

Chapter 4

Public Sector Development Programme

Public Sector Development Programme (PSDP) is an integral part of public sector investment that functions as a catalyst to mobilize private sectors for accelerating the pace of economic growth. PSDP is instrumental in up-grading physical and social infrastructure, being a prerequisite for economic integration, connectivity and economic sustainability. Development programmes / projects are financed through PSDP including local and international donor resources. PSDP helps achieve development objectives set under various sectors of the economy aimed at reducing poverty, generating employment opportunities, spurring innovation and technological change, developing skills and human resource to compete at the international level and ensuring balanced regional development in the country.

4.1 Performance of PSDP 2012-13

The National Economic Council (NEC) approved the Public Sector Development Programme (PSDP) 2012-13 on May 24, 2012 at Rs. 873 billion with federal component of Rs. 360 billion and provincial programmes (ADPs) at Rs. 513 billion. Break up is given in Table 4.1 below:

Table 4.1: National Development Outlay 2012-13

(Rs. Billion)

Component	Rupee	F. Aid	Total
Federal PSDP	261	99	360
Provincial ADPs	454	59	513
Total	715	158	873

Agency-wise break up of Federal PSDP 2012-13 is given in the following Table 4.2:

Table 4.2: Summary of Federal PSDP 2013-14

(Rs. Billion)

Agency	Rupee	Foreign Aid	Total
Ministries/Divisions	148	43	191
Corporations (NHA, WAPDA - Power)	33	48	81
Special Areas	33	3	36
Special Programmes	42	-	42
ERRA	5	5	10
Total	261	99	360

The infrastructure projects received Rs. 201 billion (56%) of federal PSDP followed by

social sector projects Rs. 146 billion (41%). Within infrastructure, priority was assigned to energy (Rs. 68 billion), water resources (Rs. 52 billion), transport and communications i.e. highways/motorways/ports and railways (Rs. 81 billion). Social sector projects included health (Rs. 20 billion), higher education (Rs. 15 billion), population (Rs. 5 billion), and governance (Rs. 4 billion), physical planning & housing (Rs. 12 billion). For uplift of special areas (FATA, AJ&K and Gilgit-Baltistan), an amount of Rs. 32 billion was allocated. Similarly, allocation for Peoples Works Programme was Rs. 27 billion. An amount of Rs. 3 billion was allocated for the productive sector in industry & commerce, food & agriculture and minerals. Rs. 10 billion was allocated to Earthquake Reconstruction and Rehabilitation Authority.

A detailed Mid-Year Review of PSDP 2012-13 was held in March 2013 to assess progress of PSDP funded projects. During the review meetings, the Ministries demanded additional funds for the ongoing projects. Due to insufficient savings indicated by the line Ministries, demand could not be fully met. However, re-appropriations / adjustments within approved size of PSDP 2012-13 were allowed, wherever found feasible, so that progress of ongoing projects and foreign funded projects is not affected.

Foreign aid inflow may surpass the estimates of Rs. 99 billion against foreign funded projects under PSDP 2012-13. Planning and Development Division released funds on fast track basis to ongoing projects which are fairly at advanced stage of completion. It is expected that the entire size of PSDP of Rs. 360 billion would be utilized at the end of Fiscal Year 2012-13. About 377 projects costing Rs. 205 billion are expected to be completed or substantially completed during the fiscal year 2012-13.

4.2 Outlook for Development Programme 2013-14

The National Economic Council in its meeting held on June 10, 2013 approved National Development Outlay for 2013-14 at Rs. 1155 billion including Rs. 187 billion as foreign aid, which is 32% higher over the size of 2012-13. The development programme 2013-14 comprises of Rs. 540 billion as federal PSDP including foreign aid of Rs. 109 billion and Rs. 615 billion for provincial ADPs including Rs. 78 billion foreign aid. Breakup is given in Table 4.3 below:

Table 4.3: National Development Outlay 2013-14

(Rs. Billion)

Component	Rupee	F. Aid	Total
Federal PSDP	431	109	540
Provincial ADPs	537	78	615
Total	968	187	1155

4.2.1 Federal PSDP 2013-14

Federal PSDP 2013-14 was approved at a size of Rs. 540 billion with an increase of 50% over PSDP 2012-13. It included Rs. 109 billion foreign assistance and Rs. 10 billion for ERRA.

The main driver of the Public Sector Development Programme is the need to spur economic growth that is inclusive both geographically and socially. Efforts have been made to eschew all investments in projects / programmes where the private sector is better positioned to undertake those investments or where the investment is likely to constrain private sector investment. Public sector investment encouraged projects which attract maximum level of private sector investment; this implies undertaking investments with high level of complementarities with private sector investments.

Despite division of responsibilities between the Federal and Provincial Governments after 18th Amendment, the Federal Government is providing adequate finances under the federal PSDP to the vertical programmes of health and population as per decision of Council of Common Interests (CCI) dated 28th April, 2011. In addition to the above, Federal Government is also funding Provincial nature schemes under various priorities and development packages determined by the Government. The agency-wise allocations of Federal PSDP 2013-14 are as under. Ministry-wise summary is at Annexure-4.1.

Table 4.4: Summary of Federal PSDP 2013-14

(Rs. Billion)

Agency	Rupee	F. Aid	Total
Ministries/Divisions	253	42	295
Corporations (NHA, WAPDA-power)	50	65	115
Tameer-e-Pakistan Programme	5	-	5
New Development Initiatives	115	-	115
ERRA	8	2	10
Total	431	109	540

Resource Allocation Strategy

The federal PSDP has a significant throwforward which has built up due to various reasons including reduction in previous PSDPs, approval of new projects, inclusion of projects that are in the provincial domain, etc. With the current PSDP trend, five to six years will be required to clear existing throwforward of Rs. 3.1 trillion subject to the conditions that there is no revision in the cost of on-going projects and no reduction in the approved size of PSDP.

Public sector investment has thus been based on priorities determined by sectoral strategies on the basis of overarching principle of inclusive economic growth. Projects or programmes that enable a particular sector to meet its quantitative strategic objectives, catalyze or support reforms for achievement of overall goal of inclusive economic growth, are financed on priority.

In order to maximize and accelerate benefits of PSDP, following broader priorities have

been adopted while allocating resources to development projects:

- Projects nearing completion funded on priority.
- Proper utilization of available foreign assistance by providing required rupee allocation.
- Allocations to Vertical Programmes of Health and Population as per CCI decision of April 28, 2011.
- Appropriate allocation for less developed areas (FATA, AJ&K, Gilgit-Baltistan and Balochistan).
- No allocations to Peoples Works Programme-II.

The Priorities Committee (PC) discussed the Ministry/Project-wise allocations from 8th to 16th April, 2013 with focus on diversion of sufficient funds to on-going projects for early completion. The PC also advised Ministries/Divisions to orient development projects / programmes towards achievement of objectives envisaged under economic growth strategy that focuses on developing markets, reducing cost of doing business, improving governance and encouraging private sector investment, etc. In the light of these meetings, the portfolio of each Ministry / Division was reviewed. Consequently, adequate allocations were made to on-going projects for early completion. As a result, the following broad sectoral allocations emerged:

Table 4.5: Broad Sectoral Allocations - Federal PSDP 2013-14

(Rs. Billion)

Sector	No. of projects	Allocation	%share
Infrastructure	364	271	64
Social	693	140	33
Others	72	14	3
Sub total	1129	425	100
New Development Initiatives	-	115	-
Total	-	540	-

Above table reveals that infrastructure sector has been allocated 64% of PSDP, followed by social sector with 33% share and other sectors including ERRAs with 3% share in the federal PSDP 2013-14 [excluding allocation kept for New Development Initiatives].

An amount of Rs. 394 billion (73%) has been allocated to 893 on-going projects whereas, Rs. 146 billion (27%) has been allocated to 236 new important projects including Rs. 115 billion for New Development Initiatives. The sectoral position reveals that 364 projects (32% of number) with estimated throwforward of Rs. 2.8 trillion (90% of total throwforward) relate to projects of infrastructure with proposed allocation of Rs. 271 billion (64% of PSDP 2013-14). About 239 projects costing Rs. 410 billion are expected to be completed / substantially completed during Fiscal Year 2013-14.

Strategy for Releases (Federal PSDP 2013-14)

Planning & Development Division has been assigned the responsibility to authorize releases to the executing/sponsoring agencies against the budgeted projects from Fiscal Year 2010-11. According to quarterly formula adopted during 2012-13, 20% of the allocations were released in 1st and 2nd Quarter each and 30% each in 3rd & 4th Quarter after fulfillment of codal formalities.

In order to meet higher releases requirement of certain on-going projects during early part of the fiscal year, the Ministry/Division concerned is authorized higher releases for particular project(s), while remaining within the overall quarterly ceiling of its budget. Moreover, during 2012-13 releases to Higher Education Commission and National Highway Authority were authorized project-wise instead of a one line release on quarterly basis. Releases in 2nd quarter and onward are authorized on receipt of reconciled utilization report of released funds in earlier quarter(s). This policy will continue in next fiscal year (2013-14).

Salient features (Federal PSDP 2013-14)

Sectoral priorities and salient features of Federal PSDP 2013-14 are explained as under:

- Power sector is high on the agenda of the Government. To overcome energy shortages, an amount of Rs. 107 billion has been allocated under PSDP 2013-14 for power sector. In addition, WAPDA will mobilize Rs. 118 billion from its own resources. Total investment in power sector would be Rs. 225 billion. Within power sector, following major allocations were made:
 - Rs. 51 billion to WAPDA/PEPCO for important projects including Land Acquisition for Diamer Basha Dam Project (Rs. 17 billion), Construction of Diamer Basha Dam Project (4500 MW) (Rs. 8.2 billion), Neelum Jhelum Hydro Power Project (Rs. 25 billion), Tarbela Fourth Extension Hydro Power Project (Rs. 13.8 billion), Golan Gol Hydro Power Project (Rs. 5.5 billion), Dubir Khawar Hydro Power Project, Kohistan, (Rs. 3.3 billion), Keyal Khawar Hydro Project, (Rs. 3.4 billion), 425 MW (CCPP) Power Project Nandipur (Rs. 10 billion), 252 MW Combined Cycle Thermal Power Plant at Chichoki Malian (Rs. 10 billion) and 747 MW (CCPP) Guddu Power Project (GENCO – II) (Rs. 8.8) billion). Besides, Rs. 52 billion has been allocated to Pakistan Atomic Energy Commission, including Rs. 42 billion for Chashma Nuclear Power Project (C-3/C-4). PAEC would also initiate work on Karachi Coastal Power Project with capacity of 1100 MW costing Rs. 960 billion during 2013-14. Rs. 6 billion for land acquisition have been allocated to this project.
- Transport and communications sector has been allocated an amount of Rs. 105 billion including Rs. 63 billion for NHA and Rs. 31 billion for Railways. This would help improving connectivity especially of Gwadar Port with upcountry necessary for economic integration and ensure balanced regional development.
- For conservation and augmentation of water resources, an amount of Rs. 59 billion has been allocated for water sector projects. Important projects include Mangla Dam Raising (Rs. 3.2 billion), Kacchi Canal (Rs. 5.2 billion), Rainee

Canal (Rs. 3 billion), Nai Gaj Dam (Rs. 3 billion), Kurram Tangi Dam (Rs. 3 billion), Naulong Dam (Rs. 2.5 billion), Darwat Dam (Rs. 2.5 billion), Gomal Zam Dam (Rs. 2 billion), RBOD-II (Rs. 3.5 billion) and Pat Feeder Canal (Rs. 1.3 billion).

- Population and Health Sector vertical projects have been allocated Rs. 25 billion to implement the decision of Council of Common Interests (CCI). Main programmes include; National Programme for Family Planning and Primary Health Care (Rs. 11 billion), Population Welfare (Rs. 8 billion), Expanded Programme of Immunization (Rs. 2.8 billion) and National Maternal Neonatal & Child Health Programme (Rs. 2.4 billion).
- Education Sector has been allocated Rs. 25 billion including HEC's allocation of Rs. 18.5 billion to promote higher education, research & development in the country.
- In order to bring speedy development in special areas, an amount of Rs. 43 billion has been allocated as block allocations for ADPs of GB, FATA & AJK.
- For Earthquake Rehabilitation and Reconstruction Authority (ERRA), Rs. 10 billion has been proposed including foreign assistance of Rs. 2.5 billion.
- Rs. 115 billion have been kept for New Development Initiatives.
- Rs. 5 billion have been earmarked for Tameer-e-Pakistan Programme.

Annexure-4.1**National Development Programme 2013-14**

(Rs. Million)

S. No.	Ministry / Division	PSDP 2012-13			Proposed PSDP 2013-14		
		Foreign Aid	Rupee	Total	Foreign Aid	Rupee	Total
1	2	3	4	5	6	7	8

A. Federal Ministries:

1	Cabinet Division	0.0	1996.4	1996.4	0.0	2179.8	2179.8
2	Capital Administration & Development Division	0.0	868.5	868.5	389.6	1116.1	1505.7
3	Climate Change Division	0.0	168.1	168.1	0.0	58.8	58.8
4	Commerce Division	80.0	453.8	533.8	50.0	791.0	841.0
5	Communications Division (other than NHA)	0.0	142.1	142.1	0.0	109.3	109.3
6	Defence Division	0.0	1238.1	1238.1	1649.0	1896.5	3545.5
7	Defence Production Division	0.0	1150.0	1150.0	0.0	2300.0	2300.0
8	Economic Affairs Division	0.0	211.7	211.7	0.0	104.5	104.5
9	Education & Training Division	0.0	2916.6	2916.6	0.0	5237.1	5237.1
10	Establishment Division	0.0	8.0	8.0	0.0	79.4	79.4
11	Federal Tax Ombudsman	25.0	0.0	25.0	31.3	0.0	31.3
12	Finance Division	1384.9	10847.1	12232.0	1933.0	11141.2	13074.2
13	Foreign Affairs Division	0.0	200.0	200.0	0.0	255.2	255.2
14	Higher Education Commission	0.0	15052.0	15052.0	134.7	18355.3	18490.0
15	Housing & Works Division	0.0	7338.9	7338.9	0.0	3779.7	3779.7
16	Human Rights Division	0.0	126.8	126.8	0.0	78.0	78.0
17	Industries Division	0.0	774.5	774.5	0.0	779.8	779.8

S. No.	Ministry / Division	PSDP 2012-13			Proposed PSDP 2013-14		
		Foreign Aid	Rupee	Total	Foreign Aid	Rupee	Total
1	2	3	4	5	6	7	8
18	Information & Broadcasting Division	0.0	422.3	422.3	0.0	492.8	492.8
19	Information Technology & Telecom Division	0.0	787.4	787.4	10.0	917.1	927.1
20	Inter Provincial Coordination Division	477.0	2543.6	3020.6	0.0	437.6	437.6
21	Interior Division	2703.0	3646.8	6349.8	0.0	6259.2	6259.2
22	Kashmir Affairs & Gilgit Baltistan Division	924.3	18216.9	19141.2	1360.0	28230.0	29590.0
23	Law, Justice & Parliamentary Affairs Division	0.0	1200.0	1200.0	0.0	2364.0	2364.0
24	Narcotics Control Division	140.0	149.1	289.1	154.6	171.7	326.3
25	National Food Security & Research Division	0.0	627.3	627.3	0.0	750.0	750.0
26	National Heritage & Integration Division	58.1	17.3	75.4	0.0	12.0	12.0
27	National Health Services, Regulations & Coordination Division	0.0	158.4	158.4	1523.2	24216.0	25739.2
28	Pakistan Atomic Energy Commission	27450.0	11717.4	39167.4	26138.0	26162.0	52300.0
29	Pakistan Nuclear Regulatory Authority	0.0	400.0	400.0	0.0	316.0	316.0
30	Petroleum & Natural Resources Division	0.0	387.1	387.1	0.0	50.0	50.0
31	Planning & Development Division	1970.0	19749.7	21719.7	120.0	10538.6	10658.6
32	Ports & Shipping Division	0.0	325.0	325.0	0.0	500.0	500.0
33	Production Division	0.0	612.0	612.0	0.0	1100.0	1100.0
34	Railways Division	6280.8	14426.4	20707.3	3264.0	27700.9	30964.9
35	Revenue Division	270.0	436.8	706.8	254.0	279.3	533.3

S. No.	Ministry / Division	PSDP 2012-13			Proposed PSDP 2013-14		
		Foreign Aid	Rupee	Total	Foreign Aid	Rupee	Total
1	2	3	4	5	6	7	8
36	Science & Technological Research Division	0.0	1361.3	1361.3	0.0	2172.6	2172.6
37	States & Frontier Regions Division	1657.0	14343.0	16000.0	1920.0	16580.0	18500.0
38	Statistics Division	0.0	140.0	140.0	0.0	220.0	220.0
39	SUPARCO	0.0	717.1	717.1	505.3	194.7	700.0
40	Textile Industry Division	0.0	227.0	227.0	0.0	315.0	315.0
41	Water & Power Division (Water Sector)	2800.0	48473.3	51273.3	2722.9	55117.3	57840.2
Total (Federal Ministries)		46220.1	184577.7	230797.8	42159.8	253358.2	295518.0
B. Corporations:							
1	WAPDA (Power)	21655.0	5500.0	27155.0	33706.0	17737.4	51443.4
2	National Highway Authority	26124.9	23922.3	50047.2	30916.4	32122.3	63038.6
Total (Corporations)		47779.9	29422.3	77202.2	64622.4	49859.7	114482.0
C. Special Programmes		0.0	42000.0	42000.0	0.0	5000.0	5000.0
D. New Development Initiatives		0.0	0.0	0.0	0.0	115000.0	115000.0
E. ERRA		5000.0	5000.0	10000.0	2500.0	7500.0	10000.0
Total (Federal)		99000.0	261000.0	360000.0	109282.1	430717.9	540000.0
F. Provinces		59000.0	454000.0	513000.0	77540.0	537460.0	615000.0
Total (National):		158000.0	715000.0	873000.0	186822.1	968177.9	1155000.0