

## Chapter 2 | PUBLIC SECTOR DEVELOPMENT PROGRAMME

**P**ublic Sector Development Programme (PSDP) is the driver of economic growth besides ensuring the equitable socio-economic development. Besides Federal PSDP, provinces, public sector enterprises and local authorities also invest their resources for development in the country. PSDP investment helps in bridging the infrastructure gap and providing a conducive environment to attract private and foreign investment necessary for the economic growth. PSDP is formulated through broad consultations and active involvement of stakeholders with the objective to undertake development programmes/projects according to sectoral and regional priorities in line with Vision 2025.

### Performance Review of PSDP 2016-17

The National Economic Council (NEC) in its meeting held on May 30, 2016 approved Public Sector Development Programme (PSDP) 2016-17 at Rs 1,675 billion with federal component of Rs800 billion and provincial programmes (ADPs) at Rs875 billion. The PSDP 2016-17 included Rs229 billion of foreign aid [Rs143 billion in Federal PSDP and Rs86 billion in Provincial ADPs]. While formulating PSDP 2016-17, priority was given to ongoing projects, projects financed with firm commitment of foreign assistance, CPEC projects, projects for higher education and the projects for special areas. PSDP 2016-17 also catered for vertical programmes in health and population sectors as per CCI decision of 28<sup>th</sup> April 2011. Budget estimates and revised estimates of the national development outlay are given in Table 1.

**Table-1**  
**National Development Outlay 2016-17**

PSDP	Budget Estimates*	Revised Estimates
Federal Government	800	715
Provincial Governments	875	824
<b>Total</b>	<b>1,675</b>	<b>1,539</b>

\* Including foreign aid of Rs143 billion in Federal PSDP and Rs86 billion in Provincial ADPs

Broad sector-wise budget allocations of the PSDP 2016-17 are given in Table 2. An amount of Rs473 billion (72 per cent of Rs 655 billion) was allocated for infrastructure sector projects. Within infrastructure, power sector got investment of Rs405 billion (including Rs155 billion from budgetary sources and Rs250 billion from WAPDA/GENCO's own resources), transport and communication sector received Rs260 billion, followed by water sector Rs33 billion and physical planning & housing sector Rs19 billion. A sum of Rs25 billion was allocated separately for Gas Infrastructure Development Fund.

**Table-2**  
**Sector-Wise Allocation - Federal PSDP 2016-17**

Sector	Budget Allocation (Rs billion)
Infrastructure :	469
-Transport & Communications	260
-Energy	155
-Water	33
-Physical Planning & Housing	19
-Fuel	2
Social Sector:	89
-Education including Higher Education	33
-Health & Population	32
-SDGs	20
-Others	4
Science & Information Technology	8
Governance	8
Special Areas (AJK, GB, FATA)	42
Production Sector	4
ERRA	7
Special Federal Development Programme	28
<b>Sub-total</b>	<b>655</b>
PM's Youth Programme	20
Gas Infrastructure Development Fund	25
TDPs & Security Enhancement	100
<b>Total Size</b>	<b>800</b>

A sum of Rs 89 billion (14 per cent) was allocated for social sector which included Rs32 billion for health & population welfare, Rs 33 billion for education /higher education, Rs20 billion for Prime Minister's SDGs programme and Rs4 billion for other social sectors. An expenditure of Rs8 billion is expected to be incurred on science and information technology sector projects, Rs8 billion for improving governance and Rs4 billion in production sector during 2016-17. In addition, an allocation of Rs 20 billion was earmarked to Prime Minister's Youth Programme.

Development of Special Areas (FATA, GB & AJ&K) is responsibility of federal government for which Rs42 billion were provided in the PSDP for formulation of their respective ADPs according to their sectoral/ regional priorities, while Rs7 billion were allocated for completing remaining works initiated by ERRA in the earthquake hit areas of AJ&K and Khyber Pakhtunkhwa. An amount of Rs100 billion was earmarked for special development programme for Temporarily Displaced Persons (TDPs) and Security Enhancement.

Ministry of Planning, Development and Reform undertook three quarterly reviews of PSDP 2016-17 with a view to assess physical and financial progress and adjust allocations so that more funds are diverted to fast moving important projects from anticipated savings of slow projects. During quarterly review meetings, executing agencies were asked to complete as many ongoing projects during PSDP 2016-17 as possible. After assessment of progress and reviews, re-appropriation of Rs53 billion was allowed for 101 on-going projects while remaining within the size of PSDP 2016-17. During reviews, the Ministries /Divisions were

also asked to submit PC-Is of unapproved budgeted projects so that allocated funds can be utilized. Due to these steps, it is expected that more than 145 projects having total estimated cost of Rs68 billion will be completed by June 2017. Original and revised allocations are given below in Table 3.

**Table-3**  
**Actual and Revised Allocations - Federal PSDP 2016-17**

(Rs billion)

Agency	Budget Allocation 2016-17			Revised Allocation		
	Rupee	F. Aid	Total	Rupee	F. Aid	Total
Ministries/Divisions	255	24	279	261	24	285
Corporations (NHA, Power)	205	116	321	206	116	322
Special Federal Dev. Programme	28	0	28	14	0	14
PM's Global SDGs Achievement Programme	20	0	20	27	0	27
ERRA	4	3	7	4	3	7
<b>Total PSDP</b>	<b>512</b>	<b>143</b>	<b>655</b>	<b>512</b>	<b>143</b>	<b>655</b>

## Outlook for PSDP 2017-18

The overall size of Federal PSDP 2017-18 has been set at Rs2,113 billion with 26 per cent higher than last year's size Rs1,675 billion - the highest in the history of Pakistan. The PSDP has been formulated in line with overall development agenda of the Government, depicted in seven pillars of Vision 2025 viz. achieving higher, sustained and inclusive growth; reducing poverty; investing in human capital; improving infrastructure; ensuring balanced development; and achieving food, water and energy security. Ample funds are earmarked in the PSDP 2017-18 for programmes/ projects aiming at achieving SDGs. The Provincial Governments were also advised to tailor their programmes in line with the SDGs as part of the national development agenda. The proposed National Development Outlay for the year 2017-18 is given in Table-4.

**Table-4**  
**National Development Outlay 2017-18**

(Rs billion)

Agency	BE 2017-18		
	F. Aid	Rupee	Total
Ministries/Divisions	14	307	321
Corporations (NHA, Power)	142	239	381
Special Areas	3	59	62
PM's Global SDGs Achievement Programme	-	30	30
Special Federal Dev. Programme	-	40	40
Energy and Clean Drinking Water for All	-	25	25
ERRA	3	4	7
Sub-Total	162	704	866
Special Dev. Programme for TDPs and Security Enhancement	-	90	90
PM's Youth Programme Initiatives	-	20	20
Gas Infrastructure Development Cess	-	25	25
<b>Total (Federal)</b>	<b>162</b>	<b>839</b>	<b>1,001</b>
<b>Provincial ADPs</b>	<b>195</b>	<b>917</b>	<b>1,112</b>
<b>Total (National)</b>	<b>357</b>	<b>1,756</b>	<b>2,113</b>

The overall development outlay for 2017-18 at Rs2,113 billion is 26 per cent higher as compared to original budget allocation of PSDP 2016-17 at Rs1,675 billion. The size of Federal PSDP is set at Rs1,001 billion – 25 per cent higher than the original size of PSDP for 2016-17 at Rs 800 billion. The overall size of Provincial ADPs has also been increased to Rs1,112 billion, 27 per cent higher than the original size of Provincial ADP's.

### **Federal PSDP 2017-18**

Federal PSDP 2017-18 has been set at Rs1,001 billion. Keeping in view the budgetary constraints, Ministry of Planning, Development and Reform held meetings with the sponsoring Ministries /Divisions to arrive at agreed Indicative Budget Ceilings so as to adequately finance the development projects falling in the overall sectoral and regional priorities of the government. The following broad guidelines were shared with the Ministries/ Divisions while proposing allocations for the development projects under PSDP 2017-18:

- Ensure that the proposed project fall under the priority sectors and contribute to achieve the goals of Vision 2025 and 11<sup>th</sup> Five Year Plan (2013-18)
- Finance ongoing projects on priority for scheduled completion.
- CPEC projects initiated on EPC contract basis should be allocated required funds.
- Explore Innovative financing for development (PPP, Community participation, cost sharing by NGOs etc.)
- Finance projects having tangible outcome contribution for achieving SDGs.
- Budget foreign grants/ loans commitments appropriately.
- Focus on projects that pertain to the subjects allocated to the Federal Government in view of 18<sup>th</sup> Amendment in the Constitution.
- Appropriately cater for the needs of less developed areas.
- Finance vertical programmes of health and population as per decisions of the Council of Common Interests (CCI) dated 28-04-2011 etc.
- Budget new projects to at least 20-25 percent of total cost only falling within the priority sectors for taking a felt start.

The Annual Plan Coordination Committee (APCC) met on May 17, 2017 and considered the project-wise budgetary proposals and formulated recommendations for National Economic Council. As per recommendations of the APCC, the proposed programme was reviewed and finalized in consultation with Ministries and Provincial Governments. The final proposed PSDP 2017-18 was considered by NEC on 19<sup>th</sup> May, 2017 and approved at a size of Rs2,113 billion. Broad sectoral break-up of the PSDP 2017-18 is given in Table-5.

**Table-5**  
**Sector-wise allocation in the federal PSDP 2017-18**

Sector	Proposed Allocation	Share (%)
Infrastructure	577	67
<i>Power*</i>	84	10
<i>Fuel</i>	2	-
<i>Transport &amp; Comm.</i>	411	48
<i>Water</i>	38	4
<i>PP&amp;H</i>	41	5
Social Sector	150	17
<i>Education (Incl. Higher Edu.)</i>	47	5
<i>Health &amp; population welfare</i>	56	6
<i>PM's Global SDGs Programme</i>	30	3
<i>Others</i>	17	2
Science & Info. Technology	9	1
Governance	14	2
Special Areas (AJK, GB, FATA)	62	7
Special Federal Development Programme	40	4
Production Sector	7	1
ERRA	7	1
<b>Sub total</b>	<b>866</b>	<b>100</b>
Spl. Dev. Prog. for TDPs & Security Enhancement	90	
PM's Youth Programme Initiative	20	
Gas Infrastructure Development Cess	25	
<b>Federal PSDP</b>	<b>1,001</b>	

*\*Total allocation of Rs 401 billion for power sector includes Rs 317 billion of self-finance portfolio and Rs 84 billion from PSDP*

The highest share of PSDP resources (Rs577 billion) has been earmarked for national level infrastructure development as it is the responsibility of the Federal Government after 18<sup>th</sup> Amendment. Within infrastructure sector, highest priority has been assigned to transport and communication sector with overall allocation of Rs411 billion, followed by energy sector with Rs403 billion (including Rs317 billion self-financed portfolio of WAPDA/PEPCO etc. RLNG projects would be financed from outside budget). For conservation and augmentation of water resources, Rs38 billion have been earmarked, while Rs41 billion have been allocated for physical planning & housing sector.

Social sector development after 18<sup>th</sup> amendment comes under the domain of Provinces. However, to augment the efforts of provincial governments, an amount of Rs150 billion has been earmarked for health and population (Rs56 billion), education / higher education (Rs47 billion) and SDGs (Rs30 billion) while other social sectors will get Rs17 billion to provide social services, quality education and health facilities to the people.

To promote technological and scientific research in the country, Rs9 billion has been allocated for science and information technology sector. To support reforms, innovations and capacity building, institutional strengthening and programmes for improving security in the country, Rs14 billion are earmarked for governance sector. An amount of Rs7 billion has been allocated for production sector.

For promoting balanced growth and uplift of Special Areas, an allocation of Rs62 billion has been earmarked (FATA Rs25 billion, AJK Rs22 billion, Gilgit Baltistan Rs15 billion) for formulating respective Annual Development Programmes according to their sectoral and regional priorities. An amount of Rs40 billion has been allocated for undertaking special projects in provinces/ special areas under Special Federal Development Programme.

For completion of infrastructure on-going schemes for reconstruction and rehabilitation of earthquake hit districts of AJ&K and Khyber Pakhtunkhwa, Rs7 billion have been earmarked to ERRA.

For relief and rehabilitation of IDPs and security enhancement, Rs90 billion have been allocated. To meet the financing gap of gas infrastructure, Rs25 billion has been allocated to support the gas companies. To sharpen the skills of youth and equip them with modern technologies and trades to compete for employability within the country and abroad, Rs20 billion have been allocated for Prime Minister's Youth Initiative Programme.

### **Strategy for federal PSDP releases**

Ministry of Planning, Development and Reform has been authorizing project wise releases to sponsoring ministries and executing agencies since 2010-11. Releases are authorized to the sponsoring /executing agencies in the light of quarterly ceilings approved by the Finance Division depending on flow of revenue collection. During 2017-18, Finance Division indicated the formula for quarterly releases at 20 per cent each in first and second quarters and 30 per cent each in third and fourth quarters against rupee allocations. Foreign aid allocations are disbursed by the donor agencies directly to the projects/executing authorities.

To meet the requirements for higher releases for fast moving projects within overall allocation in a particular quarter, Ministries/Divisions were allowed to demand funds for ongoing priority projects. While requesting for release of funds, Ministries are required to provide details of utilization as well as physical progress against the previous releases.

The mechanism for release of funds is being revisited to ensure uninterrupted flow of funds to project authorities. Under the proposed mechanism, the role of FA's organization including the requirement of 'Ways and Means clearance' is being re-defined. The role and responsibilities of the Principal Accounting Officers (PAOs) are being enhanced with a view to make them accountable for releases and utilization of PSDP funds.

### **Salient Features of Federal PSDP 2017-18**

- The total national development outlay for 2017-18 is set at Rs2,113 billion, including federal PSDP at Rs1,001 billion and provincial ADPs at Rs1,112 billion. The Federal PSDP has foreign aid component of Rs162 billion whereas, Provincial ADPs have Rs195 billion as foreign assistance.
- A total of 1002 projects costing overall Rs7.9 trillion are proposed to be financed through PSDP 2017-18. Of this, 631 projects are ongoing with cost of Rs6.6 trillion and reported expenditure of Rs2.2 trillion upto 30.06.2017. In addition, 371 projects are new with estimated cost of Rs1.3 trillion.

- Priority has been accorded to transport and communication sector with overall allocation of Rs411 billion with NHA Rs320 billion, Railways Rs43 billion and Ports & Shipping, Aviation etc. Rs 44 billion.
- Power Sector has been allocated Rs401 billion (including Rs84 billion through budget and Rs317 billion through self-financed portfolio of WAPDA/GENCOs/NTDC etc.). RLNG projects shall be financed from outside budget, among others.
- Besides above, bulk of the investment under CPEC is committed for the power sector to be undertaken on IPPs mode through FDI, transmission and distribution systems are also being re-designed to cater to the needs of these IPPs mode power generating facilities.
- CPEC offers a game changer opportunity for economic growth and employment. It would be a source of regional and national integration boosting trade and economic activities. About Rs180 billion have been allocated for CPEC and related projects in PSDP 2017-18 for scheduled completion.
- For fast track development in FATA, AJK and GB, Rs62 billion have been allocated.
- Though the social sector development is primarily responsibility of the Provincial Governments, to support efforts of the provincial governments, federal government has extended assistance of Rs56 billion to finance vertical programmes of health, population welfare and new initiatives of the Prime Minister such as establishment of new hospitals and national health programme etc.
- To address water shortage in Karachi and to provide decent commuters transport facility, substantial allocations have been provided for Greater Karachi Water Supply Project (K-IV) and Green Line Bus Transit System to complete during 2017-18. Similarly, substantial allocations have been provided to water sector schemes particularly small dams for irrigation and drinking purpose in Balochistan to address water shortage issue.
- To improve social service delivery and socio-economic indicators of Pakistan, Federal Government initiated “Pakistan SDGs and Community Development Programme” during 2014-15. The programme would continue during 2017-18 for providing basic civic amenities to general public at door step. Similarly the Special Federal Development Programme would also continue during 2017-18 with the objective to promote balance growth and to supplement developmental efforts of the Provincial Governments.
- Development takes root in an environment of peace and security, Special development programme to enhance security and rehabilitating infrastructure to ease out resettlement of Temporarily Dislocated Persons (TDPs), initiated during 2015-16 will continue with an allocation of Rs90 billion.

During 2017-18, the following important projects under CPEC have been adequately financed:

- Construction of Thakot to Havelian Road (118 KM)
- Construction of Burhan-Havelian Expressway (59.1 Km)
- Rehabilitation of D.I Khan Mughal Kot Road (50 km Section) N-50

- Land Acquisition, affected properties compensation for construction of Burhan-Hakla to D.I. Khan Motorway
- Construction of Hakla on M-I to Yarik D.I. Khan Motorway
- Lahore-Abdul Hakeem Road (230 km)
- Multan - Sukkur Motorway (387 km)
- Zhob Mughal Kot Road (81 km) N-50
- Widening & Improvement of N-85, Hoshab - Nag - Basima - Surab Road (459 Km)
- Basima – Khuzdar Road (106 km) N-30
- Dualization of Yarik - Mughalkot - Zhob section of N-50 (210 km) including Zhob Bypass
- Gwadar - Turbat - Hoshab Section (200Km) of Gawadar - Ratodero Road (892 Km) M-8 including Khuzdar - Shahdadkot - Ratodero (143 km) - (Gwadar, Turbat, Khuzdar in Balochistan and Kamber, Shahdadkot & Larkana in Sindh)
- Sukkur - Hyderabad Road (296 km)
- Construction of Eastbay Expressway
- New Gwadar International Airport
- Construction of Cross – Border Optical Fiber Cable (OFC) System Between China and Pakistan For International Connectivity of Voice / Data Traffic
- Necessary Facilities of Fresh Water Treatment, Water Supply and Distribution Gwadar
- Comprehensive Feasibility Study for Up-gradation/Rehabilitation of Mainline-I and New Dry Port at Havelian (Balder) Distt. Haripur
- Preliminary Design/Drawings for Up-gradation/rehabilitation of Mainline-I and establishment of Dryport near Havelian
- Feasibility study for Rail Link from Havelian to Pak China Border (682 K.M)
- Infrastructure Development of Export Processing Zone at Gwadar
- Capital Dredging of Berthing areas & channel for Additional Terminals
- Construction of Break Water, Gwadar
- Feasibility Studies to Connect Gwadar with Karachi, Gwadar to Besima and from Besima to Jacobabad via Khuzdar
- Pak-China Technical & Vocational Institute at Gwadar

Following new CPEC initiatives are included in PSDP 2017-18:

- Capacity building for tapping marine living resource potential of Pakistan, through biological oceanography- Phase-I
- Expansion & Up-gradation of NGMS (3G/4G) Services and Seamless Coverage along KKH
- Establishment of PSTC for Precision Mechanics and Instrument Technology at Gwadar



- Establishment of National Institutes of Applied Technology to support CPEC Initiatives
- Gilgit-Shandoor-Chitral Chakdara Road
- Mirpur-Mangla-Muzaffarabad-Mansehra Road

Other initiatives include:

- Infrastructure Up-gradation Project of Karachi Shipyard & Engineering Works
- Pakistan Financial Inclusion and Infrastructure Project
- Construction of National Academy of Public Finance and Accountancy
- Construction of State Guest House and Conference Centre, Islamabad
- Establishment of National Science & Technology Park (NSTP) at Central Campus NUST (PPP mode)
- Up-lifting of Academic and Infrastructure Facilities at Hazara University, Mansehra
- Provision of accommodation facilities for female students in Public Sector Universities
- Pak UK Knowledge Gateway
- National Livestock Technology Park, UVAS, Ravi Campus
- Establishment of National Institutes of Applied Technology (NIAT) to support CPEC Initiatives
- National Business Development Programme for SMEs
- Establishment of Institute of Radiotherapy & Nuclear Medicine, Gilgit
- Gujranwala Institute of Nuclear Medicine & Radiotherapy (GINUM), Phase-II
- Establishment of Advanced Technology Training Center at Knowledge Park, Muridke
- Establishment of National Centre for Cyber Security, Robotics and Automation
- Establishment of Textile Testing and Research Centre, Faisalabad
- Prime Minister's Programme for New Hospitals
- National Preventive Health Programme
- Prime Minister's National Health Programme
- Strengthening of Sports Infrastructure in Pakistan
- Better Cotton Initiatives for Sustainable Cotton Production in Pakistan
- Expo Centres at Islamabad and Quetta