affecting the export competitiveness and have negative impact on investment in the export-oriented industries. Since the private sector participation is limited, this sector puts significant pressure on the public sector funds, leading to a large throw-forward that slows down the pace of implementation.

To address these issues, infrastructure development projects will be initiated through the private sector on the BOO and BOT basis. Establishment of the Bureau of Infrastructure Development (BID) is proposed, which will coordinate and oversee the programme for the private sector participation in infrastructure development. Important initiatives will be taken under the China-Pakistan Economic Corridor. For seaports, strengthening of Karachi Port Trust (KPT), Port Qasim Authority (PQA) and Gwadar Port Authority (GPA) has been envisaged.

For the Railways, an independent and professional Railway board will be formulated, which will ensure phase-wise upgradation and doubling the remaining sections of the main line,

procurement of new rolling stock, computerisation of the signalling system, privatisation of railway operations with particular reference to track access and improvements in its systems and processes. Also, development of the air cargo infrastructure will be done by developing cargo villages, cold storages and pack houses at important international airports. The programmes include: development of a new international airport at Islamabad, improvement of facilities at other international airports and procurement of additional small and medium-range aircrafts.