Economic Revival Program

Review of Implementation Plan
Progress Report
June 2002

Policy Wing
Ministry of Finance
Islamabad

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Finance & Law Divisions

PROGRESS OF DETAILED ACTION PLAN

Building Confidence		
Proposed Policy	**Time Frame**	**Status as of June 2002**
State Apology for Freezing Foreign Currency Accounts		
• The Chief Executive to address the issue.	Implemented	• The Chief Executive addressed the issue in his speech to the nation on 15-12-99. The Chief Executive tendered the apology on behalf of the Government: "First, although the present Government is not responsible for this callous decision, I, on behalf of the Government of Pakistan, apologize to all those who were affected by the freezing of the foreign currency accounts in May '98. It was a mistake that should not have been committed. It shattered the confidence of families, of businesses, of Overseas Pakistanis and it damaged our financial credibility. I have directed the Law Ministry to formulate legislative measures that will prevent the recurrence of such events in the future".
Legislative Changes to Avoid Repetition		
• Legislative protection to FCDs.	Implemented	• Law on the Protection of Non-Resident Foreign Currency Accounts 2001 has been promulgated. • FE Circular No 07 dated March 18, 2002 stipulates that incremental deposits (FE-31 of 1998) would now be kept by the banks as a part of FE-25 deposits that would ensure protection to Foreign Currency Deposits. • The State Bank of Pakistan (SBP) has removed all restrictions on repatriation of profits and capital, while it has decided to approach the issue of capital account liberalization after the reserve position stabilizes.

Resolve Matters with HUBCO		
• Expeditiously resolve the HUBCO dispute.	Implemented	• All matters related to HUBCO dispute stand resolved. The company has declared interim and final dividends for its shareholders.
Placating Apprehensions of Business Community and Donors		
• CE to take the private sector into confidence.	On going	• CE regularly visits various chambers of commerce to meet business leaders and build their confidence. Minister for Finance on his instructions, involves private sector in major policy matters. Consultative process and suggestions from maximum stakeholders are ensured in formulating the federal budget. • The Chief Executive regularly meets members of Economic Advisory Board at their quarterly meetings, which comprises of leading professionals and businessmen from the private sector. • Key members of various chambers of commerce and industry accompany state delegations abroad. • Government has devoted greater part of its energies in designing and implementing the process of reforms, all of which were aimed at limiting government's direct economic role, expanding the action space for the private sector, strengthening government's regulatory function and allowing markets to play their due role in the process of price determination and resource allocation.
• NAB action to be limited to willful defaulters and in future cases to be taken on measured basis.	Implemented	• NAB ordinance has been amended. State Bank is consulted for loan defaulters and only cases of willful default are prosecuted. Another committee clears cases of businessmen, other than loan defaulters, before they are prosecuted.
• A committee on deregulation will be constituted, headed by senior private sector business leader, to identify areas and suggest measures for further deregulation and liberalization of economic regime.	On-going	• The President constituted an Inter-Ministerial Committee on Deregulation in February 2002, with Finance Minister as its chairman. The committee comprises federal and provincial ministers, in addition to representatives from the private sector. • Eight sub-committees would present their recommendations to streamline labor issues, inter-provincial coordination co-ordination for reforming regulatory environment, emerging regulatory initiatives under new district governments, issues relating to investment and corporate laws, irritants in health and pharmaceutical industry,

		reforms in tax administration, issues relating to utility companies, and problems with land titles transfers respectively. • Reports on labor levies and CBR irritants have been submitted and announced by Finance Minister in his budget speech on June 15, 2002. Remaining sub-committees would put forward their recommendations for the approval of cabinet by August 2002.
• Development of trustworthy and long term relationship with international development partners	On-going	• Pakistan Development Forum held in March 2001 and Pakistan Human Development Forum held in February 2002 respectively, proved to be complete successes in creating a positive impact upon donors regarding the government's economic management and efforts towards human development. • The delegations of creditor countries who visited Pakistan after its support to US in war against terrorism have assured to provide support through additional bilateral aid and relief assistance for Afghan Refugees besides relief is debt service payments due on loans to Pakistan in coming years. • For the year 2002-03, gross external assistance is estimated at Rs.198.1 billion. Assistance from IDB is estimated at Rs.25.2 billion.

Finance Division/ SBP

PROGRESS OF DETAILED ACTION PLAN

Self Reliance		
Proposed Policy	**Time Frame**	**Status as of June 2002**
External Financing		
• Settle debt-rescheduling arrangements with Paris Club creditors.	Implemented	• Paris Club Rescheduling Agreements have been successfully completed in December 2001. Pakistan's entire debt stock has been rescheduled in an unprecedented manner on historic terms. • The agreement provides for a comprehensive restructuring of a stock of debt amounting to US$ 12.5 billion as of November 30, 2001. The restructuring is conducted according to the following terms: commercial credits are to be repaid over 23 years, with 5 years of grace and progressive payments, at the appropriate market rate; Official Development Assistance credits are to be repaid over 38 years, with 15 years of grace at in interest rate at least as favourable as the concessional rates applying to those loans. • Our achievement is matched by only a few other countries, such as Poland, Jordon, Egypt and Yugoslavia. There are individual creditors who have committed to either cancel their debts or have shown their willingness to swap them for social sector spending for up to $1.5 billion. The full extent of relief will be determined once Pakistan has worked out bilateral agreements with its creditors. • Based on rescheduling alone, a 30% reduction in net present value of outstanding stock of debt has been achieved. With the addition of cancellation, debt swaps and interest rate reduction, this figure is likely to rise to nearly 40% reduction in net present value.
• Obtain PRGF concessional financing facility, spanning over a longer period	Implemented	• The boards of the IMF and the World Bank approved Pakistan's Poverty Reduction Strategy Paper (I-PRSP) in December 2001. Therefore, after the successful completion of the Standby Arrangement in November 2001, Pakistan qualified for a three year

		exceptional financing facility, Poverty Reduction and Growth Facility (PRGF). PRGF provides sufficient fiscal space through concessional loaning of US$ 1.322 billion and rescheduling. • First tranche of US$109.6 million under the arrangement was released to Pakistan in December 2001. Second tranche of US$ 109 million will be released by end March 2002. Third tranche of US$ 113 million has been released in July 2002. • Government aims at not to have any Fund program after the current PRGF facility that ends in 2004
Using Privatization Proceeds for Debt-Retirement		
• Privatization of public sector enterprises to promote efficiency and competition	Ongoing	• In progress. 90% of the privatization proceeds will be used for debt reduction and payback. 10% of the remaining proceeds would address poverty alleviation programs in the country.
Reduction in Cost of Borrowings		
• Reduction in the interest rate on National Saving Schemes (NSS) • Ban on institutional investors' purchase of National Saving Certificates. • Launch new government debt instruments with medium and long-term maturities. • Establish new market-determined interest rate policy for NSS through benchmarking with new long-term debt instruments. • Eliminate tax-exempt status of interest rate earnings from NSS.	Implemented	• Interest rates on NSS have been reduced by an average of 5.5 per cent, since May 1999. • Institutional investments have been stopped to ease pressure on the market. • Pakistan Investment Bonds (PIB), with maturities of three, five and ten years have generated Rs. 40 billion. Regular auctions are now being held. • The new issues of NSS will follow the benchmarks established under PIB issues. • Exemption to income from investments in national savings schemes made after 1-7-2001 was eliminated. The withholding tax on amounts exceeding Rs.300,000 was maintained at 10% of the yield. The limit of Rs.300,000 is reduced to Rs.150,000. This shall however be effective on investments made after 1-7-2002 and shall not affect the investments already made. • The SBP discount rate during FY 2001-02 was lowered from 14% to 9%. The yield on Treasury Bills also declined by the same margin from 10% to 6%.

Elimination of Borrowings for Non-Development Expenditure		
• Eliminating borrowing for consumption.	On-going	▪ Recommendations made by the Debt Management and Reduction Committee have been adopted in this regard. Measures are being implemented in light of its recommendations.
Liberalization of Forex Regime		
• Remove restrictions on remittances of profits, dividends, interest, and repatriation of capital by foreign investors.	Implemented	• All restrictions on repatriation of profits and capital were lifted during December 1999 – June 2000. On swap funds two tranche withdrawal has been planned.
• Review policy on moneychangers.	2002-03	• Work on formulation of foreign exchange companies has begun. Committee in SBP has worked out the modalities and has presented its recommendations for final approval. Law Ministry has vetted the proposed amendments in foreign Exchange Regulations Act 1947 in form of draft ordinance. Final summary has been forwarded to Cabinet Division. Formulation of Exchange companies would ensure documentation on money changing transactions. The present system of money changers will be eliminated through formation of exchange companies in a transition period of two years. • These companies will be required to maintain appropriate capital base. They will be allowed to have branch and franchise operations, and will be subject to complete documentation and reporting to State Bank. • State Bank has further tightened regulations on moneychangers. CE has approved additional proposals to streamline this business and curb the *Hundi* market. SBP has issued instructions to all authorized moneychangers to observe new Code of Conduct. • Inspection of authorized moneychangers has been started to check the books/accounts and the legal requirements as laid down in Code of conduct circulated vide FE Circular No 1 dated January 2, 2001. • All moneychangers have been mandated to open bank account and intimate to SBP • FIA has been authorized to initiate action against unauthorized moneychangers.
• Measures to open up the capital account.	30-6-2002	• Formation of Exchange Companies is the first step towards Capital

		Account liberalization and convertibility. • With a view to integrating the kerb market with the inter-bank market, SBP will be taking significant steps during the year. First, banks will be allowed to perform money changers' functions. Second, rules are being promulgated for the establishment of exchange companies that would essentially deal with the money changing business.
Attaining Sustainable Growth & Other Measures		

▪ Containment of fiscal deficit, maintenance of primary surplus, reduction of current account deficit, and adoption of flexible exchange rate
 	
• The following shall be the guiding principle for sustainable growth:
  • Austerity & fiscal discipline.
  • Broadening of tax base.
  • Greater reliance on domestic savings.
  • Foreign Savings to come only for productive investment.
	On-going	• These are the guiding principles of the PRGF and are reflected in the budget policies that are being implemented.
		• Current Account surplus during FY 2001-02 was more than US$ 1 billion, and CPI was below 3.0%.
		• For the year 2002-03, interest on domestic debt is estimated at Rs.191.8 billion based stable and low rates of return. Expenditure on the defense is budgeted at Rs.146 billion (excluding pensions) and the expenditure on running of civil government have been kept at around this year's nominal level of Rs.92.6 billion
		• PSDP for FY 2002-03 is envisaged at Rs.134 billion which is 3.3% of GDP. In addition, a standby list of projects has been prepared with an outlay of Rs.10 billion which could be taken up during the next financial year if additional budgetary resources are made available.
		• The share of poverty related expenditures in the budget has been significantly increased. As against Rs.119 billion spent in FY 2001-02, in the current year the poverty reducing expenditures will be increased to Rs.136 billion. The expenditure will be increased to Rs.161 billion in FY 2003-04
		• This plan has been made in the context of a 10-year development perspective that aims at meeting critical shortages in country's physical and social infrastructure, which is limiting the growth potential of the country.
		• MTBF targets covering the period 2001-2004 set the following goals for major economic variables of the country:
		  o GDP growth will rise to 5% in the year 2003-04;
		  o Inflation, on average, will be contained at less than 4%
		  o Gross investment to GDP ratio will be increased to 17.2%;
		  o Fiscal deficit will decline to 3.5%;
		  o Current account deficit will be contained to 1.8% of GDP;

		o Foreign exchange reserves will increase to 18 weeks of imports.
• Government would acknowledge big taxpayers through provision of awards, invitation to state functions, and involvement in policy formulation	On-going	• A directory of tax payers would be published from FY 2002-03. Acknowledgement of big tax payers would begin once the tax collection exercise for FY 2002-03 is completed. • Top 10 taxpayers, falling under the self-assessment scheme will be appropriately recognized and considered for national awards. They will also be invited to state functions
Debt Management and Reduction Committee Report		
• To devise a comprehensive strategy for debt management and reduction	Under Implementation	• Recommendations of the Debt Management and Reduction Committee were approved by the Cabinet in 2001, followed by consultations and public debate. Key areas are: o External debt burden to be reduced to 200% of foreign exchange earnings o Public debt burden to be reduced to 350% of government revenues by 2010. o Gross foreign exchange reserves to be built up to US$ 5 billion by mid 2004 o Fiscal deficit to be reduced to 3% of GDP by 2004 and to 2% by 2010. o Government to get US$ 6 billion of exceptional assistance from the IMF, World Bank and ADB by 2004. This would keep non-concessional borrowing to a minimum. o Government to reduce domestic borrowing costs in real terms to 3% to 4% as against 9% in 1990s. o Government to set up a Debt Policy Coordination office in the Ministry of Finance. • Government has actively pursued the policy guidelines of its Debt Strategy and is broadly on course. Volume of foreign exchange reserves is greater than target and is on course in size of fiscal deficit and exceptional borrowing from IFIs. Debt office is being established in the Finance Division very shortly, which will publish its first review report in December 2002.

Finance Division

PROGRESS OF DETAILED ACTION PLAN

Public Expenditure Management		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Strengthening Expenditure Management and Control		
• Establishment of Fiscal Monitoring Committee to oversee preparation and publication of updated quarterly data on consolidated expenditures verified by the Accountant General (AGPR)	Implemented	• Fiscal Monitoring Committees are fully operative at federation and provinces. Focus persons are placed to ensure timely reconciliation of respective departmental accounts with those of AGPR/AGs. • Principal Accounting Officers have been made responsible to ensure timely reconciliation of correct fiscal data and monthly certificates are being issued by PAOs, confirming reconciliation of divisional/departmental accounts with those of AGPR. Fiscal Monitoring Committee has been preparing its quarterly reports. • In provinces, Finance Secretaries have been made responsible for the timely and reliable provisioning of reconciled fiscal data. Uniform formats have been introduced in all provinces • Whenever disbursements are made out of foreign funded projects, appropriate information is provided to Army Monitoring teams to ensure proper utilization of funds. • The process of accounts reconciliation and automation of all accounting function is being extended to provinces. • Status of %age reconciliation of receipts and expenditures for quarter ending March 2002 is: o AGPR: Expenditure 99.41%; Receipt 100% o Punjab: Expenditure 46%; Receipt 88% o Sindh: Expenditure 75%; Receipt 88% o NWFP: Expenditure 80%; Receipt 70% o Balochistan: Expenditure 355; Receipt 35% o AJK: Expenditure 100%, Receipt 100%

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- Establishment of Public Accounts Committees to promote transparency in public expenditure management

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- Public Accounts Committees have been established at the Federal as well as the Provincial level that are making public hearings. Press has also been allowed to attend the meetings.
- Federal PAC consists of minimum twelve members, appointed by the President. Chairman is appointed from the members.
- Presently reports of 1999-2000 are under review by federal PAC.
- Outstanding Paras received by federal Ad-Hoc PAC are

<table>
<tr><th>Year</th><th>No of Paras</th></tr>
<tr><td>1999-2000</td><td>3521</td></tr>
<tr><td>1998-99</td><td>3347</td></tr>
<tr><td>1997-98</td><td>4069</td></tr>
<tr><td>1996-97</td><td>2244</td></tr>
<tr><td>1995-96</td><td>2184</td></tr>
<tr><td>1994-95</td><td>2370</td></tr>
<tr><td>1993-94</td><td>2368</td></tr>
</table>

Recoveries (Rs in million) ordered by PAC are:

<table>
<tr><th>Year</th><th>Recoveries ordered</th><th>Recoveries effected</th></tr>
<tr><td>1996-97</td><td>10,500</td><td>2,658</td></tr>
<tr><td>1999-00</td><td>4,026</td><td>285</td></tr>
<tr><td>Total</td><td>14,526</td><td>2,943</td></tr>
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- Establishment of “New system of financial controls and budgeting” at federal level to enhance expenditure control.

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<td>Implemented</td>
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- A new manual has been published which will be operative with the budget for year 2001-02. [Implemented vide MOF O.M. No. F.3 (4) Exp. III/2000.]

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<td colspan="3">Implement Medium Term Budget Framework (MTBF)</td>
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- A revised budget calendar with upfront approval of broad sectoral expenditure allocations.

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<td>2000-01</td>
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- Initiated with budget for FY 2001-02. The revised calendar has been issued with upfront approval of broad sectoral expenditure allocations.
- Over the medium term the government aims at further changing and rationalizing the composition of expenditures by reducing current expenditures and increasing development expenditures

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• Three year macroeconomic framework.	2001-04	• Three year macro-economic framework has been prepared and is the integral part of planning and budgeting. Government policies and goals are geared to achieve and conform to MTBF targets. • For the year 2002-03 provincial transfers are projected at Rs.193.5 billion. This is based on an estimated tax revenue collection of Rs.460.6 billion, Rs.15.0 billion from GDS and about Rs.12.3 billion from royalty on oil and gas. It is proposed that of 2.5% of 15% GST be transferred to the provinces which will mean an additional resource transfer of about Rs.13 billion from the federation • The budget for 2002-03 aims at achieving a GDP growth rate of 4.5% containing inflation at 3.9%, and building up of foreign exchange reserves to nearly $7 billion. Overall fiscal deficit during FY 2002-03 is envisaged at 4.0% of GDP.
• Presidential approval of "Revised Principles, Methods, and Forms of Accounts" of the federation and provinces		• The President has approved revised principles, methods and forms of accounts of federation and provinces as recommended by the Auditor General.
• Analysis of contingent liabilities and tax expenditures	Implemented	• Chapters on contingent liabilities and tax expenditures have been included in the Economic Surveys for FY 2000-01 and FY 2001-02.
• Provide legal backing to MTBF and other public financial management reforms through promulgation of Financial Management Act.	Under Implementation	• Process initiated.
• Improve quality of Public Investment program	Implemented	• The process of project approval has been strengthened. All proposals subject to the scrutiny of Planning Commission, the Central Development Working Party, and the final approval by the Executive Committee of the National Economic Council. Even the organizations earlier excluded from the planning process, such as National highways Authority, have now been brought back into the planning and policy making processes.

Promulgations of Fiscal Responsibility Law		
• Promulgation of Fiscal Responsibility Law to inculcate fiscal prudence	August 2002	• The draft Fiscal Responsibility Law has been placed on the web site of the Ministry of Finance for public debate and will be enacted no later than 31 August 2002. • The law proposes to limit the government to make borrowings only for the purpose of development expenditures and meet all its current expenditures from revenue receipts. Thus no deficit will be allowed in the current account. • In addition, the government will be bound to bring down the level of overall public debt to 60% of GDP, within a period of 10 years, and not to exceed this limit in future. Of course such limits can be relaxed by the Parliament particularly in the case of emergency such as war or natural calamity. • The law also binds the government to regularly place reports of economic developments and progress in achieving the debt limits on a regular basis.

Ministry of Food & Agriculture

PROGRESS OF DETAILED ACTION PLAN

Agriculture		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Autarky in Wheat		

• MINFAL has given a 2-year action plan for wheat, which has the following important elements:-.
• Target small and medium farms, which are 81% of total farm holding.
• Reduce yield gap (currently 65-70%) to 40-45%.
	2000-2002	• Wheat production in 1999-00 was 21.1 million tons as against 17.9 million tonnes in 1998-99. This saved about US $ 500 million from imports. The production for 2000-01 was fixed at 8.410 million hectares and production target at 20.0 million tons. The wheat crop size (2001-02) is estimated at 18.445 million tons. This indicates a decrease of 3.3% over the last year's production of 19.024 million tons. The quantum decrease in wheat production is mainly due to decrease in area by 2.5% and yield by 0.6%.
		  • 2001-02 estimated wheat production of 19,157,000 tons with a yield of 2379 kg/ha as against 19,023,700 tons with a yield of 2325 kg/ha in 2000-01
		  • Estimated cotton production of 10,619,000 bales with yield of 578 kg/ha as against 8,660,000 bales target for the 2001-02 year
		  • Estimated sugarcane production of 48,553,000 tons with yield of 48.4 tons/ha with target of 38,133,000 tons and yield of 44.3 tons/ha for 2001-02
		  • Estimated Rice production of 3,719,000 tons with a yield of 1840 kg/ha as against target of 4,225,000 tons with a yield of 1954 kg/ha
		• All banks and financial intermediateries have been directed to provide credit for setting up storage capacity in private sector. Policy of wheat trade has been liberalized by Government of Pakistan since May 2001. Private traders can purchase wheat from open market for exports. To facilitate exports, wheat disposal committee has been set up by ECC which has allowed Rs. 3500/- PMT as up-gradation cost to be refunded to the exporters on production of export documents. Efforts are being made for maximum involvement of private sector in wheat business. Efforts are also being for exports to Afghanistan, Iraq and Egypt.

• Ensure improved supply of irrigation water.	2001-04	• In collaboration with WAPDA, the Provincial Government Departments are responsible for all aspects of planning, design, construction, modernization and rehabilitation of irrigation and drainage works. Funding for capital works is provided through Federal and Provincial sources, while operation and maintenance for the work, below the barrage level is funded by the Provincial Governments. • Government is implementing a comprehensive water management program. Augmentation of irrigation water from presently 83 MAF to incremental gain of 5.6 MAF by 2011 is planned under following programs: o Construction of Reservoirs (Gomal 1.14 MAF, Mirani 0.30 MAF, Mangla II 2.9 MAF, Satpara 0.05 MAF, Kurram Tangi Dam and small dams 1.2 MAF. o Construction of new canals (Greater Thal Canal, Kacchi Canal, CRBC and Rainee canal) o Delay Action Dams (Ground water recharge of Pashin, quetta, Mastung and Mangochar valleys)
• Promote proper intake of fertilizer.	2000-03	• MINFAL made elaborate arrangements for adequate supply of DAP fertilizer. The Provincial Agriculture Extension Departments are providing training to the farmers on balanced use of fertilizer.
• Induce greater use of capital inputs.	2000-03	• Capital formation in agriculture is not forthcoming due to lack of proper incentives. Investment in agriculture from the public sector is abysmally low. Thus capital input is low.
• Productivity enhancement through improved technologies and extension campaigns.	2001-04	• Production technologies of oil-seeds are being disseminated to farmers by PODB staff in collaboration with provincial agriculture extension department for enhancement of area and productivity. Farmers are being persuaded through field days, farmers' gatherings, information brochures and trainings. • A travelling seminar on sunflower was recently arranged to increase the interaction between farming community and oil seed experts. The seminar has been successful in conveying the sunflower cultivation technology and to attract the growers to this crop.

• Program for achieving self-sufficiency in oil-seeds. The key elements of the program are: • Sunflower and Canola are the lead crops, for which 2 million acres of existing cultivable area will be brought under cultivation over a five-year period. [Presently only 0.6 million acres are under these two crops.]. This will add 0.5 million tons to the current production of edible oil of 0.6 million. The deficit is 1.4 million tons, thus a gap of 0.8 million.	2001-04	• Canola has been increased from 83,000 acres in 2000-01 to 118,000 acres in 2001-02 whereas Sunflower has been cultivated on 282,000 acres this year compared to 154,000 acres in 2000-01. PODB has for the first time introduced the autumn sunflower cultivation and fixed the targets of 17,500 acres in the areas of Punjab, Sindh and Balochistan. • To ameliorate the indigenous edible oil production, PODB has launched two projects on Olive titled " Accelerated Promotion of Olive Cultivation in NWFP and Potohar" and "Rapid Conversion of wild Olive into Oil bearing species". Top working of 109,000 wild olive trees has been completed. More than 8 million wild olive trees will be top worked with the European type olive on completion of these projects. • An Oil palm Development Pilot Project is already in progress. By the end of this year, oil palm cultivation on 1,000 acres in Sindh will be completed. LC for the import of 50,000 seedling from Malaysia has been established. PODB is also looking for other source of oil palm seed/nuts which will be grown at Agricultural Research Institute, Tarnab, Peshawar.

• Indigenous production of hybrid seed for canola and sunflower.		• PODB intends to expand its seed production for which special credit line has been sought to continue this program on a self sustained basis. Canola and sunflower hybrid and variety seed production for the current season is as follows:
		    • Canola Hybrid Seed Production: 35 tons
		    • Canola Variety seed production: 55 ton
		    • Sunflower hybrid seed production: 2.5 ton
		• Sunflower hybrid seed production shall continue in spring season.

• Collaboration with private sector for development of an efficient edible oil industry.	2001-04	• PODB is collaborating private sector for development of edible oil industry vis-avis oil crushing improvements techniques of oil expellers that are presently crushing cottonseed only and good amount of oil is wasted. • A conference was arranged by PODB to review future strategy for oilseed development. All stakeholders including solvent industry presented their views for the development of oilseed industry. Recommendations given by different stakeholders shall be incorporated in future strategy for oil seeds.

• Contractual arrangements between industry and farmers for guaranteed procurement.	2001-04	• Solvent industry has announced a procurement price of Rs. 560 per 40 kg for sunflower crop in 2001-02. Solvent industry is ready to enter in to contract agreements with farmers for a guaranteed procurement. Solvent industry has also committed to procure Canola produce @ 610/40 kg. PODB has provided list of potential growers of sunflower to ensure procurement of produce.
• Revitalization of Oilseed Development Board and increased funding through the levy of cess at enhanced rate of 1% on edible oil imports.	2001-02	• A proposal on making PODB as attached department or an autonomous body is under consideration in MINFAL. In budget 2000, a cess @ Rs.120 per ton was levied on oilseeds imported for crushing purposes. There is already a cess @ Rs. 50 per ton on imported edible oils. These rates are still continuing.
• Corporate agriculture	Ongoing	• A Corporate Agriculture Farming Policy prepared by MINFAL in consultation with Ministry of finance, CBR, BOI and provincial agriculture ministers in March 2001 was approved by the President. Corporate sector would bring the needed capital. • During implementation of policy package, there was some criticism by stakeholders. A revised policy has been prepared and resubmitted for approval of Cabinet. • A Chinese Cooperative model farm is being introduced with the assistance of Chinese government. • An Investment Policy for the Agriculture sector was also announced by BOI recently under which the import tariff on agricultural machinery (not manufactured locally) will be zero rated. • There will be no upper ceiling on land holding for registered agricultural companies. However, income of these companies would be taxable. Activities including Land development/Reclamation of barren, desert and hilly land for agriculture purpose and crops farming; Reclamation of water front areas or creeks; Crop, fruits, vegetables, flowers farming / Integrated agriculture (cultivation and processing of crops); modernization and development of irrigation facilities and water management; Plantation, Forestry and Horticulture would be available for foreign investment in agriculture sector.

Supply of Inputs		
• Import of DAP fertilizer.	Implemented	• Import of DAP has been deregulated. MINFAL is encouraging private sector to import DAP.
Deregulation of Agricultural Prices		
• Wheat prices and regulation of wheat trade.	Implemented	• Government has already deregulated all commodities including wheat.
• Price stabilization arrangements.	2001-02	• The Cabinet Committee on Crop Surpluses is considering several proposals including National Agriculture Development Foundation, Revival of Market Cooperatives and future hedging. Committee constituted by the Chief Executive on Support Price and Marketing Issues is also analyzing these issues. The reports have been finalized for necessary action.
Livestock & Fisheries Sector		
• Initiate projects to improve the sector		• **Livestock:** o Project "Epidemiological analysis of rinderpest an development of replication strategy" completed o 5 slaughter houses established (2 in Karachi and 3 in Lahore) o Islamabad Milk plant revitalized o National Veterinary Lab under construction in Islamabad o Control of trans-boundary animal diseases project underway o Exports of livestock increased from Rs. 39.45 billion in 2000 to Rs.53.03 billion in 2001. • **Fisheries:** o 6700 fishermen in Sindh and Baluchistan trained by Marine Fisheries Department o Deep sea fishing policy amended and zone 12-35 nautical miles brought into net o Hatchery complex established in Karachi o Korangi fish harbour operationalized in Karachi

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Initiate programs to stop deterioration of irrigation infrastructure
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<td>Under Implementation</td>
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Government plans to reclaim 6.6 MAF through system rehabilitation and efficient water usage, with an incremental gain of 6 MAF by 2011.
Programs include:

Irrigation system rehabilitation in Punjab and Sindh
Outfall Drainage Left (Ongoing) and right (New) bank of Indus
Water table control through on going SCARPs and tube well transitioning.
Institutional reforms.

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Prepare a policy framework for allotment and distribution of lands.
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<td>On going</td>
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Policy framework for allotment of resumed, state and enemy land was finalized on December 5, 2000.
Proposed amendments in the Land Reforms Law in the light of the judgement of the Supreme Appellate Bench of the Supreme Court, have been sent to Ministry of Law and Justice through Cabinet Division for vetting.
This process will be further extended to ensure proper cultivation of such land and the ADBP will be co-opted to design special package for providing credit to these farmers. Work has also been initiated on proposed amendments of the land reforms law in light of the Supreme Appellate Bench judgment announced in 1989, to make it compatible with Islamic injunctions

<table>
<tr><th>Province</th><th>Land Available on 31-12-00</th><th>Distributed upto 31-12-01</th><th>Number of Beneficiaries</th></tr>
<tr><td></td><td>Acres</td><td>Acres</td><td></td></tr>
<tr><td>Punjab</td><td>225,444</td><td>14,657</td><td>1,181</td></tr>
<tr><td>Sindh</td><td>806,084</td><td>46,515</td><td>4,138</td></tr>
<tr><td>NWFP</td><td>696,369</td><td>0</td><td>0</td></tr>
<tr><td>Balochistan</td><td>1,514,947</td><td>3,844</td><td>138</td></tr>
<tr><td>TOTAL</td><td>3,244,844</td><td>65,016</td><td>5,457</td></tr>
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Land includes Resumed Land, State land and Enemy Land.
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Revitalizing ADBP		
• Restructuring agricultural credit • Induction of professional management	2001-03	• New professional management is undertaking grass roots reorganization to improve participation of bank in agricultural development. Consultants M/S Taseer Hadi and company are expected to complete assignment shortly. • MINFAL is conducting monthly credit review meeting with all financial institutions to review releases and difficulties being faced by institutions. This is helping to increase pace of releases. • July-April 2002-02 indicates that Rs. 36 billion has been disbursed by all banks except Khushali bank compared to last year disbursements of Rs. 31.6 billion, which is 14% higher and is 60% utilization. • Government is taking necessary steps to provide input facilities like seeds, fertilizer pesticides and other agri machinery to enhance agricultural productivity and exports. Credit allocation has been increased of Rs. 49.3 billion in 2000-01 has been increased to Rs. 60 billion in 2001-02, giving an increase of 22%. • SBP has directed ADBP to give as much credit to the agricultural sector as can be absorbed by the farming community. This is an unprecedented move aimed at enhancing the flow of credit to the agricultural sector. • Agricultural Development Bank of Pakistan disbursed 80 per cent of its agricultural credit to small farmers. Government is taking necessary steps to provide input facilities like seeds, fertilizer pesticides and other agri machinery to enhance agricultural productivity and exports.
• Rural Finance Program	2002-04	• Government is working for greater outreach through Rural Finance Program through financing of Asian Development Bank. It aims to establish alternative options to ADBP. • ADBP will be structures on successful international practices with goal of achieving break even in four years time. The program aims at: • Outreach of ADBP to 800,000 clients by end 2005 as compared to current 400,000 clients • Clientele focus to small farmers and low income households (75% by loans disbursed) and 15% of clients to be women by year 2005. • Savings products would be adapted for rural savers with Production loan (less than 1 year) and Medium term loans (less than 2 years) • Trade finance products targeted at marketing of agri produce.

On Farm Water Management		
• Lining of 10,000 water-courses, desiltation of 50,000 water courses, precision land leveling of 100,000 acres, 1000 micro irrigation schemes and 1000 water storage tanks will be launched .	Medium Term	• The program has achieved its desired results to control heavy losses in conveyance system at farm level. Out of 135,000 water courses, about 48,000 are lined under World Bank project. Similarly under JBIC project, more than 22,000 water courses have been lined and 107,000 hectares land has been leveled. • On-Farm Water Management project-IV has been taken to World Bank where 10,070 water courses lining and land leveling of 30,000 hectares is planned. The OFWM project NWFP and FATA has been taken off and is expected to start soon. • Islamic Development is helping to line 320 water courses in Chagai, Balochistan. • To overcome water shortage and control water logging, installation of 10,000 irrigation tube-wells program in all four provinces is expected to start soon.
• Package with the help of all public sector financial institutions to provide funding for water conservation and development schemes by introducing new means of irrigation and extending loans for installation of tube wells, construction of mini dams etc.	Medium term	• Government is giving special attention to initiatives that will mitigate water logging and salinity, especially in areas where the water table lies at 0-5 feet depth below the surface. Under on going and new Salinity Control and Reclamation Projects (SCARPs), an area of 2.7 million hectares inclusive of completed projects (having water table depth between 0 and 5 feet) will be reclaimed/restored for agricultural production through rehabilitation and new investments. Moreover, surface drains will be constructed in areas faced with surface runoff resulting from rainfall or excess irrigation (e.g. rice drainage). Efforts will continue to transfer SCARP tube wells from the public to the private sector in order to encourage private sector participation in this program.

Ministry of Commerce

PROGRESS OF DETAILED ACTION PLAN

Non-Traditional Exports		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Developing Markets for Non-Traditional Agriculture Exports		
• A Horticulture Exports Board will be established to promote integrated development, through various stages of production and processing of vegetables, fruits and flowers for the purpose of exports.	2002-03	• A Horticulture Export Board is being established to promote exports, through various stages of production and processing, of fruits, flowers, and vegetables. • The Board will be a non-government effort, which will be spearheaded, in the form of a guarantee limited company, by various stakeholders in this sub-sector.
• EPB will develop a medium term program for marketing Horticulture products of Pakistan.	2002-03	• Under process
• The feasibilities of following joint ventures between PIDC and private sector to be finalized: • Modern Fish Processing Plant at Fish Harbor. • Ice Flak Plan at Fish Harbor. • Rice Processing/ Re-processing Plant: Upper Sindh. • Rice Parboiling Plant: Upper Sindh. • Seed Multiplier. • Potato Grading Plants: Abottabad, Sahiwal, Sialkot and Karachi. • Mango Vapour Treatment Plant: Multan and Karachi.	2001-02	• PIDC has informed that their Board does not favor funding of 100 percent. The joint ventures with private sectors participation upto 50% equity can be formed. In this regard, only one feasibility has been undertaken relating to cold storage facility at Lahore.. • Karachi, Multan, Rawalpindi, Quetta and Sialkot. No private party has shown interest in the remaining nine areas identified for joint venture. Hence due to poor response from private sector the joint venture proposals are unlikely to be implemented in any time frame. • Export Promotion board is taking initiative. Date shows are being arranged in Sindh to boost exports.

• Fruit Processing/Juice & Tomato Paste, Quetta and other locations. • Cold Storage at Lahore, Karachi, Multan, Rawalpindi, Quetta and Sialkot Airports. • Dates Processing Plant in Balochistan.		
Development of Fisheries Sector		
• Develop a broad-based program of re-building the entire value chain of fisheries sector, including harvesting, processing and exports. Key elements are: • Refurbishing the entire fleet of 3500 trawlers currently engaged in catch, with an investment of Rs.6 billion, which banks are prepared to finance. • Making the fishery operation conform to the requirement of European Union markets. • Identification of feasible projects in processing sector for value addition.	Done	• The new designs of fish holds have been developed and tested indicating improvement in the quality of fish. Specialized financing scheme for modification of trawlers has been launched by Small Business Finance Corporation. 20 boats out of 3500 trawlers have been refurbished. The poor response in this scheme identified lack of awareness, lack of understanding of the benefits to fish catchers and lack of marketing efforts as the main reasons. If 500 boats are refurbished in a year time, this will provide a critical mass to gain a momentum and introduce some confidence towards successful implementation of the scheme. In the areas of projects identified by SMEDA, the work on IDF Shrimp plant and Surimi plant could be started whereas the remaining four projects relating to Susheme Grade Tuna Plant, High Value Added Drying Smoking Plant, Live Crabs/Lobsters and Aquaculture Projects and still untouched. SMEDA is of the opinion that even if some momentum is picked up within a year, it will take at least 3-4 years for this programme to bear fruit. • Under the specialized financing scheme by Small Business Finance Corporation, 50 individual cases are lined up with SBFC for credit. Additionally training of fishermen continues with the total number trained reaching above 8,500. • EU has upgraded Pakistan to List-1 for export of seafood. • Following projects have been identified: • IDF Shrimp Plant & Surimi Plant • Susheme Grant Tuna Plant • Value Added Drying Smoking Plant • Live Crabs/Lobsters/Squid • Aquaculture Projects

Trade Agreements		
• To promote bilateral as well as multilateral trade relations with other countries and regions.	Ongoing	• Trade Agreement with Jordan was signed on 17-2-2000 • Trade Agreement with Lebanon was signed on 9-01-2001 • FPCC&I trade delegation visited Thailand in November 2001 and signed a cooperation agreement with Thai Board of Trade • MOU on establishment of Pak Saudi Joint Business Council has been signed on Jan 31, 2001 at Riyadh • Trade Agreement with Croatia was ratified on 25-10-2001 • Pakistan had been able to negotiate a 15% increase in trade access with EC after the September 11, 2001
Tariff Commission		
▪ Tariff commission to be made autonomous	Implemented	• The National Tariff Commission is an autonomous agency that conduct studies, make reports and give recommendations to the Federal Government on tariff protection to the domestic industries. • The Government has recently promulgated Anti-dumping Ordinance 2000 and Countervailing Ordinance 2001 and power to administer and implement the Ordinances has been designated to the Commission. The Ordinances has given quasi-judicial powers to the Commission to conduct Anti-dumping and Countervailing investigations and imposition of provisional as well as final Antidumping and Countervailing duties.
▪ Tariff Commission, besides holding public hearings, will constitute a committee of CBR, Commerce and Finance for consultation before finalizing its recommendations.	30-06-2000	• Economic Co-ordination Committee in its meeting on 09-02-2001 considered the summary on procedure of Processing. NTC Reports submitted by MOC and approved the proposal.
• Reduce maximum nominal, effective tariff to 25 per cent.	Implemented	• Implemented from July 01, 2002.
• Completion of trade policy review and announce plans to reduce tariff rates, exemptions, and slabs.	2001-02	• Implemented. A policy has been announced to invigorate the Textile Sector (Textile Vision 2005), with the aim of preparing it for the post MFA environment.

Ministry of Industries & Production

PROGRESS OF DETAILED ACTION PLAN

Industrial Development		
Proposed Policy	**Time Frame**	**Status as of June 2002.**
Export Oriented Industrial Policy		
• Industrial Policy for boosting exports.	June 2001	• Ministry of Industries and Production has identified the following challenges facing the manufacturing sector: 1. Exorbitant cost of doing business in Pakistan 2. Excessive regulatory overhang 3. Absence of enabling environment 4. Understanding gap between government policies and public perception. 5. Defective delivery system 6. Poor capacity building particularly in technological and HRD areas. • Ministry has undertaken a number of initiatives to address these challenges 1. New Industrial Policy 2. Sectoral policies are being pursued vigorously 3. Textile Vision 2005 has been announced 4. Textile Board has been established to implement Textile Vision 5. Development of Engineering Vision. • To bridge the understanding gap, a regular contact is being maintained with the stakeholders by: 1. Holding meetings with stakeholders on specific issues 2. Visiting chambers/trade associations by Secretary Industries 3. Formulation of stakeholders committees to get policy input from the private sector 4. Identifying key persons to serve as resource persons for cultivating private sector input on various policy issues 5. As a result, private sector stakeholders have started looking up to the Ministry

		as a useful bridge between private sector entrepreneurs and government. The process needs to be reinforced and strengthened.
• Reorganization and restructuring of Ministry of Industries and Production	Implemented	• Experts Advisory Cell has been reorganized as sectoral specialists and industrial performance monitoring agency. • In order to increase productivity and enhance collaboration with APO Japan, government has established National Productivity Organization in Islamabad to carry out productivity related activities. • Textile commissioner's organization will also monitor global technological development and recommend suitable technology for upgradation of local textile industry. • Reactivation of industrial support departments and R&D like Pakistan Industrial Technical Assistance Center (PITAC); plastic technology center and synthetic fiber development and application center.
• Effective coordination with other ministries for corporate decision making under an integrated approach for injecting principles, objectivity and sustainability to policy making	2001-03	• Rationalization of customs tariff in budget 2001 • Effective coordination with Ministry of Finance and private sector stakeholders. • Necessary assistance is being provided to Ministry of Commerce in its efforts to rationalize Trade Policy • Inter-ministerial coordination is being duly supported to establish an Intellectual Property Rights Authority as recommended by World Intellectual property Organization • Pakistan's obligations under the Montreal protocol in terms of phasing out consumption of CFC gases and CFC based equipment, are being implemented in coordination with Ministry of Environment and other stakeholders • Pakistan's obligations under World Trade Organization in terms of phasing out the Deletion programs (under indigenisation scheme) are being implemented in coordination with the ministry of Commerce and other stakeholders. • Process of formulating quality standards has been initiated in coordination with Ministry of Science and Technology (Pakistan Standard Quality control Authority). • Export triangle covering Sialkot, Gujranwala, Wazirabad and Gujrat is being focused for strengthening the export potential of the region • Three engineering colleges have been planned in private sector for support of specific disciplines in export triangle. The first such college is in advanced stage in Gujranwala • For E-Government, computerization and upgradation efforts are underway. LAN has been installed in Ministry and officers are being provided with necessary skills

		in IT.
• Development of Export Processing Zones	Ongoing	• Ministry is encouraging the development of such zones in the country as follows: • EPZ at Sialkot and Risalpur are near completion • Saindak has been approved as an EPZ • Proposal for Roki Dek in Balouchistan is in hand. • Fasialabad is also being analyzed as potential EPZ • Other focal points with export potential are being encouraged on self help basis
• Other initiatives	Ongoing	• A new scheme known as Emerging Electronic Products Assembly Scheme (EEPAS) has been introduced to encourage assembly and late production of electronic goods for both local consumption and exports. • New Fertilizer policy has been announced aiming at encouraging new investments in fertilizer industry through rationalization of gas prices, customs tariff and deregulation is sale of fertilizer alongwith tax concessions. • Stakeholders committees have been appointed for the following purposes: • Formulating recommendations for budget 2002-03 for tariff rationalization • Formulating proposals for reducing the cost of doing business in Pakistan • Formulating proposals for reducing the regulatory overhang in manufacturing sector of the country.
• Committee on reforms for decontrol in legal regulatory and policy environment of industrial and commercial sectors	2002-03	• After reviewing commercial/labor laws affecting industrial sector specially SMEs, 101 laws under 10 different categories have been reduced to 56 laws under categories by the committee on Labor Laws • Draft Boiler amendment Ordinance 2002 has been prepared and submitted to Law Division for vetting • Draft Explosive Amendment Ordinance 2002 has been prepared and submitted to Law Division for vetting • Department of Supply has been closed wef 01-07-2002. • 313 pharmaceutical products are being reduced to 93 from the price control list allowing market forces to determine their prices. Draft pharmaceutical policy is under submission to Minister for Industries and Production for presentation to President on July 15, 2002 • Work on amendments of Factories Act, Drug Act and Sugar Act is in progress

Small & Medium Enterprise Development Authority (SMEDA)		
• Promotion of Small and Medium Industry	On-going	• Small and Medium Enterprises (SMEs) remain a top priority agenda of the Government of Pakistan. SMEDA is playing a pivotal role in taking this agenda forward by working together with other institutions like SME Bank, First Women Bank, and provincial small industries corporations. SMEDA during FY 2002 has spearheaded in mobilizing SME clusters, upgrading the technical capacity on important business sectors, providing business development services, training the human resource and upgrading the technology of different sectors. • SMEDA is presently working with five mega clusters in Punjab (Garments, Horticulture, Fans, Jewelry, Leather and cutlery), three each is Sindh (Fisheries, horticulture, automotive vendors) and NWFP (Marble & Granite, Gems and Carpets) and two in Balochistan (Apple and Dates). • Technological improvement in the industrial processing is another area where SMEDA is creating value by carrying out projects in improving design, energy and production efficiency. Cotton ginning, Ceramic kilns and power looms up-gradation projects are some of these to be cited here. • Provision of Business Development Services and individual hand holding is being done through SMEDA front office in four provincial offices and Regional Business Centers which have established at the Chambers of Commerce and Industry. These offices provide information to new and existing entrepreneurs. Over 100 pre-feasibility studies, regulatory procedures, sector briefs and databases have been posted at SMEDA web-site both in English and Urdu (www.smeda.org.pk). That have been accessed by 200,000 people in last one year. • SMEDA has also launched first Buyer to Buyer (B to B) portal on its web-site. This free of charge service access to 220 countries in the world with over 250,000 trade leads available on the net. An Industrial Information Network (IIN) for SMEs has recently been launched by SMEDA together with SME Bank, COMSATS and UNIDO to establish a sustainable web-based industrial network in Pakistan that provides business information and value added support to SMEs. • Over 150,000 were trained by SMEDA in FY 2002 through specific training programs, participatory workshops and information awareness seminars. • SMEDA has entered into strategic partnership with financial institutions like SME Bank and Habib Bank Limited to start program lending. Fisheries and automotive are two sectors where lending has begun. Another partnership is established with First Women Bank for development of hitherto neglected Women Entrepreneurs. The collaboration has opened new vistas of opportunity for the women

		entrepreneurs where FWBL is providing financial assistance of Rs. 100,000 to Rs. 500,000 while SMEDA is complementing with the provision of regulatory, legal and business development services. • SMEDA is working together with the World Bank to carry out an Investment Climate Survey (ICS) for the small and medium enterprises in Pakistan. Another comprehensive study of the SME sector with Asian Development Bank aims to preparing a master plan for the development of SMEs. A preliminary study is underway that will be followed by a medium term project to undertake institutional reforms and develop suitable business and financial service channels and products to facilitate a demand led growth of SMEs.
National Productivity Organization		
• Establishment of National Productivity Organization (NPO)	2001-02	• A total functional new NPO Secretariat in Islamabad has been established. A presentation on the objectives, Action Plan, and Accomplishments till to-date were given to the Minister of Industries and Production on August 15, 2001, which was appreciated and recognized by all the participating members (Directors of APO for Pakistan); it now serves as the mandate for NPO and its future operations and strategy. • Developed its website (www.npo.gov.pk). The site is still under modification and further construction. NPO expects local area network to facilitate information flow. • Two interactive workshops were held by NPO with Lahore Chamber of Commerce (LCCI) and Industry and SMEDA as the co-hosts: • **Productivity** Training program was held in Lahore for promotion of productivity throughout the country. It was decided that the Japanese way of improving quality and productivity through Quality Control Circles (QCCs) would be made effective in 1-various sectors of the economy to enhance productivity. • **Green Productivity** NPO intends to enhance its consulting capabilities on the environment by cooperation with universities, R&D institutes, NGOs and other relevant organizations. The idea was discussed with the LCCI and SMEDA at another workshop. It was decided that the APO and NPO would select companies from selected industries where the GP implementation will have a “multiplier effect” thereby serving as a benchmark for future implementation

		For environment sustainability., major project in the Pakistan 2012 include the development of programs for conservation of energy, clean air and water amongst others through substantial investment in (S&T) education.
Board of Investment		
• Revamping of BOI Ordinance	Implemented	• BOI Ordinance was approved and promulgated on March 22, 2001. It has now: • Laid the foundations for a complete revamping of BOI • New organization structure and reform plans have been implemented.
• New industrial policy to induce investment	2001-02	• Pakistan's investment policy, generally recognized as one of the most favorable in the region, has long been characterized by steady moves to liberalization, deregulation, and privatization. The policy direction has been consistent, market-led, and business-friendly. Main features of the Investment Policy are: • All industries are open to investment without government permission (except four specified industries) Arms & Ammunitions, High Explosives, Radio-Active Substances, Security Printing, Currency or Mint • Liberalization of service, infrastructure, social, and agriculture sectors for foreign investment (please track recent developments through the BOI's Web Site: • Industrial, infrastructure, and social sectors open to 100 percent foreign ownership • Services has an upper limit of 60 percent foreign ownership (100 percent foreign equity allowed in services for the first five years) • Complete freedom of choice on location of activities • Full repatriation of capital, profits and dividends from all activities • Royalty, technical, and franchise fee payments allowed for all sectors • No requirement of minimum investment amount in the industrial and agricultural sector. Requirement of minimum investment of US$ 300,000 in infrastructure, social and services. sectors • Duty-free import of machinery for high technology, value-added, export industries, and corporate agriculture

• Fiscal Incentives	Implemented	**Tariff incentives** • Duty exemption on machinery and equipment for IT and Agriculture sector. Customs duty at 5% only will be charged on import of plants, machinery and equipment (PME) for value added, export and hi-tech industries • Concessional import duty at 10% on PME for other priority industries, services, infrastructure, and social sector projects **Tax incentives** • Tax relief (first-year allowance) for PME costs • 90 % for value-added, export, and hi-tech industries • 75% for other priority industries, infrastructure, and corporate agriculture • 50% for services and social sector
• Implementation of Investment Policy Reforms	Implemented	• As a broad policy initiatives, following reforms have been implemented todate: • All activities in service sector opened for FDI • Minimum foreign equity limits reduced • Remittances of franchise, royalty and technical fees for non-manufacturing sectors allowed. • Key industries added to positive list of value added industries • Tourism, housing & construction granted industry status • Immigration policies greatly improved.
• Reconstitution of BOI Board	Implemented	• BOI Board has been reconstituted under the chairmanship of the president and the Chief Executive of Pakistan. Eleven members have been taken from private sector. First meeting will be convened shortly • Induction of young professionals from the private sector has been completed. Six MBAs are presently working. • Honorary Investment Counselors have been notified in target countries.
• Revival of Provincial Committees on Investment (PCOI)	Implemented	• BOI provided professional input in the process—brainstorming meeting, guidelines, and investment facilitation materials • First meetings of all PCOIs have already been held • Two industrial estates per province have been identified for transformation into model estates.

• Improvement of information on investment	On-going	• BOI has prepared a strategy and has shared with provinces • Meetings with all key stakeholders have taken place (SBP, SECP, etc) • Focal points have been identified—SBP for FDI data, SECP and FBS for foreign and local investment data. Working paper prepared by the Statistics Division in this regard has been submitted to the Minister for Commerce. • BOI brochures have been placed in PIA international flights.
• Collaboration with BOIs investment partners	On-going	• Foreign and domestic investment companies in Pakistan—one-to-one meetings with more than 60 national companies and with 20 foreign companies have taken place. • 20 groups of foreign missions in Pakistan have been given briefing • Pakistan ambassadors have also been briefed • BOI has implemented targeted investment promotion strategy
• BOI future action plans	On-going	• Strengthen investment promotion targeting • Develop sectoral profiles of priority investment opportunities • Accelerate implementation of image building campaign. • Investment conference was held in Berlin, Germany, on September 21, 2001. About 150 participants attended the event, out of which 80 were German. Pakistani investors also showed keen interest. An MOU was signed for development of cargo handling facilities at Pakistani airports. Investment conference was also planned in London on September 24, 2001, but was postponed on the recommendation of Pakistani High Commission. • Similar conferences are being planned to be held in Far-East, USA and other EC countries where investment potential exists.

Ministry of Privatization

PROGRESS OF DETAILED ACTION PLAN

Privatization		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Reactivation of Privatization Process		
• The necessary preparatory work is under way for launching the program. A work plan will be submitted for approval of the Cabinet that will identify short (6 months), medium (12 months) and long term (18 months) candidates for privatization.	Ongoing	• The Cabinet Committee on Privatization (CCOP) in its meeting held on April 11, 2000 approved the short-term program (ending December 2000). CCOP directed to submit the medium term program (ending June 2002) for approval of the cabinet. CCOP deferred the long-term program for consideration in its next meeting. CCOP also directed that list of strategic assets should be reviewed in consultation with Ministries / Divisions. The decisions of CCOP were received on April 18, 2000. The program periods are as under: o Short Term (Ending December 2000) o Medium Term (Ending June, 2002) o Long Term (1st July, 2002 onwards) • A Summary inter alia, including medium term program and list of strategic assets was considered by the cabinet in its meeting held on 16th August 2000. The Cabinet while taking note of list of strategic assets approved the medium term program. • Privatization Ordinance 2000 was promulgated on 29th September 2000. • The transactions included in the short and medium term programs are under process and is an ongoing process. • **Launching of short and medium term plan therefore stands implemented.** • Recognizing that there is little to be gained in taking transaction prematurely, focus has been on resolving investors' disputes, restructuring and strengthening of Ministry of Privatization, hiring world class financial advisors, strengthening regulatory frameworks and marketing efforts.

• Mode of Upcoming Transactions	2001-2004	• Allied Bank Limited: Rights Offering • Habib Bank Limited: Rights Offering and Strategic Sale • Habib Credit and Exchange/Al-Falah Bank: Capital Market Transaction/Block Sale • Investment Corporation of Pakistan: Strategic Sale • National Bank of Pakistan: Initial Public Offering • National Investment Trust: Strategic Sale • United Bank Limited: Strategic Sale • Heavy Mechanical Complex: Auction • Heavy Electrical Complex: Auction • Pak Saudi Fertilizers: Auction • Pak Arab Fertilizers: Auction • KESC: Strategic Sale • PTCL: Strategic Sale • Attock Refinery Limited: Capital Market Transaction • OGDC: Strategic Sale • Pakistan Oilfields Limited: Capital Market Transaction • Pakistan State Oil: Strategic Sale • PSO's LPG Business: Auction • SNGPL: Strategic Sale • SNGPL LPG Assets: • Sui Southern Gas Company: Strategic Sale • SSGC Meter Manufacturing Unit: Auction • Working Interest in Oil Fields: Auction
• The draft law to guide the process of privatization.	Implemented	• Privatization Commission Ordinance 2000 was promulgated on 28-09-2000, which has following key features: o PC's exclusive jurisdiction to undertake privatization of public sector units other than those declared strategic. o Special courts to have jurisdiction to hear dispute on privatization matters. o Transparency of the process. o Reservation of a portion of dis-invested shares for labor. o Reservation of a portion of the dis-investment for the stock markets. o Use of net privatization proceeds exclusive for retirement of most expensive public debt.

Apart from a general provision in law, stock markets will be used to reactivate the process.	2001-02	• The proposal of offering shares as a composite fund is not feasible under the present circumstances. However, a basket of public sector shares is being prepared which would be offered as a composite fund to the stock market. • PC has therefore undertaken the listing and public offering of small chunks of some of the entities (HBL, NBP & MCB) directly through the stock market. Details are given in next item including the position relating to public offering of shares of SSGC and divestment of GOP holding in POL and ARL • Other than the basket, small chunks of some of the prospective units, like HBL or PSO, will be offered in the market to develop the market and test the market sentiment.
Privatization Process after Sep 11, 2001		
• Impact of September 11, 2001 and war against terrorism on Privatization process in Pakistan		• Several large transactions with foreign interested parties that were to come up for bidding during the last quarter of 2001 have been postponed by three or four months at the request of some of the parties who had submitted expressions of interest (EOIs) and/or at the advice of the Financial Advisor. These include PTCL, Government's minority working interest in nine oil and gas fields, United Bank Limited, National Power Construction Company and Faletti's hotel. • Others have been offered or are being offered for bidding with little or minor delays. These include the LPG assets of SNGPL (sale agreement signed in October), Lasbella Textile Mills, the meter manufacturing unit of SSGC, and minority share sales of Muslim Commercial Bank Limited (all in November), PECO Badami Bagh, an office building of Republic Motors, Bolan Textile Mills, and Hyatt Regency Hotel (all in January). • Preparation for the larger units that were expected to be bid during the first or second quarter of 2002 is largely on schedule, with minor delays due to restrictions on financial advisors in travelling to Pakistan (PSO and KESC), difficulties in hiring new financial advisors because of the regional uncertainties and travel restrictions (Habib Bank, Sui transmission and distribution companies, Jamshoro, and FESCO), difficulties in taking unpopular pricing decisions (PPL) and greater than expected complexities during preparation (OGDCL). The delay in selling Pak Saudi Fertilizers has also delayed the planned sale of Pak-Arab Fertilizers, which is now expected to be bid in mid-2002

Finance and Banking Sector		
• Allied Bank Limited	2001-02	• SOQs have been issued to9 parties who had submitted EOIs. 5 SOQs were received by 11-02-2002. The data room is expected to be opened shortly.
• Muslim Commercial Bank	2001-02	• 15.0 million shares of MCB have been sold to five qualified bidders. Shares purchase agreement signed on January 30, 2001. Payment/Delivery process has been completed and sale proceeds of over Rs. 563 million has been realized. • Divestment of GOP's remaining 9% shares of MCB through CDC has been reinitiated. SBP has opened a CDC account and transferred their shares. Authorization in favor of PC to operate the CDC account on behalf of SBP is awaited.
• United Bank Limited	2001-02	• Highest bid of Rs. 8.6 billion received from owners of MCB. MCB has been asked to raise the bid price.
• Habib Credit and Exchange	2001-02	• Arif Habib Securities has initiated the work on this transaction. PC has also advertised in press for divestment of 10% shares to employees from whom 86 applications were received. Block sale of 20% shares plus left over shares of employees is also under process.
• National Investment Trust	2001-02	• Due diligence have been completed
• National Bank of Pakistan	2001-02	• Rights issue of upto 10% of National Bank of Pakistan have been offered • Offer for further sale of GOP owned shares of NBP is to be processed once market conditions improve.
Telecommunication Sector		
• Pakistan Telecommunication Company Limited	2001-02	• Eleven EOI have been received for the sale of Pakistan Telecommunication Company Limited. Valuation model and transaction structure is being processed. Statement of Qualification was approved by Board of Privatization Commission on August 11, 2001. SOQs have been sent to parties who had submitted EOI. Pre-qualification process is expected to be finalized by mid 2002 and due diligence by pre-qualified bidders is scheduled in June 2002.

Oil and Gas Sector		
• Oil and Gas Development Company Limited	2001-02	• Merrill Lynch is the appointed FA, which started work in December 2000. Due diligence is underway. Preliminary marketing is expected by mid 2002.
• LPG Business of SNGPL	Implemented	• Highest bid of Rs. 1472 million was given by Shell. • Asset Sale Agreement has been signed.
• Attock Refinery Limited	2001-02	• Consortiums of Jardine Fleming, Ferguson Associates, and Orr Dignam have been appointed on 30-11-00 as Lead Manager for Divestment of 35% GOP owned shares in Attock Refinery Ltd. Lead Manager has commenced work and is in the place of data collection/due diligence. Valuation is expected to be completed once the audited accounts for the year ending June 30, 2001 are available. • Lead Manager has advised that transaction cannot be undertaken under current conditions.
• Pakistan Oilfields Limited	2001-02	• Lead Manager for divestment of 35% GOP shares in POL transaction and has collected most of the information/data. Appointment of Gaffney Cline and Associates has been approved as a sub-contractor for technical audit of reserve of POL Oilfields. • CCOP has approved the proposal of divesting 9 % GOP shares of Pakistan Oilfields Limited (POL) at market price through Central Depository Company (CDC). • Marketing of remaining 26% shares through block sale will be processed.
• Meter Manufacturing Plant of Sui Southern Gas Company.	2001-02	• Ten EOIs have been received. • Bidding was scheduled for September 29, 2001 but was postponed upon request from prospective bidders
• Disinvestment of GOP working interests in nine oil and gas discoveries	2001-02	• Twelve EOIs have been received. • Bidding was scheduled for October 15, 2001 but was postponed upon request of prospective bidders
• Pakistan State Oil Limited	2001-02	• JP Morgan has been appointed as FA. Due diligence is underway • Preliminary marketing is expected to commence by June 2002.

• Karachi Electricity Supply Corporation	2001-02	• Price Waterhouse Coopers has been appointed as FA • ADB has provided grant of US$ 1 million (and the remaining to be contributed by PC) for FA • Draft reports of phases 1 and 2 have been received from PA. • Privatization is expected by December 2002.
• Pak Saudi Fertilizer limited	2001-02	• The Cabinet Committee on Privatisation (CCOP) approved on March 11, 2002 the highest bid received for the sale of Pak Saudi Fertilizers Limited (PSFL) to Fauji Fertilizer Company Limited Consortium for Rs.135.85 per share, which will yield proceeds of over Rupees eight billion.

Ministry of Petroleum & Natural Resources

PROGRESS OF DETAILED ACTION PLAN

Oil & Gas Sector		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Legal Cover to Policy Commitments		
• PNR has proposed that fiscal aspects of 1994 1997 policies be incorporated in the Economic Reforms Act, 1972.	No Time Frame	• MPNR took up the matter with Finance Division and BOI. Finance Division had informed that the amendments proposed by MPNR were included in the draft Summary for the Cabinet. Since the Policy provided for foreign exchange cover to local E&P companies, the summary was deferred subsequent to foreign exchange prices after May 1998 as a general policy with all other similar cases. Ministry has again taken up the matter with the Finance Division to expedite.
Regulatory Authorities		
• The Ordinance has been promulgated. The appointments of chairman and members will be done shortly and GRA will be fully operational before the next budget.	Implemented	• The Chairman and two members of GRA have been appointed.
• Petroleum Regulatory Board will be set up shortly.	Implemented	• The ordinance for establishment of Petroleum Regulatory Authority now Oil and Gas Regulatory Authority (OGRA) was promulgated on March 28, 2002. The ORGA falls under the purview of Cabinet Division.
• A Holding Company to control all the shares of government in oil & gas sector will be formed shortly.	Implemented	• Holding Company named Government Holdings (private) Limited Company (GHPL) is functional since July 01, 2001 to manage government's investments in upstream sector.
Development of Discovered Fields		
• Ministry has submitted the following plans: • 172 MMCFD additional gas from Miano, Zamama, Hasan.	On going	• In accordance with the package approved by the Cabinet following Gas Sale Purchase Agreements have since been concluded: ➢ With OMV for supply of 100 MMCFD of gas from Miano (by early 2002). ➢ BHP for supply of 60 MMCFD of gas Zamama gas filed (by April, 2001).

		➢ With PPL for supply of 12 MMCFD of gas from Hassan Field (by 12/00)
• 50 MMCFD from Badin-II.		➢ With UTP for supply of 50 MMCFD of gas from Badin-II. The gas is currently being supplied to SSGCL.
• 120 MMCFD additional gas from Sawan		• Field is expected to be put on production @ 120 MMCFD by June 2003.
• 216 MMCFD from Bhit		• GSA has been signed with Lasmo. 216 MMCFD gas suppy by June 2003.
• 100 MMCFD additional gas from Qadirpur.		• GOP has in principle approved development plan for providing additional 100 MMCFD from Qadirpur field. OGDCL is finalizing contract with engineering contractor to achieve additional production by December 2002.
• Status of other discoveries i) Mari Deep (Mari Gas Co.). Gas		• After completion of 550 line kms, four wells have been successfully completed and drilling at fifth well is in progress. Commercial discovery notice has been received from the company. Plans are under consideration to commence production @ 100 MMCFD by year 2003-04.
ii) Sui Deep (PPL) 100 MMCFD of Gas		• First appraisal of well encountered tight formation and failed to produce gas. It has therefore been decided to undertake appraisal 3D over Sui field for which tendering process is in progress. However, Sui Deep-I well has already been completed and is currently flowing at 23 MMCFD of gas.
iii) Badhra (Lasmo) 100 MMCFD of Gas		• JV partners are finalizing appraisal program. Efforts are being made to bring this field on extended production test by October 2002.
iv) Zarghun South (Premier)		• 60 km 2D seismic survey has been completed and an appraisal well has been drilled which failed to flow hydrocarbons from Jurassic Formation from which gas was initially discovered in the first well. The results are discouraging. Therefore reserves have been down graded from 300 BCF to around 80 BCF. Drilling of an exploration well in nearby area has already commenced after which commerciality of field will be assessed.
v) Zamzama: 240 MMCFD of Gas		• GSA has been signed to supply an additional 120 MMCFD to each of Guddu Power Plant and SNGPL by August 2003. Planning is also in hand to increase the existing production from 70 MMCFD to 100 MMCFD.

Construction of Cross Border Gas Pipeline Projects		
• Pak-Iran Gas pipeline Projects	No Time Frame Yet	• Project was conceived in 1993 and pre-feasibility prepared in 1995 for construction of pipeline upto Multan. The proposal now is for a pipeline carrying Iranian gas to India. Iranian authorities are now discussing the project with Indian officials and have formed a working group in this regard. Pakistan on its part has also given a letter of support to Iran for an uninterrupted supply of gas to India and has repeatedly given assurances to India on different issues to remove Indian apprehensions. The Iranian Deputy Foreign Minister has informed that upon India's insistence, a feasibility study for deep sea route is being carried out that is expected to be completed by June 2002. Iran is financing 50% of the cost of study. • Iranian oil and deputy oil minister visited Pakistan on February 21 and 22, 2002. An MOU was signed between GOP and Iranian petroleum Ministry for award of pre-feasibility study to BHP for the overland route from Iran Pakistan and India. Prefeasibility study is expected to be completed by the year end and the cost of study is being borne by Iran and BHP. • A delegation of Russian company OAO Gazprom visited Pakistan from May 22 to 25, 2002 and made a presentation for shallow water route for Iran-Pakistan-India Gas pipeline. Presentation is being assessed for viability.
• Pak Qatar Gas pipeline.	No Time Frame Yet	• MNPR signed an MOU with Crescent in July 2000. Crescent Petroleum has submitted a draft heads of terms for the import of Qatari Gas to Pakistan. Recently in letter Crescent Petroleum has suggested formation of Joint Coordination Committee comprising representatives from Qatar, Pakistan and Crescent Petroleum, to facilitate accurate direct communication between the concerned parties. The members to JCC have been nominated. The Qatar Pakistan pipeline was discussed during the visit of Minister for P&NR to Qatar and UAE in January 2002.
• Pak-Turkmenistan Gas pipeline Project	No Time Frame Yet	• Agreement was signed between the two Governments to construct a pipeline through Afghanistan. Due to regional instability in Afghanistan, progress on the project has been slow. In 1998 UNOCAL, lead partner of the Cent Gas Consortium decided to withdraw. The project has remained in abeyance and a consortium has now finally abandoned the project.

		Some Chinese Companies have shown interest to undertake the project. MPNR has written to Chinese Embassy in Islamabad. Feedback received from our Embassy in China reflects that China National Petroleum Corporation (CNPC) is interested in the technical aspect of the project and not in the financial part. A letter has been written to the embassy in china to invite CNPC and Mr. Thomas Fok, Chief Executive on New Asia Pacific Oil Company (NAPOC) to visit Pakistan. • With in inception of interim government in Afghanistan, the pipeline project has been revitalized. An agreement for the conduct of pre-feasibility study of natural gas and crude oil pipelines was signed on May 30, 2002 between the Governments of Turkeministan, Afghanistan and Pakistan during the trilateral summit in Islamabad during May 29-30 2002. • Asian Development Bank would give technical assistance in the feasibility study.
Restructuring of Public Sector Corporations		
Reconstitution of Board of Directors of public sector companies.	Implemented	• Boards of Directors of PSO, SSGCL, SNGPL, ARL etc. have been reconstituted with autonomy to run these organizations along commercial lines. GOPs directives /construction and statues that impinge the autonomy and commercial functions of the companies are being modified/withdrawn.
Opening of Balochistan		
Consultations to be held with Government of Balochistan with the assistance of Ministry of Interior.	2002-03	• In a meeting held in Quetta on March 2, 2001 under the directive of CE, it was decided to constitute a joint team comprising representatives of Federal Government (Secretary Petroleum), Provincial Government (Ministers Agha Abdul Qadir and Sardar Saadat), 12th Corps and concerned oil companies for negotiations with tribal leaders for an amicable solution to restart the exploration activities. Two separate meetings of GOP representatives with tribal chiefs were held in April and May 2001 in London and Dera Bughti. • Ministry of Petroleum and Natural Resources with the assistance of Ministry of Interior and the Government of Balochistan have undertaken extensive discussions with the tribal leaders and an understanding has

		been reached for smooth execution of work.
Logistics and Export of Parco's Surplus Products & White Oil Pipeline		
• Exports will be possible if ministry of communications can provide storage facilities at the port.	30-6-2000 (subject to storage)	• Logistic plan has already been finalized and te export of surplus products is being made by PARCO, NRL and PRL without any problem.
• Export markets to be explored.	Implemented	• With deregulated environment, exports are finalized by the respective refineries. NOC has been issued in this regard. Export of Gasoline/Naphtha is being made by refineries through open tender.
• White oil pipeline to be commissioned.	2001-02	• The LOI was issued to China Petroleum Engineering and construction Corporation (CPECC) in January 2001 and an EPC contract was finalized. Despite the delays and difficulties in finalization of the implementation agreement, waiver of GOP guarantee for the EPC contract with CPECC, equity and debt financing arrangements and administrative delays, efforts are being made to achieve the commissioning of the pipeline as soon as possible.
Expansion in Gas Infrastructure		
• Proposal/Augmentation plan of existing gas system and utilization of gas.	2002-03	• SNGPL is implementing their infrastructure development project for utilization of gas from new discoveries (Zamzama, Sawan, Sui Deep and Swapping from Sui and Pirkoh). Phase-1 will be completed by June 2002 bringing gas to Multan for consumption by power sector. Phase II will be implemented by June 2003, with an estimated cost of Rs. 15640 million with FEC of Rs. 3189 million. SSGC is also implementing its part of project at an estimated cost of Rs. 4635 million with FEC Rs. 1346 million. Project is scheduled for completion by 2002-03. • Government will consider involving private sector through BOT/BOO basis if necessary.
• Plan for supply of gas to power plants/conversion of power plants to gas.	2002-03	• Gas companies are supplying maximum available gas to power sector. 10 MMCFD gas has been earmarked per year for captive power plants. SNGPL plans to supply additional gas to KAPCO and 60 MMSCFD gas to Rousch power after completion of gas infrastructure development plan and receipt of gas from Zamzama gas field (October 2003) and Sawan

		gas field (January 2004). Gas supply to WAPDA stations on SNGPL's system shall also be increased.
• Revise and amend the gas pricing policy for fertilizer industry to bring it in line with the rest of the industrial sector, except where contractual obligations exist.	2001-02	• Fertilizer policy 2001 has been approved which contain the gas pricing policy for new and old fertilizer units. World Bank is insisting that the subsidy be shown in budget separately as a line item. Finance Division will incorporate it in the next budget.
Deregulation of Prices		
• Deregulation of LPG Price.	Implemented	• The price of CNG is already deregulated whereas LPG price has been deregulated w.e.f. Sept 2000 in pursuance of Cabinet Decision of June 14, 2000.
• Removal of freight pool subsidy	Implemented	• The freight pool FP (about Rs. 15 billion) has been phased out as follows: • FO: Removed from FP wef 1-7-2000 935% of total) • Petrol/HSD: wef15-3-200 freight equalization will only be upto 29 depots (constitutes 15% of balance). Within a year, major reduction will be made in the number of depots. • FP Management has been handed over to OMCs, wef 15-03-2001
• Rationalization of gas price	2001-02	• A summary on Review of Gas consumers Tariffs and dismantling of PPLs GPA was approved by Cabinet on 12-02-2002. Following are the highlights: ➢ Revised Tariff for consumers has been notified wef 01-03-2002 ➢ As regards subsidy to domestic consumers, it will be limited to consumers using gas upto 100 MG. ➢ For gas prices of fertilizer plants, tariff will be linked to prices of Gulf region. ➢ Gas price agreement with Pakistan Petroleum Limited is being replaced with market based formula.
• Proposal for Well Head Prices	Implemented	• The Cabinet vide case No JM-2/10/99 dated 22-12-99 has approved implemented the following package of gas pricing framework for new gas producers: i) GOP will offer to purchase the gas. ii) The gas prices as stipulated in the Petroleum Policies, 1994/97

		indexed to the basket of imported crude oil for three different zones shall be allowed subject to the following soft capping and a floor. • Floor will be US$ 10/barrel, (C&F) ➢ Between US$ 10.00-15.00 / barrel, price as given in the policy will apply. ➢ Between 15.01-20.00 / barrel, a discount of 50% will apply. ➢ Between US$ 20.01-25.00 / barrel, a discount of 70% will apply. ➢ Above US$ 25.00/barrel, a discount of 80% will apply. • Some expenditure of the foreign producing companies / joint ventures would be paid in Pak rupee to save foreign exchange out flow. The producing companies will bring their gas to the nearest transmission system to facilitate earliest gas utilization.
• Establish a system for fortnightly adjustments of petroleum prices at the consumer level in line with international price movements.	Implemented	• An Oil Price Advisory Committee adjusts the petroleum prices on fortnightly basis as per international prices. Prices are adjusted on pricing mechanism has following components: o Import Price Parity o IFEM o OMC Margins o Dealers Margins o Petroleum Development Levy
Deregulation of Oil Imports		
• Private sector will be allowed to import fuel oil and gradually import of Petroleum products will be liberalized.	Implemented	• Import of Oil Products has been de-regulated. ECC on 21-02-2002 has decided to increase the margins of OMCs and dealers on all products (MS 87, HOBC, SK, HSD and LDO) 3% and 3.5% and 4% wef 1-7-2002. • The government has done-away with the practice of fixing margins for oil market companies. Now only a maximum limit will be set under which they can set any margin on the basis of competitive conditions. • Government has decided to abolish the minimum 10% rate of return guaranteed for the National Refinery Limited, Pakistan Refinery Limited and Attock Refinery Limited and allow them to compete in the market through tariff protection formula. For this purpose, import duty at 10% *ad valorum* on import of HSD and 5% *ad valorum* plus 1% surcharge on import of kerosene oil, light diesel oil and JP-4 is being proposed.

Ministry of Water & Power

PROGRESS OF DETAILED ACTION PLAN

Power Sector		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Creation of a Competitive and Efficient Electric Power System.		
• Restructure, unbundle and corporatize WAPDA for efficient working and phased privatization.	2001-03	• Significant progress has been made by PEPCO and WAPDA to put the financial restructuring programme on track. Financial models of DISCOs have been completed. • WAPDA Act amended and Power Wing restructured to form twelve (12) corporate entities, and legal agreements executed. These include 3 GENCOs, NTDC and 8 DISCOs. Transition agreements of ODA, BTA and ESA have been executed. • Board of Directors of the 12 companies constituted. Board meetings of all 12 companies held, 11 companies (except NTDC) have now private sector chairmen. • Manpower Transition Program Phase-I and II completed. Phase-III launched to transfer employees under new contract to 12 companies. Employment contracts drafted, reviewed and approved by WAPDA. Execution is in progress. • Interim transfer prices between generation, transmission and distribution established. • Opening balance sheets have been created, accounts audited, assets and most liabilities for each corporate entity have been identified and separate budgets have been prepared for FY 2001-02. • WAPDA shares in corporatized entities have been transferred to the President of Pakistan All formalities completed by PEPCO/WAPDA to obtain license for GENCO and DISCOs. NEPRA has issued license to IESCO. Audited financial statements of the corporatized entities issued for FY

		1998-99 & FY 1999-00. • Audited financial statements of the corporatized entities for FY 2002 have been prepared and approved by BODs. • Wapda authorities in consultation with Ministry of finance has prepared Financial Improvement Plan (2002-05) to improve its financial performance
• Formulate vision for WAPDA	2001-02	• Primary Issues in WAPDA are: o Unfavorable generation mix o Public private mix o System losses o System constraints o Tariff distortion • Major policy thrust is: o Improvement in operational efficiency o Restructuring of WAPDA o Implementation of MOUs with IPPs o Revival of WAPDA as development organization • WAPDA has announced Vision 2025 Program, with the background: o Development of water storages at stand still since 1976 o Storage capacity only 11% of total surface water o Hydropower only 16% of total potential o Improve hydel/thermal power mix. o 22.5 ma culturable land available for development • Key features of Vision 2025 are: 1. Development of 61.5 MAF of storages 2. Development of 27,000 MW of hydro, coal and gas power stations 3. Development of low head hydels on canals 4. Encourage private sector investment (foreign/local) and private/public sector joint ventures. 5. Support economy and poverty alleviation in backward areas
• Convert RFO based thermal projects to gas.		• Conversion of five units of BQPS on gas has been completed. As per MOU between ADB and GOP, availability of gas for Bin Qasim Power Station has been fixed in addition to previous quota of 70 MMCFD, as per the following

		schedule. From April 2001= 40 + 70 = 110 MMCFD From July 2001= 80 + 70 = 150 MMCFD From Jan 2002= 170 + 70 = 246 MMCFD • However, gas is in short supply and has resulted in additional cost of Rs. 181 million. Following is the existing gas supply position as against the agreed quota of 150 MMCFD. July 2001 = 146 MMCFD August 2001 = 150 MMCFD September 2001 = 1232 MMCFD • Sui Southern Gas has demanded Rs. 300 million advance towards pipeline charges and security deposits for four months (Rs. 4 billion) for supply of 176 MMCFD gas to Bin Qasim Power Station. The matter was discussed in presentation to the Chief Executive in late August 2001. He has directed SSGC to start work immediately on this project
• Implementation of financial restructuring of WAPDA;	2001-03	• WAPDA's finances have been under strain essentially because of colossal payments to IPPs and for not being compensated for higher costs by tariff increases. Therefore Government and WAPDA have adopted a number of measures to address the situation through a Financial Improvement Plan (FIP) that gives details of actions to be taken by the Government, NEPRA and WAPDA to restore financial viability of Wapda. • WAPDA's outstanding debt service liabilities to GOP converted into GOP equity. • Bill collections and settlement of arrears have been improved. • IPP issues have been resolved. • Level of payables is normalized. • PEPCO has prepared as draft paper for approval of ECC on principles and modalities for transfer of liabilities. Business Transfer Agreement in respect of LESCO has been prepared and signed. • Two licenses out of total eight have been issued. Draft Supplementary Business Transfer Agreements have been prepared for approval of competent authority.

		• Notification of Punjab government regarding provincial tax exemption related to corporatization has been issued. WAPDA financial improvement plan is being finalized.
• Settlement of arrears with federal and provincial governments including FATA, AJK, and Baluchistan tube wells;	2001-03	• Tariff dispute with AJK and Baluchistan have been resolved. Decision has also been taken with Sindh Government. Others are in progress.
• Complete Financial Restructuring and Privatization of KESC	October 2002	• KESC will be privatized as vertically integrated utility by end 2002. Restructuring plan comprising efficiency improvement and financial restructuring has been agreed with ADB and is under implementation. • Cabinet approval on 27 February, 2002 • Term sheet has been agreed • Written confirmation of MoF approval are in process • EAD letters to lenders have been issued • KESC board/shareholder approvals pending • Conversion of WAPDA payable: • Amount • Process • Swap 3: SSGC, PSO and other overdue SOE payables • Developments on the progress on regulations side are • Good progress with early discussions with NEPRA • Tariff petition in draft, to be discussed with PC, KESC and NEPRA by mid March 2002. • Plan to submit formal petition by March 2002 • Public hearing process and determination will be done by June 2002 to avoid delay to sale timetable • Amendments to Monopolies Law • Draft Cabinet summary sent to MoF on 14 March for comments • Will be sent to Ministry of Law following receipt of MoF comments before being sent to Cabinet for approval • Investors' interest on KESC • Interested in receiving PIM: –AES

		• –Shell Pakistan –Siemens Pakistan –Hongkong Electric –China National Electric Wire & Cable Imp/Exp Corp –Singapore Power –IFC (as lender) Awaiting response: –Union Fenosa –ABB –ESB International –International Power Middle Eastern/Pakistani investors and wider utility market to be targeted when the PIM is available
• Establish an appropriate regulatory framework.	Implemented	• NEPRA fully operational with all members/staff appointed. • Justice (Retd.) is Chairman NEPRA • Tariff standards and procedure rules, and rules for DISCOs / GENCOs license applications have been notified. • A number of tariff determinations have been issued for WAPDA and KESC. • Policy guidelines have also been issued by GOP • Fuel adjustment clause has been notified. • Upon NEPRAs demand, PEPCO has prepared draft documents of regulatory framework (grid distribution, and metering codes, uniform accounting standards, etc)
• Preparation of Revised Power policy	2001-02	• A revised Draft Power Policy has been formulated and has been circulated since May 15, 2001 to all concerned., alongwith a draft summary for the ECC on the subject for their views/comments. Salient features are as below:Scope of the policy is extended to private, public as well as public-private partnership projects. • Bids for solicited projects would be obtained through international competitive bidding (ICB) • Exploitation of indigenous hydel, coal, gas and renewable resources is encouraged through active involvement of the local engineering, design and manufacturing capabilities. • Exemption from payment of custom duties, corporate, provincial and local taxes, etc. is suggested.

		• Pre-qualification criteria has been modified so that the consortium members put together are required to fulfill the necessary pre-qualification requirements as against the "Main Sponsor" to do so as was required under the Power policy, 1998. • NEPRA's role has been made consistent with NEPRA rules (most of NEPRA rules were finalized when Power Policy, 1998 was approved • Two part tariff structure consisting of fixed capacity and variable energy component is recommended with the proviso that fixed capacity payments for hydel projects would fall between 3/5th to 2/3rd of the total tariff and in case of high head peaking hydels, there will be incentives available to the operator to store water to accommodate the desired dispatch at designated hours. • A more elaborate procedure for entertaining proposals on raw sites is spelled out • Sponsors of proposals on raw sites have been allowed to negotiate tariff with the intended power purchaser (after completion of the feasibility study) within a period of three months. After such period, there will be solicitation of bids on ICB basis and sponsors who had conducted the feasibility study would still have a choice to match the lowest bid to qualify for implementing the project. • Hydrological risk is recommended to be borne by GOP • After incorporating views/comments of all concerned, the said policy will be processed for seeking concurrence of the Chief Executive as Minister of Water & Power and the ECC in compliance to their decisions of June 22, 2000.
Steps for Hydropower development		• At 6% growth rate power shortage likely from 2006 • In past 20 years hydropower share reduced from 60% to 30% • Thermal power generation being several times as expensive, the electricity tariff has gone up • Hydropower potential is about 40,000 mw • Vision – 2025 offers a window of opportunity for private sector investment • Priority hydropower projects approved for construction are: • Jinnah in Punjab, having installed capacity of 96 MW and tentative cost of US$ 162 million and completion time of four years. • Malakand in NWFP, having installed capacity of 81 MW and tentative cost of US$ 80 million and completion time of three years. • Allai Khwar in NWFP, having installed capacity of 121 MW and tentative

		cost of US$ 131 million and completion time of four years. • Khan Khwar in NWFP, having installed capacity of 72 MW and tentative cost of US$ 104 million and completion time of four years. • Duber Khwar in NWFP, having installed capacity of 130 MW and tentative cost of US$ 110 million and completion time of four years. • Golen Gol in NWFP, having installed capacity of 105 MW and tentative cost of US$ 162 million and completion time of four years. • Matiltan in NWFP, having installed capacity of 84 MW and tentative cost of US$ 110 million and completion time of four years. • Neelum-Jhelum in AJK, having installed capacity of 969 MW and tentative cost of US$ 1580 million and completion time of eight years. • New Bong/UJC in AJK, having installed capacity of 97 MW and tentative cost of US$ 110 million and completion time of three years. • Kohala in AJK, having installed capacity of 740 MW and tentative cost of US$ 1381 million and completion time of six years. • For small hydropower projects on canal falls and barrages, total number of sites identified are 600 and total potential is around 1000-1500 MW.
• Establishment of a competitive power system in phases	On-going	• Formula for automatic adjustment of tariff prepared by NEPRA and has been notified. • Cross subsidies between various consumers under examination with objective to reduce/eliminate subsidies. For power supply to under privileged concept of Universal Service Obligation Fund under consideration. • Regulatory frame work is being made transparent and predictable to encourage investment. • Competition is corner stone of revised power policy for contracting new power generation (private, public, private-public partnership) will be finalized soon. Key features of power management strategy are o Bring about balance in hydel/thermal mix o Shift from furnace oil to hydro/coal/gas o Reduction of losses/theft o Re-structuring of power sector o Up gradation of existing infra structure o Rationalization of tariff o Customer satisfaction

<table>
<tr><td>WATER SECTOR</td><td colspan="2"></td></tr>
<tr><td>Preparation of plan of action to address water sector issues</td><td>On-going</td><td>
Preparation of a comprehensive water policy has been initiated. This includes the following:
Integrated approach for National Drainage Project and On-farm Water Management Project.
Water conservation through canal & water course rehabilitation
Institutional reforms
Watershed management
Construction of new irrigation schemes
Start execution of projects ready for implementation and prepare feasible projects for next phase (wet/dry year).
Following is the summary of reservoir sedimentation

<table>
<tr><th>Reservoir</th><th>Original Capacity (MAF)</th><th>Storage Loss by 2001 (MAF)</th><th>Storage loss by 2010</th></tr>
<tr><td>Tarbela</td><td>11,616</td><td>2.834</td><td>3.951</td></tr>
<tr><td>Mangla</td><td>5,882</td><td>1.059</td><td>1.510</td></tr>
<tr><td>Chasma</td><td>0.870</td><td>0.373</td><td>0.481</td></tr>
<tr><td>Total</td><td>18,368</td><td>4.266</td><td>5.942</td></tr>
</table></td></tr>
<tr><td>Water Management Program</td><td>2001-2003</td><td>
The Government has embarked on an ambitious water management program to enhance water availability, in fact, the major focus of next year’s development plan will be on the water sector, where Rs.4 billion have been allocated to initiate work on some of the new water sector projects.
Priority water sector projects approved for construction are as under:
Gomal Zam Dam: NWFP, with storage of 1.14 MAF and area under irrigation of 163,000 acres, producing power of 17.4 MW. Tentative cost would be around US$ 167 million and completion time of four years
Mirani Dam, Balochistan with storage of 0.30 MAF and area under irrigation of 33,200 acres. Tentative cost would be around US$ 118 million and completion time of four years
Raising of Mangla Dam: AJK, with storage of 1.14 MAF and area under irrigation of 163,000 acres, producing power of 17.4 MW. Tentative cost would be around US$ 167 million and completion time of four years
Thal Flood water Canal Project Punjab with area under cultivation of
</td></tr>
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		1,000,000 acres. Tentative cost would be around US$ 310 million. • Rainee Flood Water Canals Project, Sindh with area under irrigation of 190,000 acres. Tentative cost would be around US$300 million. • Mithankot Barrage/Katchi Canal, Balochistan, with storage of 0.5 MAF and area under irrigation of 550,000 acres, producing power of 130 MW. Tentative cost would be around US$ 733 million and completion time of five years

Ministry of Communications

PROGRESS OF DETAILED ACTION PLAN

Communication Systems		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Creation of an Efficient Railways System.		
• Improvement in quality standards and service of Pakistan Railways	On-going	• Revenue generation increased to Rs. 11954 million in 2000-01 as compared to Rs. 9572 million in 1999-00. • Emergency repair plan: replacement of 55 stabled locos, 2 overaged cranes, rehabilitation of 240 coaches, airbrakes of 574 freight wagons, 320 tank wagons, 680 freight wagons. • Updating seat availability status on internet from Lahore, Rawalpindi and Karachi. • Return Reservation through WAN, connecting Karachi, Lahore and Rawalpindi, introduced from July 16, 2001. Now passengers don't have to stand in queue for their Return journey from Karachi, Lahore and Rawalpindi. • Return Reservation through WAN, connecting Karachi, Lahore and Rawalpindi, introduced from July 16, Launching of Karachi Express as 100% air-conditioned train between Lahore and Karachi. • Railway stations serving Provincial Capitals and the Federal Capital namely Peshawar, Rawalpindi, Lahore, Quetta and Karachi cleaned and done up to give a new look. • One new rake of Khyber Mail launched from Peshawar on August 14, 2000. • New Batteries provided on 400 coaches for better lighting and fans. • Air conditioning improved through better maintenance. • Black-marketing eliminated to almost nil. • Shalimar Express, Karachi Express, Khyber Mail, Quetta Express and the Rail car running between Lahore and Rawalpindi have been completely

		refurbished giving a new look. All these trains have diesel generation sets on board for electric supply instead of batteries which fall down during long stoppages. • Free cold drinks or tea are on the house on Parlour Car plying between Lahore and Rawalpindi. The service is done by Railway Hostess. • One of the four rake of Chenab Express has also been refurbished. • Luxury Lower A.C. Sitter Class introduced on Rail Cars between Lahore and Rawalpindi. • Running Time between Lahore and Rawalpindi of Rail cars 75 Up/ 76 Dn reduced by four and half hours. • New batteries provided on 480 coaches on Branch Line trains for better lights and fans. • 36,300 KVA Diesel generating sets have been procured and are being provided on trains with air-conditioned Services for improved quality of air-conditioning and reliability. • Modern Central Control Office Inaugurated by Minister at Lahore on July 21,2001 . • Lahore Cantt Railway Stations has been given a new look with improved facilities. • Franchise signed with McDonald, Walls and Nestle for operating outlets at major stations. • Kilometer of track on the main line provided with new rails, sleepers and fastenings.
• Real Estate Management		• A number of high value real estate projects are being managed through public private participation on competitive terms. Some are: o Eighty CNG stations rented out at various cities o Golf club in Lahore through joint venture with Malaysian company o Rest house in Faisalabad o Hall institute in Karachi o Property in Chaklala, Rawalpindi o Various suitable plots at diverse locations for residential and commercial projects. • New business development through commercialization of inoperable and financial troublesome institutions, namely:

		o Railways club o Railways Stadium o Railways schools and hospitals o Railways institutes and halls.
• Future Plans to improve service delivery	2002-03	• Introducing two additional Non-Stop services between Karachi and Lahore and Karachi and Faisalabad each. • Increasing the number of Rail Cars between Lahore and Rawalpindi to four. • Computerization of Reservation at Peshawar, Faisalabad, Multan, Quetta and Hyderabad along with facility of Return Reservation through WAN. • Opening a new Computerized Reservation Office at Karachi with improved facilities. • Purchase of 175 coaches of all types from China. • Purchase of 69 new locomotives from China. • Complete track renewal of 250 Kilometers every Year. • Standardizing the design and look of all Vending stalls on the network. • Cleaning up and giving new look to major stations on the network. • Opening Cyber Cafes at major stations where facility of ISPs exists.
• Steps taken to curtail expenditures	2001-02	• Mafias eliminated in Purchases. • Theft and pilferage brought down to bare minimum. • Outhouses of Railway Bungalows allotted to employees resulting in saving of House Rent of such employees. • Railway Housing Societies dissociated from Railway thereby reducing the Electricity and Gas expenditure. • Privatization of Rawalpindi and Karachi Hospitals. • 20,000 ghost pensioners eliminated. • Illegal Electricity connections and misuse of Air-conditioners eliminated. • All Railways Schools handed over to Beaconhouse. • Karachi and Rawalpindi Railway Hospital privatized. • Fuel consumption reduced on locomotives through better management. • Reliable batteries have been provided on locomotives so that these can be shut down on freight trains when these are held up for coming passenger trains. • Strength of total Railway employees reduced from 135,000 to 96,000. • 103 Telephone connections eliminated.

		• Eliminated theft of electricity from Railway installations and colonies.
• Future plans proposed to reduce expenditures	2002-03	• Cut down further on electric consumption. • Reduced the work force by another 5000 employees through attrition and rationalization. • Sui Gas connections will be handed over to Sui Northern Gas to avoid extra expenditure on bulk supply. • Reduction in the number of train services on un-remunerative routes.
• Steps taken to increase revenues	2001-02	• Started lifting additional one million tonnes of High Speed Diesel Oil from Karachi. • Ticket less traveling in trains brought down to a bare minimum. • Auction of Station Stalls and Parking Lots. • Rs.254 Million recovered from Punjab Food Department and Rs.176 Million recovered from the Ministry of Defence. • Rs.61 Million recovered from plot holders at Badami Bagh at the revised rates. • Rs.256 Millions recovered through commercialization of railway lands. • Rs.287 Millions generated from the sale of scrap. • Rs.157 Millions generated from auction of vending Stalls and Car Parkings. • Increase in revenues in current financial year due to the following • Increase in Freight Revenues has been due to • 21% increase in Tonne Kilometers • 1.2 Million extra tonnage lifted. • 2.Increase in Passenger Revenues due to • 6% increase in Passenger Kilometers • 1.3 Million more passengers carried.
• Future plans to improve revenue generation	2002-03	• Advertising inside/outside trains and on Railway land. • Operation of Cyber Cafes at major stations. • Operation of Twelve Petrol Pumps on Railway land. • Housing Complexes on Railway land. • Selling scrap worth Rs.500.00 Million during the year 2001 to 2002. • Increasing the number of coaches on the existing trains for more passenger traffic by overhauling 350 coaches out of 700 lines at present. • Recover Rs.250 Million from Punjab Food Department. • Recover another Rs.108 Million from the Ministry of Defence. • Generate Rs.30 Million from remaining plots at Badami Bagh.

• Loans and credits from international development partners	2001-06	• Already lined up from Japan: US$ 43.33 million • Already lined up from IDB/OPEC:US$ 44.75 million • Already lined up from Austria: US$ 20 million • Expected from Austria: US$20.0 million • Expected through suppliers credit from China: US$ 400 million
Intercity Highway and Road Network		
• Prioritize the maintenance and rehabilitation of the existing roads network	2001-04	• To overcome the maintenance backlog, an agreement between NHA and the World Bank is in the finalization stage, which will include a one-time intervention for rehabilitation component to prevent the further deterioration of the National Highway Network. Work on critical sections, requiring immediate rehabilitation has begun under PSDP. • A 10-year program for rehabilitation and improvement of highways will be started in Pakistan. This program will be completed in 3 phases. In the first Phase, 600 km long highways will be rehabilitated and improved. He said necessary measures are being adopted for axle lead control on highways and to save the highways from bad effects of overloading • Communications division/NHA has formulated a medium term plan 2001-2004 and priority has been accorded to the following construction and rehabilitation projects for which budgetary allocation has been made. o Makran Coastal Road o Rehabilitation of existing carriage way N-5 o Dualization of remaining lengths of N-5 o Islamabad-Peshawar Motorway M-1 o Pindi Bhattian-Faisalabad Motorway M-3 o Kohat Tunnel Project o Jacababad – Sibi – Quetta o Islamabad – Muzaffarabad Highway o D. I. Khan – Qilla Saifullah – Quetta o Bund Road, Lahore o Multan – D. G. Khan – Qilla Saifullah o Dualization of Karachi – Thatta – Hyderabad Road o Mansehra – Naran – Jhalkad Road o Roads in Northern Areas (Rehabilitation) o Karachi Northern Bypass o Lyari Expressway

o Integration of remote areas with a priority for improved rural access and farm-to-market roads as part of the PSDP.	2000-05	• A road link to the remotest areas in Balochistan namely Liari, Ormara, Pasni, Gwadar and Gbad has been identified. About eighty kilometers of Makran Coastal Highway has been completed todate. Construction work on Liari-Ormara (248 km) section started in July 2000 with completion of 121 km todate. Work on Pasni-Gwadar section of 132 km has also started. Ormara-Pasni section of 153 km has been divided into three contract packages and is being tendered. The project is anticipated to be completed in 2005 till Gwadar. • Under PSDP, funds have been allocated for completion of farm to market roads
• Enhance role of user chargers for national highway system	2000-03	• Toll culture has been introduced successfully on national highways and plazas at 50 locations. Within a period of three years, an amount of Rs. 3 billion per annum is expected from tolls, which would adequately meet the requirement of maintenance costs, thus realizing the self-reliance objective of the Government. Current collection of tolls is around Rs. 2.0 billion per annum. • NHA has also started a plan for revenue enhancement through commercial use of right of way and expects to generate revenue of Rs. 150 million in FY 2003.
• NHA projects in FY 2002		• 13 new weigh stations installed during 2001-02 • Toll plaza's at 47 locations on National highways installed since October 1999 • Kohat tunnel and access roads project funded by Japan. Todate progress 56%. To be completed by June 2003 • With WB assistance, National highway improvement plan under process includes rehabilitation and resurfacing and strengthening of N-5 (1100 km) and N-25 (1700 km) • Major Ongoing projects: o Improvement of KKH o Islamabad Murree dual carriageway by March 2003 o Manshera Naran Road by December 2002 o Islamabad Peshawar motorway work to resume shortly • Key new projects (depending on funds) o Karachi northern Bypass

		o Lyari Expressway o Jacobabad bypass o Larkana bridge o Chenab bridge at Shershah o Peshawar Turkham Road o 2nd bridge at Sutluj o Indus highway project phase3
Ports		
• Increase holding capacity of liquid and dry cargo	2001-03	• Pakistan National Shipping Corporation is presently negotiating 10 year contract with NRL, PRL and PARCO and intends to purchase used takers of 75,000-60,000 metric tones capacity costing US$ 15-20 million. • Holding capacity of Port Qasim Authority currently stands at 29 million tonnes. Negotiations with FOTCO for construction of second oil jetty are in progress. With commissioning of white oil jetty, the holding capacity is further expected to increase by 13 million tonnes. Cargo handling in July-Mar 2001-02 stood at 9.94 million tonnes. • During July 2000 to June 2001, Karachi port has handled a cargo volume of 25.98 million tonnes which is 9.34% more than the corresponding figure of 23.76 million tons of July-June 2000. In addition to this, Container handling during July 2000 to June 2001 remained 652,315 TEUs. Container handling during July-March 2001-02 was 525,078 TEUs. • The holding capacity shall further be increased by 9 million tons i.e. around 40 million tons per annum. • Cargo handling at QCIT, chemical terminal and IOCB has also registered increases of 3%, 46% and 31% respectively. • Major development program to increase efficiency amounting to Rs. 2.7 billion (2002-03). Following projects are under implementation: o Container terminal at berths 6-9 o Setting up an off-dock/CFS terminal o Provision of two rail mounted gantry cranes for container handling at berths 4-5
Pakistan International Airlines		
• Upgrade PIA's technology and management, promote entry of foreign airlines, encourage private sector	2001-03	• Professional management has been put in place and PIA has made operational profit during 2nd half of Jan-Dec 2001 • PIA is implementing a comprehensive business plan which has been

participation in air services and the provision of aviation infrastructure		approved by the Chief Executive and the Board. • Government has approved the restructuring plan and a financial package of Rs. 21 billion for PIA. The consortium of three lead bankers (NBP, HBL and UBL) shall act as advisors and arrangers of Rs. 21 billion financial restructuring of PIA and charge Advisory Fee of 0.15% of the total amount raised. • PIA's management is implementing a restructuring and a business plan. A Coordination Committee headed by Secretary Finance and comprising senior officers of Ministry of Defense, PIA and the banks meets on a quarterly basis to monitor the progress of the implementation of the plan and to take all corrective measures to ensure success of the plan. A detailed set of performance parameters has been developed vis-à-vis finance, operations and structural adjustments, to monitor the progress of implementation. • Revenue enhancement measures would bring savings to the tune of Rs. 3.3 billion per annum. • Cost reduction measures would have an impact of Rs. 3.63 billion per annum. • Suspension of working agreements with flight and cabin crew would save Rs. 1.15 billion. • Following steps are being contemplated: o Suspension of unions, associations and working agreements (Slip allowance reduction by 15%, increase in duty time, discontinuity of GDS, Allowing cheaper hotels for crew o Rationalizing manpower distribution o Restructuring of international routes o Imposition of actual fares on tickets and airway bills o Rightsizing of foreign stations o Introduction of email o Outsourcing of none core activities – cargo at JFK, purchase dell at London and NY, transport, security, technical ground support, press and flight kitchen o Discontinuity of Global Distribution System

Ministry of Science & Technology

PROGRESS OF DETAILED ACTION PLAN

Information Technology & Software		
Proposed Policy	**Time Frame**	**Status as of June 2002**
• Transfer of Telecommunication Wing of Ministry of Communications to Ministry of Science & Technology and formation of new IT Division.	Implemented	• Transferred and Implemented
• Develop a pool of IT professionals in Pakistan	2001-02	• **Java Training Program** (1000 students): Comsats Institute of Information Technology initially enrolled 844 students in Islamabad, Rawalpindi, Lahore and Karachi. The program started in May 2001 and successfully completed in end 2001. • **Scholarships and interest free loans for students**: An IT training program for Federal Government Employees was started in January 2001. More than 5000 employees of various ministries and departments have been trained by Pakistan Computer Bureau. Comsats Institute of Information Technology (CIIT) has also trained more than 5,000 employees. • Training program for Provincial Government employees has started. • Pakistan Telecommunication Company Limited has taken number of initiatives to promote internet services. These include universal internet in 580 cities, Reduced bandwidth rates to about 15% in two years, and introduction of local call rates with unlimited time to dial up internet calls
• A detailed National Information Technology Action Plan to be announced in July 2000	Implemented	• A comprehensive strategy regarding IT Action Plan 2000 has been announced through a consultative process involving all stakeholders.

• Software Exports	On going	• Pakistan Software Export Board has started automation of 500 industries in Pakistan so far. More than 150 requests have been received and 30 industries. • Three major exhibitions of local software companies and foreign clients have been arranged and about 100 companies are in process of ISO 9000 certification.
• Initiate a Human Resource Development program of IT professionals	On going	Following steps have been taken for Human Resource Development • Over 30 public sector degree awarding institutes have been given assistance to strengthen their faculty and labs to either start new IT programs or to increase the intake of Bachelors and Masters Degree candidates in IT. As a result, in aggregate in four years, there would be addition of 5,000 IT graduates. Over 1,000 students are being awarded scholarships in IT and computer Science for Bachelor and Master programs. • Seven new IT Universities are being established throughout the country. • Virtual IT University for Distance Learning has started functioning. First batch of BCS students will commence classes from Spring 2002. • Optical Fiber based Academic Network approved by CDWP. • Strengthening and Capacity Building of IT Departments in Universities all over Pakistan through provision of necessary hardware and skills. • Training of 10,000 Data Entry Operators has been accomplished. • Training of 2000 and 500 Quality Controllers is almost complete. • Pakistan Computer Bureau has also started IT training program for Federal Government employees since January 2001. 4,100 employees of various Ministries/Divisions have been trained till September 30, 2001. Ten batches of 20 to 30 employees are under training. • Pakistan Computer Bureau has also started IT training program for Provincial Government employees. The selection of institutes has been finalized at all four provincial headquarters.
• Computer Testing Service	2001-02	• Feasibility has been completed and PC I is under preparation.

• Training Initiatives	2001-02	• MOST has launched a program of post-graduate diploma PGD-IT for 100 individuals from Balochistan. The course is nearing successful completion according to the schedule. • IT faculty training program has been started to provide qualified IT faculty to Pakistani universities. It is progressing well. • PTCL has its own Training Centers and has been conducting programs to improve telecom training. Again there is need to reinforce these Telecom-Training Centers to cope with the need for synchronous growth of IT and Telecom hand in hand.
• Legal Framework for IT	2001-02	• An international law firm has re-drafted the IT Ordinance in consultation with the key stake-holders. • To facilitate E-commerce and other online transactions requiring digital signature and authentication, IT Law has been drafted and reviewed with Law Ministry. This Ordinance when promulgated, will open the way for electronic transactions by giving it necessary legal cover.
• Availability of Export Finance and other incentives to promote IT	Implemented	• State Bank has allowed software exporters to retain 35% of their export earning in foreign currency accounts, and contracts are now being accepted as collateral for software exports. • Moreover increase in the present low rate of depreciation of computer equipment from 10% to 30% has been made. • Banks are allowed to invest in the form of equity in dedicated venture capital funds meant for IT industry • IT training institutions to be exempted from Income tax till 30-06-2005 • IT exports also to be exempted from Income Tax
• Establishment of Information Technology Parks.	2001-04	• Four IT Parks two in Islamabad, one in Lahore and one in Peshawar have been set up entirely in Public sector. • A project is underway to set up six more STPs through public private partnership. Government would provide optical fiber infrastructure and data connectivity upto premises. Private sector will manage ITP, pay for the bulk bandwidth and redistribute bandwidth within ITP.

• E-Government Programs	Ongoing	• Program has been structured into modules with phased implementation over 5 to 7 years. The first ever Government portal will be created allowing citizens to access government information and services over the internet. • Local Area Networks and office automation of email and mail tracking will be set up in eight divisions of federal government. • IT training facilities will be set up at Civil Service Academies to give intensive hands on training to new government officers.
• Expansion of infrastructure of Pakistan Telecommunication Company (PTCL) and rationalization of PTCL tariff Structure	Ongoing	• During FY 2002, Fiber Optic Connectivity has increased from 100 to 130 cities. FOC backbone from Karachi to Peshawar, providing 622 Mbps connectivity is targeted for completion by June 2002. • During FY 2002, 500,000 telephone lines were installed/replaced to make total network capacity to 4.53 million lines, over 400,000 new telephone connections were added which make the total installed user base of 3.65 million. Universal Internet Access has been increased to 724 cities, whereas the Internet bandwidth, whereas the internet bandwidth availability has increased to 250 Mbps. • Under telecommunication growth project in AJK, 36,400 new lines, 16 new digital exchanges and 36 microwave stations will be added. • Rates have been reduced by about 90% and are presently the cheapest in the region • The rates for domestic bandwidth have been educed drastically. • PTCL continues to rationalize tariff, improve quality of service, introduce new technologies, billing and customer care system to provide cost effective service so that it meets the post 2002 (exclusively termination era)
• Mobile Telephony	Ongoing	• PTCL's subsidiary U-fone has extended its services to Gujranwala, Sialkot, Gujrat, Faisalabad, Multan, Jhelum and sukkhur in 2001-02 besides Lahore, Karachi, Islamabad, Peshawar and Kohat. U-foneis now serving 140,000 mobile subscribers. • The company has signed an agreement for US$ 60 million for expanding their network in existing cities and extension of services to Quetta. With induction of new technology GPRS, expansion of U-fone network will go up to 400,000 subscribers.

• Web-site for Government Departments	2001-03	• Citizens' online project has been launched under which web-sites of Federal Government Departments would be developed and maintained on a regular basis. • National Telecommunication Corporation has started the project to provide a dedicated multi-services network exclusively for public sector. This backbone would serve as inter-governmental information highway.
• Promoting Pakistan as a spear head of IT in global arena.	On-going	Following initiatives have been taken in this regard: • Reduction in Internet bandwidth prices from $60,000 to $6,000 / 2 Mbits /month in last 11 months. Tariff circulars have been issued • 5 years income tax holiday for software exports • Business Incubators in Singapore and Sydney set up. Two more in Silicon Valley and Washington DC to be set up. The first international front end marketing office in San Francisco has been established. • Streamlining of licensing and regulatory procedures • Align Tech (Lahore)listed on NASDAQ with market capitalization of $ 800 m • Investments beginning to grow. Participation of key IT Players like Cisco, Oracle, IBM, Motorola, CERN, for investments of US$ 250 m in Pakistan since January 2001. • Business incubators in Singapore and Sydney have been set up. Three companies in Singapore have also utilized the incubator facilities. • Up-gradation of 17 Institutes in Selected disciplines as Pakistan Institutes of Technology (PITs). Two projects NIBGE and KRL sent to P&D division for approval of CDWP/ECNEC. • Strengthening of 37 S&T Departments and Centers of Excellence in Universities • Strengthening of S&T Organizations of MOST (PCSIR, etc.) • Science & Technology for Economic Development (STED) Programme • Six fold expansion of Ph.D. programme / Local programs initiated • Internet Kiosks at Airports, Petrol Pumps and other public places are being established in collaboration with the private sector – PTCL to provide connectivity

Finance Division/SBP

PROGRESS OF DETAILED ACTION PLAN

Banking and Finance		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Consolidation of Financial Sector		
• Develop a plan for restructuring of the financial sector.	31-12-2000	• Plan for the restructuring of NCBs and DFIs have been prepared. Details for NCBs are given in relevant section below. DFI restructuring plan was approved by Cabinet in June 2000 and is under implementation. • National Development Finance Corporation has been merged with National Bank of Pakistan. SBFC and RDFC have been merged into a new entity named Small and Medium Enterprises Bank Ltd (SMBEL). Due diligence by qualified bidders for the privatization of National Investment Trust (NIT) has been completed. Mutual funds of Investment Corporation of Pakistan (ICP) have been advertised for privatization and the rest would be wound up. • House Building Finance Corporation and Agricultural Development Bank are undergoing a major institutional restructuring. ADBP is being made a viable rural/agricultural financing institution as a first step portfolio audit of ADBP has been conducted to have a guideline for further restructuring.
• Take steps to facilitate consolidation of financial sector.	2001-03	• SBP has revised the capital limits of Banks to Rs.1 billion, for Investment banks to Rs. 500 million, and for Housing Companies to Rs. 300 million respectively; deadline for which is January 01, 2003. The new capital requirements will force mergers and help consolidate the financial sector. In addition, regulatory and legal framework for NBFI's is being reviewed with the view to enhancing their flexibility to attain large-scale operations. • Fiscal incentives to encourage mergers and amalgamations are ready for Cabinet approval. An amendment in the Banking Companies Ordinance 1962 has also been introduced to facilitate merger among

		banks and NBFI. A working group has been established to consider steps to be taken for restructuring of NBFIs which has interalia recommended formation of one holding company to be called NBFC to provide under one roof all financial services except banking functions. • The supervisory functions of NBFIs (except for DFIs) is being transferred from SBP to SECP with effect from July 01, 2002.
• Banking Ombudsman to be appointed	2001-02	• Rules of Business of Federal Tax Ombudsman are being reviewed to develop the Rules of Business and procedures for Banking Ombudsman.
Strengthening SBP		
• Separate non-core activities of SBP from its core activities and strengthen the regulatory core function of SBP.	Implemented	• SBP has formed a new subsidiary to separate its core activities from the non-core activities, the Banking Services Corporation. Under the new arrangements, the SBP has transferred its prize bonds, treasury, training and currency functions to wholly owned subsidiary and would focus on core and regulatory functions only. • To strengthen bank supervision, the Banking Companies Act has been amended to enforce capital adequacy ratios in line with international standards.
Strengthening NCBs		
• Appoint professional management and consolidate work force and branch network of the nationalized commercial banks (NCBs)	2000-02	▪ Professional management is in place. Banks have closed a number of their branches according to branch licensing policy and recommendation made by bankers committee of five large banks (NBP, HBL, UBL, MCB, and ABL). ▪ Under human resource restructuring plan of NCBs, around 10,000 employees of HBL, UBL and NBP have so far been relieved under Voluntary Separation Scheme.
• Banking supervision upgraded.		• As part of reengineering the banking regulation/supervision structure of the SBP, both policy and operations relating to off-site supervision of banks/NBFIs have been regrouped into two departments. In addition, the two Banking Inspection Departments have been merged to exclusively concentrate on on-site supervision of banks and other financial institutions. • The proactive style of supervision has necessitated diversion from

		compliance based to risk management oriented enforcement. Necessary training to keep pace with developments, is being given to personnel. ▪ For transparency and good corporate governance, many measures have been taken which include mandatory credit rating of banks/NBFIs. Further new from of financial statements is also being introduced for additional disclosures. ▪ In order to implement effective corporate governance, appropriate level of accountability and existence of proper checks and balances in each financial institution, responsibilities of Board of Directors have been ascertained and being formed as part of Prudential regulations. After merger of two inspection departments, the Banking Inspection Department is concentrating on the site inspection of banks and financial institutions on a continuous basis. The concept of Banking Desks have been introduced and the affairs of the institutions are being monitored more closely by interacting with the Banks and financial institutions more frequently. The market information is immediately responded under proactive and risk based supervision approach. After necessary legislation, Inspection and Regulation of NBFIs are to be transferred to SECP from FY 2003. The modalities for the transfer of the supervision activity on non-bank Financial Institutions are being sorted out with SECP. Initial meeting in this regard was recently held with the officials of SECP and three officers are currently obtaining supervision training at SBP. In the absence of supervision expertise with SECP presently, they have requested SBP for supervision assistance till December 2002. ▪ An area where Ministry of Finance and State Bank are jointly expending efforts is to develop anti-money laundering legislation. Two key features being evolved under this initiative are the establishment of a Financial Intelligence Unit in the State Bank of Pakistan and strengthening of provisions relating to 'Know Your Customer' feature of bank-clients relationship.
• Corporate & Industrial Restructuring Corporation (CIRC) will do the cleaning exercise.	On-going	▪ CIRC is operational since August 2000. Advertisements for auctioning of sick units after necessary restructuring are being put regularly on newspapers. ▪ As of March 2002, 273 cases have been considered by the Committee for Revival of sick Industrial Units. Total amount outstanding is Rs. 62.7 billion and the loan amount in default is Rs. 36.1 billion. Total number of cases revived was 125 with total loan amount outstanding at Rs. 35.5

		billion and total loan amount in default at Rs. 17.1 billion. Total number of employees in revived/restructures cases was around 37,997. ▪ Sector wise analysis on revived units is as under: • Textile Spinning = 30 • Textile Weaving = 12 • Textile Knitting = 06 • Textile Others = 03 • Sugar = 12 • Others = 62 **TOTAL = 125** • CIRC has budgeted disposal of 180 units in FY 2002-03.
• Encourage NCBs to open specialized divisions that engage in the financing of small & medium industry.	2001-02	• A Committee headed by Secretary Industries and Production has finalized its recommendations for establishment of specialized divisions in NCBs for SMEs financing. • Habib Bank has assigned 21 branches exclusively for dealing with SMEs. • New prudential regulations specific to the SME sector have been developed by SBP for consultation of stakeholders. SBP is also working with the World Bank to set up a Credit Information Bureau in private sector to assemble data and current status of small borrowers. • IFC and ADB have been approached by SBP to examine the possibility of a Credit enhancement fund for SME.
Privatization of HBL & UBL		
• Initiate processes for restructuring and privatization of United Bank Limited (UBL) and Habib Bank Limited (HBL) according to agreed timeline. • Implement governance reform in Allied Bank and transfer remaining shares (49%) and control to the private sector.	2001-02	• Federal government has provided funding for HBL, NBP and UBL to facilitate human resource restructuring. A loan of US$ 300 million has been contracted by Government of Pakistan under the World Bank. The loan is meant for financing the unfunded portion of the payments made by it under voluntary Separation Scheme. So far, claims of HBL and UBL have been reimbursed. Claims of NDFC and NBP are under process. • Additional capital requirement of UBL was determined and accordingly Rs. 7.9 billion has been injected in equity of the bank to bring its capital adequacy ratio to desired level. Auction price of UBL received is Rs. 8.5 billion and Rs. 4 billion by MCB and Bestway Group respectively. • Statements of Qualifications have been issued to potential bidders of ABL. Four directors of ABL Board have been removed, who were involved in manipulation of sale of shares of ABL to M/S Fateh Textiles.

• Initiate agreed program of reforms for National Bank of Pakistan.		• NBP is implementing a restructuring exercise. 10% of the GOP owned shares have been offered to public through stock exchanges. Board of Privatization commission has further approved the selling of additional 5%-10% shares of NBP through Stock Exchange.
Reforms in Recovery Laws		
• Strengthen recovery laws.	Implemented	• The new recovery law viz The Financial Institutions (Recovery of Finances) ordinance 2001 has been promulgated by the Federal Government vide Ordinance no XLVI of 2001.
Promotion of SMEs		
• SBFC would launch financing packages for various industries. SBFC would arrange Rs. 2 billion for SME sector in FY 2002 • First Women Bank would develop SME focus for women entrepreneurs.	2001-02	• SME bank has been established and has launched a number of financing schemes for SMEs. Khushali Bank has been established as a Public-Private Enterprise. It has 26 branches in different districts of the country and has so far disbursed Rs. 300 million as micro-credit to more than 30,000 borrowers. A Micro Finance Institution named "First Micro Finance Bank" has also been established in private sector. • During FY 2001-02, First Women Bank disbursed loans worth Rs. 4.9 billion to over 21,500 females and created 741,630 beneficiaries. It has 38 branches and has established women Business and Computer Literacy centers across the country.
Islamic Banking		
• Legal framework being developed to encourage practice of Islamic banking. • Conversion of Government borrowing into Shariah compliant modes of financing	June 2002	• In order to allow existing banks to open subsidiaries for Islamic banking, a draft amendment in Section 23 of Banking companies Ordinance 1962 has been sent to Ministry of Finance. • A scheme for allowing existing banks to open exclusive branches for Islamic banking products and services is being finalized. • Pursuant to amendments in HBFC Act, the corporation has issued "Asaan Ghar Scheme" on the basis of diminishing Musharika. • In December 2001, SBP issued detailed criteria for establishment of Islamic commercial banks in private sector. • Meezan Bank Limited was issued a license which has started commercial operations in May 2002. The bank has also acquired the business of Pakistani branches of Societe Generale. • A draft report has been published for discussions with stakeholders.

Securities and Exchange Commission

PROGRESS OF DETAILED ACTION PLAN

Capital Market Reforms		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Strengthening the role of equity as vital source of financing		
• Settlement System will be improved for early clearance of transactions and elimination of non-settled transactions.	Implemented	• National Clearing and Settlement Company (NCSS) has been incorporated and has started functioning from December 2001.
• New criteria will be evolved to ensure solvency and resourcefulness of brokers/dealers.	Implemented	• Measures to ensure solvency to enhance the resourcefulness of brokers/dealers include: ➢ Net Capital Balance requirements enhanced by 10 times. ➢ Exposure of brokers must not exceed 25 times of their net capital balance requirement. ➢ Margin requirements strengthened and free exposure limit abolished. ➢ Blank sales prohibited. ➢ Regulations for short selling have been approved/promulgated for all three stock exchanges. SECP in principle, approved the establishment of Over the Counter Market (OTC), for which regulations are currently being framed by a committee consisting of Chairman Karachi Stock Exchange, MD Lahore Stock Exchange and Vice Chairman Islamabad Stock Exchange. ➢ T+3 settlement system introduced at all stock exchanges ➢ NCSS fully operational.
• Share classes will be further expanded to cater for varying needs of the market.	Implemented	• The companies, share capital (Variation in Rights and Privileges) Rules 2000 have been framed and notified.
• Provision for employees' options will be made.	Implemented	• Rules for employee stock option scheme have been framed and issued.
• Link-centers with stock markets will be	Implemented	• The Karachi Stock Exchange their members to take trading terminals

established at Peshawar, Faisalabad and Quetta to facilitate people's access to stock exchanges.		outside the exchange premises. So far, one KSE member and 25 LSE members are trading from outside the exchange premises through internet trading. This decision will enable brokers to have offices at different locations to cater to investors' needs in other parts of the country.
• Provisions will be made to allow for emergence of debt-equity conversions /swaps.	Implemented	• Adequate provisions have been enacted to facilitate such transactions.
• Introduction of new products like options, futures and other derivatives in FY 2002	Implemented	• KSE and LSE have started trading in futures Contracts under the regulations governing Futures Contract • SECP has given approval for registration to the National Commodity Exchange Limited (NCEL) to act as an exchange providing facilities for dealing in futures contracts for commodities. • A study on introduction of derivatives will be undertaken this year with the assistance of International Finance Corporation (IFC).
• New rules and framework for Introduction of private pension funds in FY 2002	Implemented	• Commission has recently completed a study on development of mutual funds and pension funds. Findings of the study along with adequate recommendations have been forwarded to the Government.
• Framework for development of framework of venture capital business, particularly in IT, in stock market in FY 2002	Implemented	• Venture Capital Companies and Venture Capital Funds Rules 2001 have been issued.
• Government will take appropriate steps to develop a framework for the development of private pension funds. For the benefit of self employed persons or any other persons pension contributions to approved annuities of insurance companies up to 5% of income subject to a maximum of 50,000 will be given tax rebate	Implemented	• Tax rebate has been granted. Commission has forwarded proposal for pension funds to Ministry of Finance.
Protecting Interests of Small Investors		
• Publication of a guide entitled 'Investing in the Stock Market' will be arranged to help small investors.	30-06-2002	• A guide has been prepared for investment in the stock market. The guide is available at SECP website and shall be available at all stock exchanges and SECP by June 2002.

• A code of conduct for the brokers will be designed to regulate their behavior.	Implemented	• Brokers and Agents Registration Rules 2001 have been notified.
• SEC will regularly inspect the records of members.	Implemented	• Stock Exchange Members (Inspection of Books and Records) Rules have been notified
• A complaint center will be established under SEC for receiving complaints of small investors.	Implemented	• Complaint center has been established and is functioning efficiently.
Promoting Corporate Governance		
• The concept of internal auditors will be promoted in the listed companies.	30-6-2002	• A Code of Corporate Governance has been finalized after extensive discussions with the stakeholders. Provisions of the code have been included in all three stock exchanges' listing regulations. Internal audit functions for listed companies have been incorporated in the Code.
• Companies will be encouraged to appoint outside directors as a way of establishing credibility with the market.	30-6-2002	• The Code of Corporate Governance incorporates appointment of independent non-executive directors on the board of companies.
Requiring more Information Disclosure		
• Formulation and adoption of cost account rules to standardize the flow of information.	30-6-2002	• Three industrial sectors namely cooking oil and vegetable ghee industry, cement industry and sugar industry have been included for cost accounting. • Draft rules for pharmaceutical and chemical fertilizer sectors have already been notified and are being finalized in consultation with the respective industrial sectors.
• Listed Companies will be required to file quarterly reports to SEC, which will be made available to the stock market.	Implemented	• After consultations with industry, SECP has issued notification for mandatory submission of quarterly accounts by listed companies.
• Further coverage of disclosure requirements will be expanded.	Implemented	• The Code of Corporate Governance incorporates improvements in disclosure requirements with respect to Directors' Report and statement of compliance with the code itself

Curbing Insider Trading		
• Insider Trading Rules to be formulated and promulgated.	Implemented	• SECP has issued listed companies (Prohibition of Insider Trading) guidelines 2001 on March 27, 2001
Integration with Global Markets		
• A policy to encourage use of Internet for trading both locally and internationally will be evolved and implemented.	Implemented	• Necessary amendments in the existing software regarding automated trading have been introduced at the three stock exchanges, which would facilitate Internet trading. Lahore Stock Exchange has introduced internet trading. SECP has initiated work to design a regulatory framework for internet trading. The commission is seeking technical assistance in the shape of a grant from international institutions to undertake these assignments.
Strengthening SECP		
• Professional staff will be inducted at key positions, at market-based salaries, and re-training will be imparted to the existing staff to cater for the enhanced and more efficient role of SECP.	Short term	• Most of the key positions have been filled with quality professionals at the near market salaries. SECP is trying to fill some key vacant positions but is finding difficult to attract professionals from private sector at the current remuneration structure. • Training areas have been identified and appropriate training programs are scheduled during this year. Three programs were conducted in last quarter; two at the Commission and one at LUMS which was for senior management of SECP. • SECP is also hosting an enforcement and monitoring training program in 2002. The program will be conducted by the Asian Development Bank experts. • The Commission has also started a Young Executives' Scheme for this year where 5-10 officers will be selected every year.
• A master plan for automation of SECP operations and development of a database that is accessible to the market will be prepared and put into operation.	Short term	• The first phase of SECP automation has been completed. This entails provision of personal computers to all officers and partial automation of company registration system. • SECP has managed to provide the company name search facility through its web-site and all relevant forms can be submitted electronically. SECP has also made available the companies Ordinance through its web-site. • The second phase of computerization at SECP has started and a contract for WAN and LAN has been awarded. This would enable SECP to link up its CROs as well as market player will be able to interact with SECP electronically. A comprehensive training program

		on IT awareness has been conducted. This phase is expected to be completed by early 2002. • A new website of SECP has been developed. All public documents of SECP including laws, notifications, orders and annual reports can be assessed through www.secp.gov.pk
• SECP will evolve a system of regular monitoring of performance of stock exchanges and listed companies.	Short term	• A stock market surveillance wing has been established in SECP for continuous monitoring and surveillance of trading activities at the stock exchanges on real time basis. • The Commission is devising a tailored training program for its analysts who are working in the Surveillance Wing. However SECP is finding it difficult to provide international exposure due to reluctance on part of Ministry of Finance to send officers abroad on selected programs.
• An investigative capacity will be developed within the SECP so that it can efficiently perform its enforcement role.	Implemented	• SEC has recently improved the human resource base in the Enforcement Division. The Division, now, has the resources to efficiently analyze data received form the Corporate Sector. Based on this enhanced capacity, the Enforcement Division has taken several actions against companies that were not operating in conformity with the Companies Ordinance 1984.
Regulatory Reforms		
• A take over law will be framed and promulgated to facilitate take over bids and protect the rights of minority shareholders.	Implemented	• The Take Over Law has been approved in principle by the Cabinet in its meeting in July 2001. An inter-ministerial meeting would be held to iron out any issues before law is enacted.
• A plan will be submitted to the Government to improve the process of dispute resolution in corporate matters, particularly in the area of liquidation of companies.	Implemented	• The Commission is working with Lahore High Court on a plan. Consultation has suggested that liquidators do not take their assignments seriously or are over worked. To rectify, amendment is proposed to e made in companies ordinance to restrict the liquidatorship if he does not complete his work within one year. This would be submitted along with other amendments in the company ordinance after incorporation of public comments.
Development Of Fixed Income Securities		
• Impediments in the development of new fixed income securities will be removed;	Implemented	• An adequate framework for issuance of TFCs is provided through rules, guidelines and regulations. Certain interim measures such as allowing

		publication of an abridged prospectus have already been allowed. The commission has been encouraging the floatation of debt instruments and as a result number of TFCs have been floated in the near past. • As the deadline for Islamization of financial system has been extended by the Supreme Court, SECP has received application for new debt instruments. Debt instruments valuing over Rs. 2 billion have been issued and subscribed during past six months.
Infrastructure of Stock Exchanges		
• Infrastructure of stock exchanges will be modernized to allow efficient trading.	Implemented	• All listed companies are being motivated to enter the central depository system. To improve governance at the exchanges SECP is pursuing a reform agenda which has already been accomplished. This includes induction of seven independent directors by SECP, appointment of MD of Exchange, removal and renewal with the approval of SECP and restriction on Board of Exchange to delegate their operational power to anyone except MD. Moreover short sellers are required to actually settle trade through tender of delivery. • T+3 system of rolling settlement is being implemented gradually. This system is likely to minimize settlement risk and will enhance transparency and efficiency of stock trading.
Insurance Reforms		
New Insurance Laws		
• Introduce a new insurance law to improve competition, regulatory environment and provision of safe and level playing field.	Implemented	• The outdated Insurance Act 1938 was repealed and a new Insurance Ordinance 2000 has been promulgated.
• More effective regulations for risk management of members of stock exchanges to be put into place in the light of recent experiences of May 2000 in the Stock Exchanges	On-Going	• Comprehensive proposals and consultations are in process.

• SBP and SECP to jointly evolve new regulatory framework for housing finance companies	June 2002	• Effective July 1 2002, all Non-Bank Financial Institutions (NBFIs) with the exception of Development Finance Institutions shall be reclassified as Non-Bank Finance Companies (NBFC) and regulated by SECP. Draft rules for the NBFCs have been formulated and put up for soliciting public opinion. Regulatory framework for housing finance companies has been incorporated in the said rules.
Public Sector Insurance Companies		
• NIC, PIC, and SLIC will be corporatized.	31-12-2002	• The National Insurance Corporation (NIC) Re-organization Ordinance and Pakistan Insurance Corporation (PIC) (Reorganization Ordinance) were promulgated on 11-08-2000. These Corporations have been incorporated under Companies Ordinance, 1984. • As regards the State Life Insurance Corporation (SLIC), it is undertaking its own exercise to determine its future plans.

Revenue Division

PROGRESS OF DETAILED ACTION PLAN

Tax Reforms		
Proposed Policy	**Time Frame**	**Progress as of June 2002**
Income Tax Ordinance		
• Promulgation of new Income Tax Ordinance (ITO) with 2001-02 budget system based on self-assessment minimal exemptions, more equitable rates, and minimum withholding tax.	Implemented	• The new Ordinance was promulgated on September 13, 2001 and is effective from July 01, 2002. The income tax department will have no power to make any changes in the income or tax except that a certain percentage of the cases will be subjected to audit to verify the accuracy of the returns filed. • The new law aims to attain uniformity of tax rates and tax treatment, reduce dependence on withholding taxes, encourage voluntary compliance, minimize exemptions and ensure an effective dispute resolution. • Minimum taxable income limit is being raised further to Rs.80,000. • In order to further rationalize the tax rates, there shall be a progressive reduction in tax rates for banking companies by 3% per year and for private companies by 2% per year for the next five years so as to reach the tax rate of 35%.
• Strengthening of income tax collection, through record keeping requirements, improved audit capacity at CBR, and elimination of immunity from probe under universal self assessment scheme	Implemented	• Given the significance of large taxpayers it has been decided to establish a Large Taxpayers Unit (LTU) to exclusively handle their affairs and facilitate them to comply with their tax liabilities. The first LTU will begin functioning with 400 taxpayers in the Karachi region. This facility will be extended to other regions in course of time. • Self-assessment Scheme extending it to companies and without any immunity has been issued by CBR.
Removal of Tax Irritants		

• Inter-Ministerial Committee on Deregulation to suggest removal of irritants and bottlenecks in taxation sector that increase cost of doing business.	Implemented	• An internet based system is being instituted to track processing of refunds that will be accessible to public at large. Exporters will know the various stages of processing and the causes of delays, if any. • More branches of NBP will be designated for the collection and receipt of tax returns. • Sales tax audited accounts will be accepted for income tax returns. • A policy of tenured-based appointments of CBR officers will be adopted to ensure continuity and avoid frequent changes that delay resolution of tax disputes. • All audit procedures, audit scheme and audit reports shall be given to the taxpayers. • Consignment of goods examined by customs or excise staff in a factory or warehouse will not be re-opened for record examination at Karachi Port or at airports. • Advance rulings will be made to enable simpler applications of rules and regulations. • CBR will compile a full account of all its notifications, general orders, rules and circulars in a printed form and make them available to public, which will also be periodically updated. • Appeals will be made against departmental decisions only when there are good reasons to win a case
• Facilitations for exports	Implemented	• A single document for customs declaration would be introduced at some selected customs stations shortly. The coverage of this document will be extended to the entire country within a few months • The third and fourth revisions in duty drawback rates due on 1st January and 1st April, 2002, respectively were put-off. These two corrections in DDB rates would now be effected from 1st July, 2002 • It has been decided that customs duty drawbacks repayments will be made through bank branches directly • DTRE rules have been modified. Provision has been made for the admissibility of GST paid on utilities and the users of polyester staple fibre will be entitled either to avail the option of importing the same under the DTRE or to obtain duty drawback on locally purchased PSF on deemed import basis. Issues of disposal of wastages as well as the local disposal in distress situations have been addressed. • The validity of SRO 260 of 2002 meant for duty drawback on polyester staple fibre on deemed import basis is being extended for one year

• Implementation of CBR Reforms Program	2001-03	• The President and the Cabinet have approved the reforms strategy. Tax administration reforms cover tax processes, use of technology in tax assessment, reorganization of CBR and restructuring of terms and conditions of service of revenue officials. Use of IT in tax administration is the key element of the reforms agenda. A major procurement effort to acquire modern computer hardware is underway to automate assessment procedures, audit methods and collection process. Current status and next steps are as under: ➢ Supervisory Council for CBR constituted by the President and headed by Finance Minister has started functioning to oversee reform program ➢ Large Taxpayer Unit (LTU) at Karachi has started functioning from July 01, 2002. LTU will be fully operational along with regular monitoring system based on performance indicators by September 30, 2002. Top 10 taxpayers, falling under the self-assessment scheme will be appropriately recognized and considered for national awards. They will also be invited to state functions ➢ Universal self-assessment scheme for income tax along with record keeping rules will be introduced from July 01, 2002. ➢ Pilot Medium Taxpayers Unit for small and medium tax payers at Lahore will be operational in September 30, 2002. ➢ Five new members from the private sector have assumed responsibilities and are actively contributing in the implementation of th reform strategy approved by the President.
Tax Amnesty Scheme		
• The scheme was notified immediately, but the market feedback suggests that it would not produce results unless coupled with abolition of wealth tax.	30-6-2000	• The first part of the scheme launched in March 2000 expired on 15.6.2000. It yielded revenue of Rs.10 billion. • A new Tax Amnesty Scheme was launched in September 2000 that expired on 30.11.2000. Revenue yield amounted to Rs. 1.133 billion from this scheme. Installments in respect of 1st Tax Amnesty Scheme amounting to Rs. 1.792 billion were also recovered upto March 2001. • Total collection from two schemes amounts to Rs. 13 billion.
Property Survey		
• Pilot surveys have been initiated in posh localities of the major cities, with the help of surplus staff of CBR. These surveys will be completed by the end of April.	2001-2002	• The survey was started in phases and is in the final phase now. Survey for documentation of National Economy, which was launched in May 2000 is now in its third visit stage. So far in Phase 1, in initial 13 cities, out of 402,527 business forms distributed, 359,003 have been retrieved; whereas out of 371,255 residential survey forms

• Subsequently, broad based surveys through professional firms will be initiated.	On-going	(properties) distributed, 328,870 forms have been retrieved. • In Phase-II, so far 328,870 business survey forms and 698,954 residential survey forms have been distributed in total of 26 cities (remaining parts of 13 initial cities of Phase-I and 13 new cities). Out of these, so far 308,247 business survey forms and 603,409 residential survey forms have been retrieved. • Third visit program for determination of annual turnover of traders/businesses is also in progress. • Through the Sales Tax Amendment Ordinance 2001 (XIII of 2001), the Federal Government has been empowered to exclude any goods or a class of goods from the purview of turnover tax. This is aimed at tackling the under-reporting problem of trade marked goods. So far, these powers have not been exercised by the Government. • Tax Enlistment Facility has expired from 30.6.2001. Now retailers, depending on the turnover, can either be registered or enrolled. • GST on 190 raw materials has been increased from 15% to 20%. This measure will provide a boast to voluntary compliance and improve documentation of economy. • An exhaustive training module has been designed for the newly recruited senior auditors, to be completed in three phases. First phase was induction, from 20-08-2001 to 1-9-2001. Then they were trained on book keeping and accounting. Lastly, they were taught basic audit techniques. The newly recruited 19 senior auditors and 335 auditors have completed their training and have started their duties. The number of audits conducted has consequently been increased. • In order to broaden the tax base, in pursuance of Sales Tax (Amendment Ordinance 2001), as a first step a notification SRO 215(I)/2001 dated 11-4-2001 has been issued where under "Polypropylene granules (PCT Heading 3902.1000)" have been specified as the goods that a registered or enrolled person cannot supply to any person who is not registered or enrolled under the said Act, and if any such supply is made, the registered person will be disentitled to reclaim or deduct input tax in respect thereof. No other item has been notified under this provision so far. • Special auditors and contact persons in respective collectorates were fully involved in special audit exercise. Around 820 audits were assigned to special auditors. Reports of about 782 audits have been

		received. This is in addition to audits conducted by departmental auditors during May and June 2001. In the audit completed, detection of Rs. 4.7 billion has been identified. So far Rs. 13.1 million has been recovered. During the present year 9.5% of the taxpayers were covered by audit whereas only 2.5% audits were conducted during the corresponding period last year. • Sales Tax refund rules 2000 were notified categorizing exporters into gold, silver and others in accordance to their risk profiles. Lower risk categories are being fast tracked. Refund rules are under review in consultation with Ministry of Commerce.
Elimination of Whitener Schemes		
• Necessary notifications have been issued in this regard.	Implemented	• Notification has been issued by CBR on 16-12-1999. • Economic Reforms Act 1992 has been amended through Presidential Ordinance. • Clarification has also been issued on 24-12-1999 regarding availability of benefits of the existing schemes.
Extension of GST		
• Extension of GST to services.	Implemented	• Implemented at Federal & Provincial levels w.e.f. 01-07-2000. • The definitions of Input Tax and Output Tax given in sections 2(14) and 2(20) of the Sales Tax Act 1990 have been amended to include CED on services collected as if it were a tax payable under section 3 of Sales Tax Act 1990. • Together with corresponding amendments in Central Excise Law, Central Excise duty paid on the aforesaid services has become adjustable against sales Tax and vise versa. • In order to alleviate the genuine difficulties of those in transition to fully conforming with the GST regime, it is proposed to provide an alternate dispute resolution mechanism in the sales tax law. The committees to be set up on need basis for addressing specific difficulties of individual as well as classes of taxpayers will include representatives from the private sector including chartered accountants, lawyers, academicians and prominent taxpayers • In order to place the local manufacturers on equal footing against imported machinery, an arrangement is being provided for zero-rated supply by local manufacturers to such oil and gas exploration companies who are entitled to import similar machinery free of sales tax.

• Extension of GST to all traders above Rs. 5 million	Implemented	• Retailers having turnover upto 1 million rupees are exempt from Sales Tax. Retailers having turnover between Rs.1 million and Rs. 5 million are required to pay turnover tax and above Rs.5 million are required to pay 15% sales tax in normal GST regime.
• Other Steps taken	Implemented	• A full time Member (Audit) has been appointed from private sector and has assumed duties from March 2002. He is making detailed study to enhance the effectiveness of audit. • Exemption of Sales Tax was withdrawn from medicines, on the retail price wef 21-03-2002. However 256 life saving drugs were kept exempt vide SRO 208(i)/2002 dated 05-04-2002. • Exports of hand knitted carpets against payment in foreign exchange through credit cards has been zero rated • Supplies against international traders to specified UN agencies and Red Cross for Afghan refugees have been allowed zero rated to procedure notified vide SRO 71291)/2001 dated Oct 16, 2001 • The Authorized Representatives Rules 2001 have been notified on 06-11-2001 to prescribe qualification of persons appearing before adjudicating officers and the appellate Tribunal on behalf of tax payers. • Instructions have been given ensuring that no taxpayer is audited more than once during the year. • Rule 5(1) of the Retail Tax Rules 1998 has been amended to allow retailers whose annual turnover is between Rs. 5 million to Rs. 10 million to maintain such records as have been notified for retailers paying turnover tax. Further, two amendments have been made in Retail Tax rules 1998 to replace TIN with NTN and to rectify the error of the tax period by substituting the word Quarter with Month • Four relief notifications have been issued for waiver of past liabilities in case of the following categories of persons: ➢ Manufacturers who continued to pay fixed tax under fixed tax scheme valid upto 01-07-1998 or under any written instructions of the Board after expiry of such schemes with the expectation that such scheme would be continued till they switched over to VAT mode of sales tax either on 30-06-2000 or earlier. ➢ Fixed tax taxpayers who, though covered under a fixed tax scheme upto 01-07-1998 but were not covered under the simplified sales tax scheme 1999, due to their turnover being

		higher than prescribed limit, but they continued to pay fixed tax amounts. ➢ Textile weaving units who paid fixed amount of Rs. 300 per automatic loom during 1996-97 and thereafter but are facing demands for differential payments despite their conversion to GST at some point of time after 01-07-1998.
	Implemented	• GST exemption on Urea fertilizer and pesticides has been withdrawn effect from 31-3-2001 • Special package for Jewelers has been introduced in Budget 2001 aimed at bringing into tax net. • Customs duty and sales tax on import and supply of cellular phones has been merged so that the combined effect is Rs.2,000 per set. It would help check the menace of smuggling. • Board has taken different decisions for expeditious resolution of disputes to ensure proper compliance in future particularly from textile sector and defunct fixed tax regimes. A number of summaries involving policy level issues have been approved by the Finance Minister. Notifications and instructions will be issued shortly. • Electricity consumption benchmarks in case of steel rollers/melters are being revised in consultation with the concerned associations. • In order to streamline payment of refunds to exporters, all collectorates of sales tax have been directed to exchange information of suspect supplies of goods to exporters to guard against illegitimate claims of refunds. • Zero rating facility has been allowed on exports to Afghanistan of all goods (except a selected few) in terms of SRO 190(I)/2002 dated 02-04-2002. • Canola seed imported into Pakistan was exempted from Sales tax vide SRO 701(I)/2001 dated 11-10-2001.
• Tariff Reforms	Implemented	• The maximum customs tariff rate of 30% is being reduced to 25%. There will be only 4 rates i.e. 25, 20, 10 and 5%. • Duty rates on over 2500 tariff lines have been reduced. These include the tariff reductions introduced on account of arrangements with the European Union who have provided greater market access to Pakistani exports. Simultaneously, the customs tariff has been made consistent with the Harmonized System of WCO 2002 version • The duties on import of plant and machinery for development of grain handling and storage facilities and aircraft and their spares are being

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Rate of customs duty on stainless and alloy steel has been reduced from 10% to 5%. Some other items which will help industry substantially are titanium dioxide on which duty has been decreased from 20 to 10% and waste paper on which the duty has been decreased from 10 to 5%.
Customs duty on compressors has been reduced from 20 to 10% and 5%. Glass fiber mats from 20 to 10%, ethylene and propylene from 10 to 5%, hand tools from 20 to 10% and electronic calculators from 20 to 10%. C.T scans will now attract 5% customs duty as against the previous rate of 10%
The scheme of Form `S' would be altogether abolished in the next two years.
In order to remove an irritant to the investors, the SROs .439(I)2001 and SRO 28(I)/98 have been rescinded and the rates of machinery covered therein have been transposed to the tariff without any variation in rates
The duties on import of cars are being reduced as under:

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<tr><td>Cars upto 1000CC</td><td>100%</td><td>75%</td></tr>
<tr><td>Cars upto 1500CC</td><td>120%</td><td>100%</td></tr>
<tr><td>Cars upto 1800CC</td><td>150%</td><td>125%</td></tr>
<tr><td>Cars over 1800CC</td><td>250%</td><td>200%</td></tr>
<tr><td>Motorcycles</td><td>105%</td><td>75%</td></tr>
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<td>Other key measures</td>
<td>Implemented</td>
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Penalty in case of registered, enrolled and enlisted retailers has been exempted with regard to any breach upto 30.6.2002.
Four relief notifications have been issued for waiver of past liabilities so as to create incentives for Trade.
Electricity consumption bench marks in case of steel rollers/melters have been rationalized to bring them close to GST system.
Instructions are being given ensuring that no taxpayer is audited more than price during a year.
GST related problems of ship-breakers have been resolved and
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		Notification issued in this regard.
Anti Smuggling Measures		
• The following anti-smuggling measures stand approved for implementation by the Cabinet Committee on the subject:- • Major smuggling points, like Mekran Coast, Pak-Iran and Pak-Afghan Border, Karachi Coast Line, Airports and Dry-Ports, will be choked.	2000-02	• Customs presence is restricted to the notified routes on the borders and on sea ports on coastline through which movement of goods takes place. Rest of the border and coastal line are controlled by the Civil Armed Forces (CAFs) and Pakistan Coast Guards respectively. These agencies have been delegated powers under the Customs Act 1969 to prevent smuggling. On notified routes, ports, dry ports and airports, customs vigilance has been intensified with the help of Army Monitoring Teams and any attempt at smuggling goods through these channels has greatly been controlled.
• The scope of Afghan Transit Trade will be rationalized.	Ongoing	o The Central Board of Revenue had identified 40 items which need to be excluded from the purview of the Afghan Transit Trade. The Ministry of Commerce has since been negotiating this issue with the Afghan Government and other concerned. Consequently the following items have been excluded from the purview of the Afghan Transit Trade by the Ministry of Commerce vide Its Order No SRO 517(I)/2001 dated 14.7.2001:- 1. Tape Recorder 2. Glass ware/dinner set 3. Telephone sets. 4. Juicer/blender 5. Video cassettes 6. Video cassette Recorders/Video Cassette Players 7. Razor or shaving blades.
• All civil-armed forces and coast guards will be used to curb smuggling at borders and coastlines.	Implemented	• Civil Armed Forces and Coast Guards have been empowered under the Customs Act 1969. through specific notifications to prevent smuggling on the borders and coastline.
• An amnesty scheme will be offered for three months to markets that sell smuggled goods, mostly notably the Bara Markets, to legalize their goods on payment of duty, or otherwise the goods will be confiscated.	Implemented	• An amnesty scheme is under consideration of the Government to legalize smuggled goods on payment of duty. A number of meetings have been held in the Ministry of Interior to chalk out the strategy for launching the said amnesty scheme. Ministry of Industries is opposing the implementation of 15% customs duty on smuggled

		goods and the issue is on hold till it is resolved.
Phasing of Taxes		
• Through gradual elimination only income tax, sales tax, and customs to remain at the federal level.	2001-03	• As an important step towards this direction, wealth tax has been abolished from July 2001 • CED is a receding tax and shrinking gradually. In recent past, CED has been abolished on a number of items including all services except four. It is not possible to abolish CED in one go. In order to mitigate impact on revenues, a phased and gradual program is being followed.
Self Assessment Scheme		
• Both income tax and sales tax will be based on self –assessment basis, with provision for random audit each year and a mandatory audit within 5 years.	Implemented	**Income Tax**: • Self Assessment Scheme for 2000-01 has already been issued vide Board's circular No. 4 of 2002 dated 18-06-2001. This year the scope of self-assessment scheme was furthered by extending the facility of self assessment to public limited companies engaged in business of banking, leasing and modarbas. The said scheme also provides for random audit of 15%-20% each year. • Besides a further concession has been extended to those taxpayers filing returns under self assessment scheme that are no more required to file wealth statement along with the returns of income if their income is less than Rs 200,000. Wealth statements are now required to be filed by taxpayers declaring income of Rs 200,000. **Sales Tax**: • As per Finance Minister's Budget Speech 2001, explained instructions have been issued that with effect from the date of registration, enrolment of any retailer, the income shall not be determined under GP rate system.
Tax Refunds		
• Tax refunds are to be allowed within a time limit. • Under IT law refund has to be paid within 90 days, or return will be applied on overdue amount, similar amendments in other tax laws are required.	1-7-2000 [after assessment of refunds due and the impact on revenue targets]	**Income Tax** • Instructions for expeditious disposal of refund have also been issued to field formations. As a result refund of Rs.19.2 billion for 1999-2000 were issued compared to Rs.10.3 billion in previous years, recording an increase of 87.2% over previous years. • Income Tax refunds issued in FY 2001-02 upto April 2002 is at Rs. 11.98 billion that reflects a rise of 16% over the corresponding period last year. **Sales Tax**

• Initiate reform of CBR administrative procedures to reduce delays and shortfalls in GST refunds and duty drawbacks to exporters.		• Improved procedures for refunds of GST and of duty drawback are being worked out and would be implemented in the Budget 2002-03 after consultation with stakeholders and Ministry of Commerce. Duty drawback July 2001 to May 2002 = Rs. 26.1 billion Sales Tax from July 2001 to May 2002 = Rs. 35.1 billion
• Establish system to grade exporters according to risk, with low risk categories of exporters being fast-tracked in the refund process.	Implemented	• As against the disbursement of Rs. 22.77 billion in 1999-00, refunds amounting to Rs. 29.82 billion have been disbursed upto June 30, 2001, thus showing an impressive growth of 31%. As a result of concerted efforts, refunds in the first five months of FY 2001-02 have shown an increase of22%. • The Sales Tax Refund Rules 2000 have been notified, categorizing exporters into Gold, Silver and Others; according to risk profiles. Low risk categories are being fast tracked. Refund rules are under review in consultation with Ministry of Commerce. • In order to devise the new refund rules, a committee under the Chairman of Export Promotion Bureau will finalize the reform package by July 15, 2002 for implementation by end of August. It is also proposed that new rules will be issued in supersession of SRO.417 whose very name has come to signify undue discomfort for the exporters
Tax Set off		
• Tax due can be set-off against approved refunds due for payment.	Implemented	• Inter-tax adjustment has been allowed and all wings of CBR have notified its procedure.
Agriculture Income Tax		
• Introduction of a two-tier agriculture income tax with acreage based land tax and income tax for farms above acreage-based threshold	Implemented	• Agriculture income tax has been imposed by all provinces. However significant political and administrative obstacles have slowed its requisite implementation.

Reduction in Multiplicity of Taxes		
• Government's findings on multiplicity of taxes to be implemented.	Ongoing	• Wealth tax has been abolished from July 2001. • Central Excise Duty has been phased out in a gradual manner and six items are being selected for withdrawal from CED regime from July 01, 2002.
Tax Ombudsman		
• A separate office of Ombudsman dealing with complaints against tax authorities is proposed to be set-up. Finance Division developed the draft law, which is under review of concerned departments.	Implemented	• Tax Ombudsman has been appointed and necessary legislation has also been made through a Presidential Ordinance. Office of the Tax Ombudsman is operational. • During one and a half year, FTO received 2231 complaints, of which 1772 were decided and providing relief in 1289 complaints.
Efficient System of Dispute Settlement		
• In the realm of simplification of tax system, it is imperative that the appellate hierarchy of the tax system is reviewed for simplification and streamlining.	Ongoing	• CBR has initiated steps to improve and simplify the appellate system including discouragement of filing frivolous and repetitive appeals. • Law Division is expected to take necessary action after reviewing the appellate hierarchy of taxation system.
Fiscal Benches		
• For early settlement of revenue disputes, separate fiscal benches to be set up in High Courts and the Supreme Court.	Implemented	• Fiscal benches have been set up in Punjab, NWFP and Sindh provinces. Due to very limited number of cases in Balouchistan, separate fiscal benches are not required.

Local Government, Finance and Social Welfare

PROGRESS OF DETAILED ACTION PLAN

Poverty Reduction		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Khushal Pakistan Program		
• Cabinet has approved a program of small public works, both in urban and rural areas, which will be implemented by the provinces in close collaboration with the local governments and communities. • An amount of Rs. 7 billion was allocated in the budget for the year 2001-02. However with additional international support, the budget for KPP for FY 02 has been increased to Rs. 15 billion. • Provinces are encouraged to contribute to the program. It has the following features:- • Local boards will formulate identify and execute development schemes in close association with local communities and non-government organizations. • Rural schemes will include; • Farm to market roads, • Canals Lining & Construction of spurs, • Culverts, ponds and soil conservation. • Urban schemes will include: • Water supply & sewerage, • Garbage collection and disposal. • Army Monitoring system will serve as third party monitor.	Ongoing	• Due to its transitory nature the Khushal Pakistan Program is a social intervention aimed at generating economic activity through public works in the country. The provinces in close collaboration with the local governments and communities are implementing the program. • Ministry of Finance has already released Rs. 15 billion to provinces, FATA, AJK, NA and ICT for implementing the program. • During FY 2002 a total of 14,004 schemes have been approved under the program. Of these, 2902 schemes were for farm to market roads, 1,102 schemes for water supply, 2118 schemes for spurs, storm channel and flood protection, 1409 schemes for repair and operations of schools and health facilities were undertaken. In the process, a total of 175,000 temporary jobs were created and thus helped the poor of the rural and urban areas alike

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<tr><td colspan="3">Food Support Program</td></tr>
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1.2 million poor households, in both urban and rural areas, with an income of Rs.2,200 per month are targeted under the program at a cost of Rs.2.0 billion annually. FSP allocation for FY 02 is Rs. 2.9 billion</td><td>Implemented</td><td>Total number of beneficiaries during July-March 2001-02 were 2,016,887 with a total disbursement of Rs. 2,016.89 million as against 1,061,065 beneficiaries and Rs. 1,061.07 million disbursement during the same period last year.
A system of means testing at the local level has been adopted for identification of beneficiaries by linking the program with the Zakat system where records of Mustahiqeen are developed through extensive participation. For the fiscal year 2001-02 allocation for this program has been increased by 16% (Rs.400 million) to Rs.2.9 billion. It is being implemented at the local government level, through a participatory process of identification of poor, to mitigate the adverse impact of adjustment in wheat prices.</td></tr>
<tr><td colspan="3">Revamping of Zakat and Ushr System</td></tr>
<tr><td>A Cabinet Committee is reviewing the system of Zakat with a view to improving its efficiency and coverage. At present 2 million individuals (0.5 million on regular basis) are the beneficiaries of the system.
In the meanwhile the monthly level of cash transfer has been increased from Rs.300 to Rs.500.</td><td>2001-02</td><td>The revamped Zakat system seeks to provide funds to beneficiaries not only to fulfill basic needs but also to permanently rehabilitate them through Zakat Rehabilitation Grants whereby they can undertake projects for self employment
Additional 1.5 million beneficiaries to be added to the list of Zakat beneficiaries and Zakat system is being revitalized for the purpose of rehabilitation and funding upto Rs. 50,000 will be provided.
Zakat rehabilitation grants during July-May in 2001-02 amounted to Rs. 1,525.08 million catering 76,554 beneficiaries.</td></tr>
<tr><td colspan="3">Improving Access to Micro-Credit</td></tr>
<tr><td>Establishment of a micro-credit bank.</td><td>Done</td><td>The Micro-credit bank (Khushali Bank) is operational since August 2000 with the aim of providing micro-credit to small business enterprises and self employed micro enterprises. Asian Development Bank is assisting with US $ 100 m in this regard.
Twenty four branches are operational as of December 2001. Aiming at fast growth, the bank will cover all districts by the end of fifth year with a client base of 600,000 and loan portfolio of Rs.7.6 billion.
Government has allowed establishment of micro finance banks by the private sector. Aga Khan Foundation has opened the First Micro-Finance Bank in March 2002.</td></tr>
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<tr><td></td><td></td><td>
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<tr><th colspan="3">Micro Credit Disbursements July-March 2001-02</th></tr>
<tr><th>Agency</th><th>Beneficiaries</th><th>Disbursement (Rs in mill)</th></tr>
<tr><td>PPAF</td><td>38,127</td><td>365</td></tr>
<tr><td>Khushali Bank</td><td>28,495</td><td>277</td></tr>
<tr><td>ADBP</td><td>1,922</td><td>44</td></tr>
<tr><td>TOTAL</td><td>68,544</td><td>686</td></tr>
</table>
Number of districts with micro-credit coverage between July-March 2002-02 were 61,26 and 35 for ADBP, Khushali Bank and PPAF respectively.
</td></tr>
<tr><td>Pakistan Poverty Alleviation Fund</td><td>Ongoing</td><td>PPAF was set-up with an endowment of $100 million, as a wholesale lender to NGOs engaged in providing micro financing. Until 1 June 2001, it had provided total assistance of Rs.1.2 billion to 33 NGO in all parts of the country, for onward lending to the poor. In this respect, Rs. 507 million had been disbursed to over 50,000 borrowers representing twelve times the increase in disbursement and seven times the increase in borrowers, over the previous year. These disbursements represent an average loan size of Rs. 9,050 per individual. Based on this experience it is expected that the total credit component of the fund (US$ 45 million) would be fully utilized by the end of 2003. PPAF has made disbursements to the tune of Rs. 257 million towards 796 community physical infrastructure (CPI) projects, mostly for clean drinking water supply and irrigation purposes, which are community identified, locally managed and locally run. PPAF has maintained its focus on severely affected drought areas, while maintaining equity in provincial distribution of funds.</td></tr>
<tr><td>Employees Old Age Benefits Institutions (EOBI)</td><td>2001-02</td><td>Total number of beneficiaries during July-March 2001-02 was 92,485 with total disbursement of Rs. 1,048 million as against 92,618 beneficiaries and Rs. 894 disbursement in corresponding period last year.</td></tr>
<tr><td colspan="3">Poverty and Social Development</td></tr>
<tr><td>Preparation of I-PRSP.
Establish the institutional setup to regularly monitor poverty and social development indicators based on household and Census data.</td><td>Implemented</td><td>The respective boards of the IMF and the World Bank approved IPRSP in November 2001.
The PRSP Secretariat has been established in Finance Division which provides overall lead in coordinating, monitoring and evaluating the implementation of poverty reduction strategy. It will ensure that proper institutional arrangements are put in place for overseeing implementation right from expenditure monitoring t outcome analysis.</td></tr>
</table>

		• In the same vein, a high level National PRSP implementation Committee has been established which will oversee the implementation of PRSP policy reforms, evaluation of their impact and appropriate adjustment in the policy regimes • Expenditure tracking reports are regularly being published on Ministry of Finance's web-site. • In order to track I-PRSP indicators, provincial governments will identify focal points within their respective Planning and Development Departments. • Provincial governments are in process of preparing their own PRSP's
• President's Commission on human Development	Implemented	• An important initiative taken by the government during the FY 2002 is the establishment of President's Commission on Human Development. The Commission, being established under a law, will be charged with the responsibility for capacity building for social sector development at the local government level. The social activists that would undergo the training in the programs of the Commission will enable communities to fully exploit the opportunities being made available to them through a number of development initiatives. • A trust fund of Rs.2 billion has been created to support the programs of the commission. This will be supplemented from donations of expatriate Pakistanis and other philanthropist organizations and individuals.
Budget Allocations for Human Development		
• Increase in pro-poor expenditures for FY 2003	2002-03	• Government has increased the budget allocations for human development and pro-poor expenditures to Rs. 161 billion (4% of GDP).

Zakat Disbursements (Rs in Millions) (July-March)

(This information pertains to Punjab, Sindh, NWFP & Federally Administered Areas only)

Policy	Instrument	July-March FY 2001	July-March FY 2002
▪ Rs. 500 pm, provided to each beneficiary through local Zakat Councils	Guzara (subsistence) allowance	1464	1581
▪ Rs. 50 – Rs. 583 pm, provided to beneficiary students (primary to post graduate level)	Educational stipends	141	349
▪ Rs. 100 – Rs. 500 pm, provided to beneficiary students of religious schools (Deeni Madaris)	Stipends to Deeni Madaris	23	65
▪ Free medical and surgical treatment provided to beneficiaries in Districts and Tehsil headquarter hospitals and over 70 National health institutions	Health stipends	33	88
▪ One time grant upto Rs. 5000 for those struck off from the list of beneficiaries	Social welfare grant	35	74
▪ One time grant, to beneficiary girls, of Rs. 10,000 for marriage	Marriage assistance	34	82
▪ Provision of Rs. 10,000 – Rs. 50,000 to each beneficiary, out of Zakat Funds, for starting up small scale business or trade amongst 44 specified categories	Zakat Rehabilitation grants	-	810

Finance & Law Divisions

PROGRESS OF DETAILED ACTION PLAN

Good Governance and Institutional Reforms		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Restructuring of Government		
• Devolution Plan for democracy at the lowest levels	Implemented	• The National Reconstruction Bureau formulated a comprehensive devolution plan, which devolves fiscal and administrative powers and responsibilities, including those related to social services, from the federal and provincial levels to elected district level authorities and local councils. This process was completed on August 14th, 2001. • This has enabled new Local Governments to effect credible development and service delivery at the district, tehsil, and union tiers. Each tier comprises its Nazim, Naib Nazim, elected body, and administrative structure. • New Local Government Finance System is operative from July 01, 2002 • Tehsils/Towns would be bought under focus to ensure TMAs start functioning effectively by June 30, 2002. • Twenty five percent of development funds at all levels of local governments would be reserved for financing viable projects submitted by Citizen Community Boards.
• Government restructuring exercise needs to be initiated that will address key issues such as the optimal size of government, efficient organization, adjustment and retraining of surplus staff and minimizing adverse effects of downsizing.	2001-02	• The Deputy Chairman Planning Commission has submitted report to the President and the report was also circulated to all ministries/divisions for comments. The President had chaired a meeting to review the proposals and progress. Follow up action with consultation of provinces will be announced shortly. • The Management Services wing (MS) of the Establishment Division has been assigned the responsibility to monitor, on a regular basis, implementation of decisions regarding rightsizing and restructuring of Ministries/Divisions with the objective to achieve a new norm of

		officer/staff ratio of 1:3:2 for the year 2001-2002 and 1:2:5 for the year 2002-2003. MS wing aims at rational and efficient management of surplus staff, through an effectively controlled surplus pool with ultimate allowance for permanent attrition. • As a first measure, rightsizing/ restructuring voluntarily proposed by various Ministries/ Divisions, is as under: o Posts to be abolished = 26,587 o Posts Abolished = 22,500 o % age = 85%
• Initiate program for police reforms	2001-02	• Old Police Act of 1861 has been amended to meet modern day challenges. The President and the Cabinet has approved the recommendations. Implementation has been initiated. • Rs. 2.2 billion have been earmarked in FY 2001-02 • Additionally, under extensive police reforms proposed by the government, the police is being depoliticized. Provisions to prevent political interference in the conduct of the police department have been made through the enactment of the 2001 Police Ordinance. Among the various elements provided for in the legislation, is the setting up of Public Safety Commissions at the federal, provincial and district levels to ensure civilian control and to institutionalize the accountability of Pakistan's police force. Criminal Justice Coordination Committees (CJCCs) at the district level will also be established. An independent complaint authority against police excesses will be set up comprising civil society representation. • The new Police Ordinance mandates a study to determine the precise needs in terms of financial and human resources. In addition, the preparation of annual budget will begin at the lowest level of police department – to improve both the overall efficiency and participation. Pay will be rationalized along with other benefits according to the risks in the nature of duty. The police services will be relieved of the duty of acting as prosecutors in arraignment hearings and other initial proceedings
Civil Service Reforms		
• New Federal Public Service Commission (FPSC) provisions drafted civil service reform to increase autonomy of political	Implemented	• FPSC (Amendments) Ordinance 2000 had been promulgated w.e.f. 17-11-2000.

interference.		
• Delegation of powers granted from Establishment Division to line managers for appointments, promotion, and discipline up to grade 19.	Implemented	• Implemented vide Establishment Division's Notification No SRO 276 (1) / 2000 dated 25-5-2000. To improve performance and reduce corruption the Civil Service Act has been amended to enable the government to prematurely retire civil servants who are found to be inefficient and have completed 25 years of service. A Removal from Service (Special Powers) Ordinance has been issued to expeditiously remove from the service officers involved in corruption.
Promulgate FPSC Ordinance to: • Increase FPSC's financial autonomy • Terminate the power of government to withdraw posts from purview of FPSC; • Extend the FPSC's role in recruiting at level 11-15 for a number of key cadres.	Implemented	• FPSC (Amendments) Ordinance-2000 has been promulgated w.e.f 17-11-00. • SRO 415/2000 dated 19-06-2000 regarding amendments in FPSC (Functions) Rules 1978, has been issued.
Complete review of civil service pay and benefits.	2001-02	• The President has approved the Pay & Pension Committee recommendations wef from December 01, 2001 • Pay scales of 1994 have been increased by 50%. In 2nd phase, the remaining differential vis-a-vis the increase in cost of living will be filled • Net pension has been increased by 15% for those retired before introduction of 1991 pay scales, by 10% for those retired before introduction of 1994 pay scales and by 5% for those retired after 1994 scales. Pension scheme for the new entrants has been dispensed with. • Other salient features are: • Pay Scales to increase with reference to change in CPI from 1994-95 • Discontinuation of Financial Advancements and Special Dispensations • Reducing the gap between government and market salaries to attract talent in government employment • New pay package option available to all government servants • Rationalization of commutation factors • Commutation ratios changed from 50:50 to 60:40 • Discontinuation of additional benefit • Rationalization of future increases in pension • Creation of an actuarial office in Finance Division
Establishment of a special recruitment	2001-02	• To improve the quality and performance of higher level staff,

process, staff performance assessment, and promotion system that links rewards to performance		examination requirements have been established as a prerequisite for promotions [to grades 17, 19 and 20 • CBR has inducted five new members from private sector. CBR intends to undertake detailed human resource audit with a view to develop its Human Resource policy. The issues indicated opposite will be responded to in consonance with the new policy. • Establishment Division has taken the following steps: • Introduction of target-based criteria for evaluation of performance on the job • Introduction of separate color-coded performance prescribing distinct appraisal criteria for lower, middle and higher management tiers • Introduction of bi-lingual performance • Introduction of report writing in manuscript form • Development of benchmarks and performance indicators for each post • Devising a system of monitoring of timely report writing
▪ Establishment of Independent Statistical Authority	2002-03	• With a view to develop a professional organization that is free of bureaucratic influences, it has been decided to convert FBS into a fully autonomous authority with its own board of governors that would be competent to lay down its technical, human resources and financial polices
Access to Justice Reforms		
• The ADB has developed a detailed proposal for undertaking grass-root reforms in country's judicial system, primarily aimed at lower courts.	2001-04	• The Government recognizes that Judicial and legal reforms are necessary to stimulate economic growth and encourage private investment – local and foreign. The present Government has therefore embarked on an agenda of good governance to restore the institutional health and working of the judiciary with the aim of reducing delays and frivolous litigation; improving deficient physical court infrastructure; raising the salary structure of judges; increasing the number of judges and improving the gender ratio; countering real budget contraction; and improving governance within the judiciary. • Currently the judiciary in Pakistan lacks a voice to articulate the constraints and problems faced by the judicial system or make recommendations about its reform. Accordingly, the mandate of the Law Commission will be expanded to include the judicial system and it will be renamed as Law and Justice Commission

		(LJC). LJC will develop policies for core systems (human resource, management information, judicial statistics, etc.) and would take initiatives, advocate improvements and speak on behalf of the judicial branch. To deal with delay in courts and to provide efficient and inexpensive justice with respect to small claims and offences, the Government has established Small Causes Courts. The following new initiatives will are also being considered for implementation. They include: 1. A comprehensive judicial reforms program, encompassing improvements in policy making for a more efficient and citizen oriented judicial and legal sector that promotes access to justice 2. Strengthening of judicial independence by complete separation of the judiciary from the executive and ensuring that mandates of the judiciary are adequately funded, 3. Ensuring efficient and inexpensive justice, 4. Legal empowerment of the poor and vulnerable, and improvements in judicial governance and human resource development, is being framed in coordination with Pakistan's developing partners.
• Asian Development Bank is providing, in the first stage, a technical assistant (TA) of $2.9 million that will lay the groundwork for undertaking major structural reforms that would improve administration of courts, their capacity to dispense justice, keep efficient records, quality of justice through training of judges and dissemination of information.	2001-03	• ADB has released first tranche of US$ 100 million in December 2001. Te incentive tranche of US$ 50 million will be released in June 2002. Program will be implemented in three phases: Phase 1 from July 2002 to June 2004. • The program entails: 1. Establishment of Law and Justice Commission to serve as apex policy making body for judicial sector 2. Affirmation of judicial independence including separation of executive from judiciary 3. Creation of separate civil and criminal courts 4. Translation of all new legislative proposals and laws as enacted in Urdu 5. Induction of women judges in lower and sub-ordinate courts 6. Review of terms and conditions of sub-ordinate judiciary 7. Commitment to adequately fund mandates of judiciary 8. Computerization of courts, police stations and prisons 9. Publication of annual reports of High Courts for transparency 10. Promulgation of Small Causes Courts and Family Courts

		(Amendment) Ordinance 11. Holding of annual conferences at district and provincial levels of sub-ordinate judiciary 12. Appointment of Grievances Officers in key federal government departments and evolve mechanism for redressal of complaints. 13. Strengthening of Federal Judicial Academy 14. Improvement of legal education and establishment of centers of excellence 15. Establishment of Environmental Tribunals in each province.
Fiscal Transparency and Accountability		
• Publication of federal quarterly budget bulletins based on fully reconciled revenue and expenditure data.	Implemented	• Quarterly consolidated data has been placed on official website of MOF. Monthly data is subject to reconciliation. www.finance.gov.pk • Publication of public sector contingent liabilities and tax expenditures as an annex to the Economic Survey, has been initiated from FY 2001
• Publication of provincial quarterly budget bulletins based on fully reconciled revenue and expenditure data.	Implemented	• Process initiated. Provincial reconciliation committees have started functioning
• Establishment of ad-hoc Federal Public Accounts Committees (PAC)	Implemented	• Ad-hoc PAC has started its functioning both at federal and provincial levels
• Designate the Principal Accounting Officer (PAO) as responsible for the Ministry and Department's internal financial control function.	Implemented	• Implemented vide MOF OM no. 3(4).Exp. III/2000 dated 30-06-2000
• Fully functional federal PACs working within a program to clear backlog of reports over a 24 month period and within rules that provide public access to the audit reports and PAC hearings.	Implemented	• Ad-hoc PAC has started its functioning & is holding meeting regularly to clear the backlog. Proceedings of PAC are open to media.
• Establishment of Provincial PACs with representation of a cross-section of	Implemented	• Provincial PACs have been constituted in all four provinces and in AJK. Proceedings are open to media

society Provincial PACs to function under the same principle and rules of the Federal PACs		
• Promulgate Audit Act in accordance with the recommendations of the High Level Committee	Implemented	• Implemented wef July 01, 2001. Audit and Accounting functions have been separated and two ordinances have been promulgated on 17-05-2001.
• Establish Public Sector Accounting Standards Committee to review overall accounting practices and recommend action plan.	Implemented	
• Establish governance monitoring unit and system to track progress in implementation of broad governance agenda.	Implemented	
• Establishment of Poverty Reduction Strategy Paper (PRSP) Secretariat to monitor and evaluate progress on IPRSP and poverty related expenditures.	Implemented	• The government has established as a part of the I-PRSP an expenditure tracking mechanism for pro-poor (or I-PRSP expenditures). Quarterly expenditure reports are being prepared and disseminated to the public.
Freedom of Information		
• Public discussion of Freedom of Information Act Proposal. • Provide access to the private sector for television and radio broadcasting through promulgation of Regulatory Authority on Media and Broadcasting Organization. • Eliminate restrictions for radio and TV stations to broadcast news and current affairs programs.	Implemented 2001-03 2001-03	• Public discussion has been completed. Law will be promulgated in due course of time. • TV signals to be extended to less developed areas: Rebroadcast Station Umerkot (Sindh) and Dasu, Bajur and Bagram and Timargirah (NWFP), Video Playback Center, Wad (Baluchistan), TV production and transmission facilities in AJK. Radio transmission reached 78% of area and 96.5% population. 14 foreign languages, 2 KW FM stereo phonic installed at Islamabad and Faisalabad, and a 100 KW MW transmitter being installed at Turbat. • Major broadcasting initiatives planned are 100 KW MW each at Mirpur AJK, 10 KW transmitter at Larkana, Installation of 100 KW MW transmitters at Multan, Hyderabad and Quetta, new 2 KW FM stereo transmitters at Peshawar, Sialkot, Multan and Hyderabad, coverage of

		FM in motorways and all major highways, and networking of Radio broadcast services • Removal of restrictions work has initiated by PTV and PTV World. Press has been given unprecedented freedom to express it views.
• Reports on Government's performance and restructuring	Implemented	• Six key reports have been completed during 2000-01. These were the Debt Committee Report, Audit and Accounts Report, Income Tax Law Report, Restructuring of the CBR Report, Civil Service Restructuring Report, and Pay and Pensions Report. Some of the recommendations of these reports have already been implemented but most of them will be implemented during the medium-term

Ministry Of Health

PROGRESS OF DETAILED ACTION PLAN

Primary Health Care		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Health and Nutrition		
• To develop and implement a comprehensive National Programs Portfolio for Health and Nutrition Sector	2001-02	• Strategy to resolve the health issues is clear shift from curative to Preventive and from Urban to Rural with more focus on mother and child health, greater stress on public health and nutrition, education and integration of health and population sectors/programs at grass roots levels. o Polio Eradication Initiative. ($7 to $8 million a year) o Routine EPI Coverage. (Rs.5366 million) o Introduction of Hep.B Vaccine. ($ 35 million) o Elimination of MNT in HR Districts.(Rs.857 million) o FP & PHC Program through Lady Health Workers.(Rs.9104 million) o Women Health Project. (Rs.3750 million including Provincial components). o HIV-AIDS Program. (Original Rs.774 million Expanded Response $ 34.6 million) o TB Control Program. (Rs.465 million including Provincial PC-Is). o Malaria Control Program. (Rs.253 million) o National Nutrition Project. (Rs.302 million) o Health Education & Promotion. (Rs.100 million a year)
• Deployment of lady health workers (LHWs).	2001-04	The implementation of the National Health Policy has been strengthened through the Lady Health Workers Program by hiring of 10,000 new workers and the merger with similar program under Ministry of Population Welfare. • **Future Plans** • Achieve Target of 100,000 Lady Health Workers covering 100% rural population by 2005. Of these, 12,400 will be provided through WHP/RHP; • Enhanced role of LHWs in implementation of priority program - TB DOTS, EPI, Nutrition, Safe Motherhood.
• Women Health Project	2001-06	• Women's Health Project is being implemented at federal level and in all provinces with ADB assistance. The project aims at improving the health, nutrition and social status of women and girls by developing women friendly health systems in 20

		districts with aim to expand basic women's health interventions to undeserved population, develop women friendly district health systems providing quality women's health care from community to first referral system, and strengthen the capacity of institutional and human resources to improve women's health in long term. • Federal Component ($ 15.8 million) (Support for FP/PHC, MNT, HRD) • Provincial Component ($ 59.2 million) • Future plans Develop 20 women friendly districts delivering comprehensive health care (8 Punjab, 4 Sindh, 4 NWFP, 4 Balochistan) • Basic and Comprehensive Emergency and Obstetric Care Services in the Districts.
• National Program of Family Planning (FP) and Primary Health Care (PHC)	Ongoing	• The Program was launched in 1994 and Rs. 1200 million were allocated during FY 2002. Program aims at delivering basic health services at door steps of unprivileged segment of society through development of LHWs living in their own localities. It has recruited 69,254 LHWs to achieve Universal health coverage in providing promotive, preventive and curative services at the doorstep of the community. Trained RH cadre functioning at grass roots. • 11,254 VBFPWs merged with LHWs since October, 2001. • The Program coverage is now 50% of the population mainly in rural areas and urban slums. • Total expenditure in the period 1994-2003 Rs.6.5 billion. • Planned Investment per LHW :Rs.41,000 • Average Investment per LHW :Rs.25,226 (upto 1998)
• Achieve functional integration with Village Based Family Planning Workers (VBFPWs).	2001-02	• Administrative control of 12,000 village based family planning workers of Ministry of population Welfare has been given to Ministry of Health wef September 14, 2001
• Introducing reproductive health package in a phased manner.	2001-02	• Women Health project has been launched wef June 2000 at the cost of Rs. 3750 million to develop women friendly health systems in 20 districts. The LHWs would be trained especially in reproductive health throughout the country to work for this project.
• Strengthen National Nutrition Program especially its components of breast-feeding, fortification, and provision of Vitamin A, iron and iodine.	2001-02	• 29 million children were provided with vitamin A during the National Immunization Days in March 2001. The LHWs provide iron supplements regularly under the National Program for Family Planning & Primary Health Care. • A project " Improvement of Nutrition through Primary Health Care and Nutrition Education/Public awareness SAP-II" costing Rs. 302.00 million has been cleared by CDWP

EPI Program		
• Increase coverage of Expanded Program of Immunization (EPI).	2001-03	• Percentage of fully immunized children 52% (PIHS 1998-99). • District Surveys through Third Party Evaluation of EPI in Punjab in year 2000 shows overall post-campaign immunization coverage of 70% • Independent District Surveys being conducted in other provinces (UNICEF support) • Target: Achieve EPI Coverage of 80% by 2004 • 5 year EPI Strategic Plan formulated. GAVI support to strength Routine Immunization program at district level approved. Provincial PC-Is under process. • Auto disposable syringes introduced in EPI since 2000. Injection Safety Plan under preparation.
• Reduce the incidence of measles by 80%.	2001-02	• Measles Reduction Program has been prepared and is under process of seeking approvals
• Introducing Hepatitis B in EPI	2001-02	• Vaccine for Hepatitis B in being introduced in EPI regime with effect from July 2001 with help of grant assistance from Global Alliance for Vaccines and Immunization. Pakistan is the first country selected for such assistance. • Prevalence of 4.3% all ages (Hafizabad Study), 11.9% in children (Karachi Study), 5.3% amongst medical students, upto 11% amongst pregnant women (Lahore Study). • Currently introduced in 11 Districts (2001) 100% districts to be covered by July, 2002. • GAVI Support.
Health Care Services		
Polio Eradication Initiative		Following is the progress made towards polio eradication: About 29 million children (U-5) reached for polio/Vit-A through NIDs annually. **Number of confirmed cases** 1998 - 1200 1999 - 558 2000 - 199 2001 - 104 **Number of Districts Reporting Polio** 1999 - 76 2000 - 59 2001 - 36 As per WHO/TAG Report of 2000

		Virus transmission geographically restricted and reduced in intensity. Localization of Virus represents a new stage in Poliovirus Control. AFP Surveillance, strong and of consistent quality across Provinces; epidemiological understanding now driving decisions. Polio Lab results accurate and prompt. Progress sustained despite recent challenges. TAG reaffirms that eradication by end-2002 is epidemiologically feasible.
Expand the Tuberculosis Control Program.	2000-2003	Pakistan has the sixth largest burden of tuberculosis in the world. The TB incidence at 177 per 100,000 population. Phased introduction of the DOTS approach and 17% population covered during one year. Federal and all provincial/area PC-Is for TB Control stand approved at a total cost of Rs.465 million. Target: DOTS Coverage 100% by 2005 Case Detection Rate 70% Cure Rate in sputum positive 85% **Initiatives Taken:** GDF approval for drugs; Guidelines for Planning/implementing DOTS in a district; Training Package for Doctors, Paramedics, Lab Technicians, LHWs; (1200 doctors, 5000 paramedics, 800 LHWs, 70 Lab Technicians trained; Managing TB in Children (with PPA); Anti TB Association/NGOs involved in DOTS districts; Review of Medical College curricula (with PCA); KAP of GPs (TDR) - 3 research protocols on gender/drug/urban TB (EMRO).

• Increase National Tetanus Coverage, both maternal and neonatal	2000-03	• Program to eliminate MNT with JICA and UNICEF support in 57 high risk districts. • 2 Rounds covering 5 million CBAs completed. • Third Party Evaluation Planned (through UNICEF) • Target: Reduce incidence of neonatal tetanus from 4.2 to less than 1/1,000 by 2004. • Plan under preparation for remaining Districts.
• National Malaria Control Program		• Main objective of program is to reduce malaria morbidity nd mortality to a level where it is no longer considered as a major health problem is Pakistan. The current provisional figures show annual parasite incidence as o.62 cases per 1000 population. Over 500,000 malaria cases occur annually. • Malaria is a re-emerging disease with high endemcity in Sindh and Punjab- 40 high risk districts identified. • Falciparum malaria has registered an increase in Sindh (57%), with overall burden 33%. • Resistance of malaria parasite to drugs has increased in recent years. • Federal PC-I based on the Roll Back Malaria Strategy being implemented for the period 2001/06 at a cost of Rs.253 million. • Provincial Health Departments have developed/approved PC-Is to complement the federal program. • Target: Reduce malaria morbidity (annual parasite incidence) by 50% over the next five years.
• Establish clinics for HIV/ AIDS prevention counseling, voluntary and confidential testing, and prevention.	2000-03	• Forty Six Screening centers have been established, surveillance activities are under progress. Messages are being given on media. • Four voluntary counseling and testing centers is in process at the following public sector facilities: 1. Services Hospital Lahore 2. Lady Reading Hospital, Lahore 3. District Head Quarters Hospital Sukkur 4. Sandamen Hospital, Quetta
• Improve the efficiency of Basic Health Units (BHUs) and Rural Health Centers (RHCs) by setting up district level community based supervisory committees.	2000-03	• Provincial Governments are engaged in improving health facilities at BHU/RHC level.

• Integration of Family Welfare Centers, Mobile Service Units, and VBFPWs with the Health Sector outlets	2000-03	• In a meeting held under the chairmanship of the Chief Executive on April 6, 2001, it was decided that the administrative and financial control over the Family Welfare Centres (FWCs), Mobile Service Units (MSUs) and Reproductive Health Services –"A" Centers (RHS-"A") shall be transferred to the provincial Population Welfare Departments alongwith their staff. Equipment and funds. Necessary action to implement the decision is being taken by the Ministry of population Welfare and Provincial Governments.
• Open multiple channels of publicly financed service delivery through public, NGOs, and the like.	2000-03	• For completed and under construction health facilities, EDOs in consultation with District Nazims and DCOs will prioritize and categorize the non-functional facilities • Sindh Province • Necessary instructions have been given to all EDOs and Governor Sindh has • Balouchistan Province • Following plans have been approved for advocacy and social mobilization: • Advocacy Plan, Development of material, Seminars at district level, media coverage and inauguration by District Nazims. • MoH has completed study on outsourcing services to NGOs for targeting vulnerable groups against HIV/AIDS. • Outsourcing TB DOTS services to NGOs/private providers based on agreed deliverables key strategy of TB Program. • 100% DOTS Coverage achieved in AJK through PPP between the Government and Mary Adelaide Leprosy Centre. • Social Marketing of Impregnated Bed-nets being piloted under Malaria Control Programme. • Frontier Medical College established in private sector in partnership with DHQ Hospital, Mansehra (NWFP). • CRS : Women empowerment groups.
Nutrition		
• To control malnutrition among pregnant women and children	2001-2003	• The prevalence of low birth weights (25%) malnutrition in children (35%) and anemia in pregnant women (50%) is extremely high. The government is taking a number of steps to correct this situation. The National Nutrition Program has been strengthened especially its components of breast-feeding, fortification, and provision of Vitamin A, iron and iodine. • PC-I on Nutrition Project (2001-06) approved by CDWP at Rs.302 million. Its main components are: o Nutrition through PHC; IEC; o Micro-nutrient Supplementation;

		o Nutrition Research. o National Nutrition Survey being conducted by Planning Division and FBS with UNICEF support. o Nutrition Cell being established by MOH o Swat Model : IDD Control through Universal Salt Iodization based on Decentralized District Approach. Coverage rose from 20% in 1997 to 90% in 2000 in consumers and 100% in providers. • Another 26 million children have been provided with vitamin A during the National Immunization Days. • Moreover, iron supplements are regularly provided by the LHWs under the National Programme for Family Planning & Primary Health Care. • The National Nutrition Program has been strengthened especially its components of breast-feeding, fortification, and provision of Vitamin A, iron and iodine. A project for the improvement of nutrition through Primary Health Care and Nutrition Education/Public Awareness Program costing Rs. 302.00 million has been approved. While, another 26 million children have been provided with vitamin A during the National Immunization Days. Moreover, iron supplements are regularly provided by LHWs under the National Program for Family Planning & Primary Health Care. • Additionally, inclusion of proper nutrition training in primary health care has been initiated with a view to improving the nutritional status of the poor. Education Sector Reforms (ESR) also proposes to initiate early childhood education with a multi-sectoral approach aimed at improving health and nutritional outcomes in the country.
Institutional Reforms		
• Devolution	2002-03	• Provinces have: • Reorganized Provincial Secretariats, Directorates and District Health Offices in line with Devolution Plan. • Re-distributed Provincial and District Functions and Responsibilities. • Re-deployed staff from the provincial and divisional tiers to work in the districts. • Strengthened district health offices to undertake planning function, as well as improved financial and personnel management. • Conflict Resolution Committees" to facilitate smooth transition of power from the provinces to the districts. • Department of Population Welfare has been placed under EDO (Health).

• Strengthening of District Health Systems	2001-03	DHS Strengthening in support of Devolution. • Focus on Systems Development: • Establish District Health Management Teams. • Prepare District Health Profiles and Health Plans. • Strengthen Monitoring and Supervision System. • Design District Health Surveys. • Strengthen Use of HMIS for improved decisions. • MSU has assisted 20 districts in the country including 16 Women Health Project Districts.
• Legislations	2001-03	Ministry of Health has prepared draft legislation on: • Blood Safety. • Breast-feeding. • Smoking • Medical Devices Quality Control and Use. • Transplantation of Organs • Private Hospitals/Colleges • Consultation with stakeholders. • Mental Health - Ordinance promulgated - integration of Mental Health with PHC - pilot project 1 district per Province.
• Personnel Policy	2001-03	• **Punjab**: EDO (Health) to be MPH equivalent. • **Sindh:** Policy evolved based on seniority-cum-fitness • **NWFP:** Cadre of MO and WMO merged • Compulsory Rural Service instituted.
• Regular/Contract appointment	2001-03	• **Punjab**: 4,109 posts being filled in rural areas on contract • **Sindh:** 325 doctors appointed on regular basis**NWFP:** 101 specialists, 138 MOs, 56 nurses & 32 LHVs being contracted Posts of 476 MOs/ Lady MOs/ • Dentists, 60 nurses, 49 LHVs filled
• Package for hard areas	2001-03	• **Punjab**: Rs.12,000 pm for BHUs, Rs.8,000 pm for RHCs/ THQs • **Sindh:** Special package for Rs. 46 million to fill vacancies in district facilities • Special allowance at THQ and below Specialist Rs.5000pm MO Rs.3,500 pm Nurse Rs.1,000 pm, LHV Rs.500 pm
• Tertiary Hospital Management	2001-03	• **Punjab**: Autonomy Rules under preparation • NWFP: Autonomy in place in 4 major Hospitals.

• Referral Development.	2001-03	• Sindh: 2 Pilot Districts • NWFP: 3 Pilot Districts
• RHC/BHU Rationalization	2001-03	• **Punjab**: Review in final stages • **Sindh:** Review under way **NWFP:** 3 year Rolling Plan • **Balochistan:** Survey completed
• Upgradation of THQ/DHQ	2001-03	• **Punjab**: 25 DHQs, 52 THQs, (Rs. 1665 m) • Sindh : 11DHQs, 52 THQs, (Rs. 1330 m) • **NWFP:** 19 DHQs, 11 THQs, (Rs. 989 m) 4 • Balochistan: 4 DHQs, 30 THQs, (Rs. 540 m)
Gender Interventions in Health Sector		
• Take special measures to uplift health care facilities for women	Ongoing	• Following measures have been contemplated: o Upgrading skills & knowledge of PHC, FP & RH female health workers (70,000) o EPI coverage to 85%for children under one year by 2005 & tt to 75% pregnant mothers o Women health project (20 districts) introduction of rh including eoc to be expanded nationwide o Tawana Pakistan girl nutrition project for 1 m girls in primary school in poverty districts o Piloting 1688 state of the art family welfare centres for lifespan family health
• Health facilities in figures	Ongoing	(see table below)

Health facilities	Total upto 2001
Hospitals	907
Dispensaries	4,625
Basic Health Units and Sub-Health Centers FAPs	5,230
Maternity and Child Health Centers	879
Rural Health Centers	541
TB Centers	272
Total Beds	97,945
Registered Doctors	96,248
Registered Dentists	4,622

Population Welfare Division

PROGRESS ON DETAILED ACTION PLAN

POPULATION WELFARE		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Population Planning		
• Matching the current need of 37.5% contraceptive prevalence rate (CPR)	2000-2003 (July-June)	• A new logistics system is operational and the protocols manual is updated regularly in view of the comments received from stakeholders. o MOPW is responsible for national assessment & procurement of all contraceptives. o Use tracing is being done, storages & accessibility ensured. o Contraceptives will continue to be provided at subsidized rates • At present CPR is around 30%, which is planned for 43% in 2004 and to 53% by 2012.
• Integrate family planning services with health outlets at service delivery level.	2000-2003 (July-June)	• Pakistan's population growth rate that was over 3% in 1980s has been curtailed to 2.1% in 2001. • Detailed meetings have been held with Ministry of Health to include family planning services in health outlets. Performance indicators for each category have also been worked out and implemented.
• The existing 1658 Family Welfare Centers to be upgraded as MCH Centres after the provision of necessary inputs of training & equipment.	2000-2003 (July-June)	• The existing 1658 FWCs are fully operative and provide FP/RH services. It has been planned that the FWCs of the Ministry of Population Welfare would be upgraded as Family Development Centers in pilot districts to provide comprehensive FP/RH services including midwifery/MCH services integrated with other social activities such as literacy & sewing classes etc. under one roof. • During FY 2003, the number would be raised to 2264 with an extended role to cover all family well being and development activities instead of family planning only.

		• For up-gradation of FWCs as Family Development Centers, a project PAK/06/01/02-01/PO2 has been approved in principle, whereby 34 FWCs in 10 pilot districts of the project will be upgraded as Family Development Centers. Funding is being provided by UNFPA under 6th country program. Family Welfare Centers aim at: • Strengthening family as a social unit • Emphasize on quality improvement through family planning • Grass-root outreach thru 10.000 fp representatives (m&f) • Life span women's health & child care • Functional literacy • Local management committee to ensure accountability. In addition, 131 mobile service units are functional at Union Council level around the Family Welfare Centres. • Local women councilors & family planning representatives organize MSUs which go to identified locations • MSUs hold women's better living meetings, counsel & give family planning services • MSUs are being expanded to cover all tehsils (276)
• Involvement of males into family planning prpgrams	2002-2003	• Ministry of population Welfare is negotiating with major public and private sector employers that included Pakistan Railways, Pakistan Steel, PIA, APTMA, APCMA etc for massive sensitization campaigns of employees and family planning service delivery through their respective health outlets.
• Provision of Reproductive Health services to all THQHs and DHQHs through proper training and sufficient staff.	2001-2003	There are 106 Reproductive Health Service Centres presently functional. These are planned to be raised to 129 during FY 2003. • Located in teaching, district, and some tehsil hospitals. • All hospitals provide full range of fp clinical services thru outpatients, gynae/obs wards and dedicated space for contraceptive surgery. • Extension teams are also attached to these hospitals.
• Integration of all primary health care (PHC) Services to provide comprehensive	2001-2003	• Around 11,000 VBFPW have been placed with Ministry of Health wef September 15, 2001 to make unified cadre of Family Health Workers.

health care to the population.		They will impart both the primary health care and FP/RH services at the doorstep of the community
CAPACITY BUILDING		
• Transformation of National Trust for Population Welfare (NATPOW) as an autonomous organization with democratic structure and professional management.	2001-2003	• A regular Chief Executive for NATPOW has been appointed. To avoid duplication, the role and function of NATPOW in the restructured population program is to focus on: • Capacity building and sustainability of smaller NGOs on a need basis, particularly management, project formulation and reporting • Expansion of assessable and quality family planning services through NGOs to rural, hinterland and marginalized slum population • Create an exchange of experience and advocacy forum for enrolled membership • Encourage NGOs to devise and implement innovative pilot projects • Maintain a family planning database
• Provision of midwifery training to already unified cadre of 55,000 Family Health Workers (FHW).	2001-2003	• Ministry of Health (MOH) and Ministry of Population Welfare (MOPW) are in consultation. PNC will also be taken on Board once necessary baseline work has been finalized.
• Developing a common curriculum training, supervisory network, referral system and MIS.	2001-2003	• The project "Strengthening quality and supervision of FHWs" has been designed by MOH and UNFPA to address this issue. Ministry of Population Welfare has been fully involved in formulation and approval of the project.
SOCIAL SENSITIZATION		
• Training of frontline workers in communication & counseling skills with special reference to IPC.	2002-2003	• The Annual Trading Plan is being processed for finalization/approval by the Federal Training Coordination Committee. As such no training of front line workers in communication and counseling with special reference to IPC could be conducted.
• Active participation & enhanced role of NGOs to strengthen the donor sector in National Program for Reproductive Health & Family Planning in Primary Health Care	2002-2003	• For active participation and enhanced role of NGOs more representation of NGO sector in the Board of Directors is proposed. Some By Laws are being amended to give greater autonomy to NATPOW Board.

(PHC).		• Capacity building of NGOs through training seminars and orientation is being planned. • Ministry in collaboration with PWDs has arranged special workshops for elected councilors for sensitization of population welfare programs. • Favorable and informative articles in national press sensitizing decision makers and readers on population issues are published regularly.
Key Elements of Strategy in FY 2003		
• New Population Policy	Implemented	• The main strategy/elements to be pursued during FY 2003 will include: o Completion of Population Welfare Program o Completion of defederalization of Population Welfare Program. o Active collaboration with health sector for integration of services at the grass-roots level, standardization of curricula for training and effective referral system for comprehensive service provision as well as to ensure dispensation of family planning services through entire network of health sector. o Strengthen counseling and service provision at community level. o Encourage and support NGOs for new initiatives and to supplement program efforts. o Sustain social marketing program and associate the private practitioners as catalyst service providers and for referral purposes. o Accelerate and reorientate training activities in line with the requirement of agrees reproductive health package. o Intensified motivational campaign through mass media with involvement of private sector with focus on specific issues and barriers hindering acceptance of small family norm and enrich content of the message with other themes of reproductive health care. o Support operational research to identify field problems and possible solutions in order to provide research based feedback to program management.

Ministry of Women Development, Social Welfare and Special Education

PROGRESS ON DETAILED ACTION PLAN

WOMEN DEVELOPMENT		
Proposed Policy	**Time Frame**	**Status as of June 2002**
• National policy for women	Implemented	• The first ever National Policy for Women Development and Empowerment has been announced by President on March 07, 2002. The policy will serve as a guideline to ensure women's participation in socio-economic development and will be the basis of all programs to be launched for uplift of women folk.
• Gender Sensitization Program	Implemented	• Program has been launched in federal and provincial governments with the objective to mainstream officers on gender issues by equipping them with tools of effective analysis and interventions in policies and programs.
• Training of women Councilors	2002-03	• A nation-wide program has been developed for training and capacity building of women councilors and building linkages with women politicians at provincial and national levels. Objectives are to ensure effective participation of women in political process and ensuring adequate representation at all legislative, elective and decision making processes.
• Family protection and Rehabilitation centers	2001-03	• A national program has been drawn out for the protection of women and children from abuse in family. This will be implemented within the goal of National Strategic Framework for family protection and will establish shelter homes at district level.
• Gender and Poverty Reduction Program	Ongoing	• In order to provide economic empowerment to women, the program will be inter-phased and linked with the provision of micro-credit through the First Women Bank and Khushali Bank.

• Tawana Pakistan Food Nutrition Program	2001-2004	• A school nutritional program entitled Tawana Pakistan is at implementation stage through Pakistan Bait-ul-Maal. Objective is to encourage the girl child to go to school by providing them one free meal a day with requisite vitamins and medicines. It is aimed at accessing the poorest segments of society and will be implemented in 20 high poverty districts. • For this purpose 500,000 primary school aged girls enrolled and out of school will be served.
• Juvenile Justice System Ordinance	Implemented	• Juvenile Justice System Ordinance 2000 has been promulgated.
• Special Education	2002-03	• Task force for disabled has been set up to prepare a National policy for Disabled. • A model hostel facility is being planned in Islamabad to assist the children with disabilities residing outside Islamabad/Rawalpindi. • Mental Health Ordinance 2001 has been promulgated to replace the Old Lunacy Act of 1860.

Ministry Of Education

PROGRESS OF DETAILED ACTION PLAN

Education		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Educational Sector Reforms (ESR)		
• Devise a comprehensive strategy for education sectorrforms	2000-2004	• Education Sector Reforms Action Plan 2001-2004 has the following features: o Not a new Policy and a do-able action plan integrated within macro level shifts o Sector Wide Approach and multi-level financing o Decentralization & Devolution and institution based reforms o Comprehensive literacy and poverty reduction program o National adult literacy campaign o Rehabilitation of primary and elementary education o Introduction of technical stream at secondary level o Improvement in quality of education through teacher education and training. o Reforms in higher education o Public Private Partnership • ESR aims to achieve the following targets: o Literacy from 49 % to 60 % o Gross Primary Enrolment from 89 % to 100 % o Net Primary Enrolment from 66 % to 76 % o Middle School Enrolment from 47.5 % to 55 % o Secondary School. Enrolment from 29.5 % to 40 % o Higher Education from 2.6 % to 0.5 %.
• Increasing literacy through Education For All (EFA).	2001-2015	• Seven thrust areas of EFA are: o Literacy-Non-Formal (5-9;10-14;&15+yrs) o Mainstreaming & Upgradation of Madrassahs (collaboration with

		Ministry of Religious Affairs) o Elementary Education: Rehabilitation, Early Childhood Education, Compulsory Primary Ordinance (Pre-school to Class V & Class VI-VIII) o Technical Stream at Secondary Level & strengthening Polytechnics (Class IX-XII) o Quality Assurance in : Pedagogy, Curriculum & Textbooks, Assessment and Managing Change o Higher Education Reform: Quality, Access & shift to science and technology o Public Private Partnerships at all levels : Restructured Foundations and Incentive Package - o *Shift in Government's role from provider to facilitator*
• National Ordinance for Compulsory Primary Education.	Implemented	• An Ordinance for compulsory Primary Education (at National level) has been promulgated. Governments of Punjab, Sindh and NWFP have already notified compulsory Primary Education Ordinances and Government of Balochistan is finalizing the same.
• Improve human resource base by re-certifying and re-deploying both field and administrative staff while shifting civil service from provincial cadres to facility-specific assignments.	2001-02	NWFP Province • Overstaffed and understaffed schools have been identified. Facility specific staff positions have been authorized Punjab Province • Annual confidential Reports of civil servants have been replaced by annual performance Evaluation Reports that are more job specific and quantifiable. With the District Governments in place, close monitoring of field and administrative staff performance has become possible. Performance of teachers has now a direct bearing on their promotions, which has improved class room teaching and has facilitated effective supervision. Balouchistan Province Following policy has been approved: • Introduction of district administration cadre, training of staff in administration and management skills (56 EDOs, DEOs and DDOs have completed training under PTTS have been trained), preparation of service rules and seniority lists with reference to districts, and

		introduction of appointments and promotions on district basis.
• Ensure field staff presence through better monitoring and incentives.	2001-02	NWFP Province • A system has been put in place and service of several teacher's have been terminated due to persistent absenteeism Punjab Province • Between Oct 2000 to May 2001, 200,640 inspections have been carried out and has reduced teacher absenteeism to less that 1%. Incentive scheme has been introduced and Rs. 80 million were disbursed during FY 2000-01. With the inception of district governments and establishment of community boards, closer monitoring is possible for qualitative and quantitative delivery of services and punctuality of staff. Balouchistan Province • Necessary steps to enhance frequency of visits by supervisors are being undertaken, other measures include increase in supervisory staff, provision of vehicles, enhanced funds for POL, repairs and TA/DA, policy to reprimand absconders, awards for outstanding performances, special allowance for rural female teachers
• Introduction of technical education at secondary level with target of establishing 1200 high schools and 56 Model Technical Schools.	2001-02	• An innovative element of ESR is the introduction of technical education stream at the secondary school level. This plan aims at introducing a skill development stream in the ninth and tenth grades, parallel to the existing science and arts group, in 1200 existing secondary schools and 60 new model technical high schools. Training will be imparted in trades selected in consultation with local industry, thereby creating employment linkages. • Technical education will be imparted through introduction of technical/vocational stream in existing secondary schools and establishment of vocational training institutions at tehsil levels • The program will be supplemented through the provision of micro-credit to encourage self-employment. A program for reinvigorating polytechnics at tehsil level and initiating second shifts in existing polytechnics is also being devised with a particular focus on opportunities for women. This component of ESR specifically targets the youth.

• Inservice training of teachers	2001-02	• Spadework for identification of 30 most needy TTIs (Teacher Training Institutes) and up-gradation of hostel facilities in collaboration with Provincial Education Departments has been started. • Pilot phase of Education Department has been started under ADB-assisted Teacher Training Project (TTP), which will be completed in FY 2002.
• Open multiple channels of publicly financed service delivery through public, NGOs, and the like.	2001-02	**NWFP Province** • Private sector has been engaged for computer education. Agreement with four parties has been completed. 39 schools so far have been equipped with IT facilities under private public partnership. Similarly a policy for offering public school buildings to private sector in afternoon schooling has been approved for implementation. Draft agreement has been concluded. Schooling would begin from beginning of next year's academic session Punjab Province • There are 63,518 Government educational institutions. Following initiatives have been contemplated. 1) Community Participation Project 2) IT education through private Sector participation, and 3) Establishment of schools councils. Schools councils for all schools have been established and are functional. 3400 schools have been upgraded through Community Participation Project (80% by NGOs and 20% by private entrepreneurs). • Computer education has been initiated in 1700 schools and remaining would be covered by Nov 2001. Balouchistan Province • Parent Teacher School Management Committees are being revitalized through allocation of funds and empowerment. Balochistan Education Foundation would provide financial support and guidance to private sector. Models of other provinces are being studied.
• Bridging courses for 100,000 PTC and 25,000 CT teachers	2001-02	• Preparation of Curriculum for Bridging Courses is in a final stage. Thereafter workshops for producing 2000 Master Trainers will be organized. The existing PTC/CT Teachers on qualifying Bridging

		Courses would be placed in BPS-12.
• Establishment of National Institute of Teachers Education and Training (NITET)	2001-02	• PC-I for upgrading Federal College of Education (FCE) Islamabad to the status of NITET is being developed
• Fight against illeteracy		Pakistan Literacy Commission restructured and merged into EFA Wing • 7,000 Literacy Centres have been established and operational • 13,000 literacy centres are being set up all over the country to enroll male and female groups of age 10+. • Trust funds have been established under auspices of National Commission on Human Development. President's Task Force on Human Development to undertake NFBE and Literacy in 13 districts. An amount of Rs. 100 million has been raised as seed capital by founding members including expatriate community, private sector and others. The President has announced a contribution of Rs. 2 billion on behalf of Government of Pakistan. • Provincial initiatives launched: 2000 UJALA centres in Punjab & Women Literacy Empowerment Program in Sindh.
• Elementary Education		• Compulsory Primary Education Ordinance finalized in Sindh, Punjab, NWFP and ICT: Phased implementation from April 2002 • Draft National Plan of Action for EFA prepared – to be finalized with districts • National & Provincial Education For All Units established • Rehabilitation of existing school facilities underway in Pakistan – physical and human (50%girls/disadvantaged) • Capacity building of District and Provincial Governments for EFA and ESR • Launching of Early Childhood Education in government schools • Innovative approaches to curb absenteeism in all Provinces & many Districts. • Staggered programs of compulsory primary education linked to provision of appropriate facilities have been started in Sindh and Islamabad Capital Territory. • Sindh government has recently announced that as an incentive to improve female literacy, Rs. 100 would be given to each girl student who enrolls in middle level school

• Implementing quality in education		• Curricula Development o Curriculum of all subjects from Classes I-XII revised o Curriculum for Early Childhood Finalized with NGO o Upgradation of madrassah curriculum underway o Improving Quality of Text books o Printing of Textbooks deregulated : Private Sector allowed to develop quality textbooksNational Education Assessment System (NEAS) launched to institutionalize assessment system Grade-4, Grade-8 and eventually Grade-12 Examination boards being reorganizedPrivate exam board being set up by Aga Khan Education Service • Teacher Training undertaken by provinces and ICT on large scale in 2001-2002 Federal College of Education rationalized under Curriculum WingDiploma in Education launched to replace PTC and CT as upgraded program • Information Communication Technology initiatives for teacher education being identified
• Implementation of Technical Stream at Secondary School Level.		• Scheme of Studies has been revised.34 Vocational trades have been selectedCurriculum for 17 trades has been finalizedText books for 17 trades are under preparation. Textbooks / student manuals and teacher guides to be available by April, 2002
• Rehabilitation and utilization of existing facilities		• A program has already been initiated to provide drinking water, electricity, toilets, furniture, boundary wall in primary school premises where such facilities were not present. New infrastructure is also being constructed for shelterless schools and for upgradation of primary to secondary schools. An amount of Rs. 2.80 billion has been distributed for effective implementation. • Through private sector cooperation, existing primary schools are being upgraded to middle schools in afternoons.

Public Private Partnerships		
• Restructuring Education Foundations with National Education Foundation (NEF) as the model.		FEATURES : • From an attached to an autonomous body a new Board to be constituted • From political to professional leadership • Vision, Mission and Scope redefined, aligned with ESR (Elementary and Non-Formal Education) • Geographical scope defined for Federal Areas • Decentralized approach for regional outreach • Support function in teacher training and research • Setting up a private sector cell for mobilizing resources.
• Initiatives in Public sector institutions		• Upgrading public sector institutions in second shift in Punjab and NWFP (March01-Jan.02) over 5000 institutions upgraded from primary to middle, middle to secondary and higher secondary – Formal MoUs: Rent free, Utilities to be paid by private parties, Ceiling on fee levels • Adopt A School Program • IT education in public secondary schools – capped fees
• Incentives package for private sector		• Custom duties exemption on import of educational materials • Lease for under-utilized buildings Soft Loans • I50% tax relief to teachers, and support staff of non profitable institutions Utilities on non-commercial rates Provision of land on reserve prices Regulation through a credible independent agency – low public sector involvement (currently no dedicated cell to manage) Regulation by Dept. of Ed. & also Boards. • Government can buy places in private schools vouchers ; case of Hong Kong, Community based initiatives eg. Fellowship Schools or CSS etc), TCF, others.
• Education in Science and Technology		• Projects aimed at strengthening S&T education are under implementation. A project costing Rs. 603.9 million is under implementation for doctorate level training of scientists and university teachers.

<table>
<tr>
<td>• Devolution and decentralization in education</td>
<td>2001-02</td>
<td>• Six National & Provincial workshops held on devol121.51tion
• Regular Inter-Provincial meetings since June 2001 on ESR
• Two federal meetings with Nazims/DCOs/EDOs/CSOs (our Lead Partners) in Sindh and Balochistan on ESR
• Education emerging as a key priority: Sindh’s handbook
• Issues on authority and responsibility, systems for CSO partnerships, capacity & administrative presence at Union Council level</td>
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<tr>
<td>• Sub-sector wise allocation (Rs in million) during FY 2002</td>
<td>2001-02</td>
<td>
<table>
<tr><th>Sub-Sector</th><th>ADP 2001-02</th><th>Revised Estimates</th></tr>
<tr><td>Primary</td><td>121.51</td><td>1621.5</td></tr>
<tr><td>Secondary</td><td>247.9</td><td>205.4</td></tr>
<tr><td>Teacher</td><td>6.85</td><td>506.8</td></tr>
<tr><td>Technical</td><td>484.8</td><td>484</td></tr>
<tr><td>College</td><td>88.74</td><td>88.7</td></tr>
<tr><td>Scholarships</td><td>59.3</td><td>58.5</td></tr>
<tr><td>Literacy</td><td>650.0</td><td>655.9</td></tr>
<tr><td>Libraries</td><td>1.6</td><td>1.6</td></tr>
<tr><td>Text books</td><td>1.0</td><td>1.0</td></tr>
<tr><td>University</td><td>777.0</td><td>795.3</td></tr>
<tr><td>Misc</td><td>111.2</td><td>114.7</td></tr>
<tr><td>TOTAL</td><td>2550.2</td><td>4534.4</td></tr>
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<tr>
<td>• Internship Scheme</td>
<td>Implemented</td>
<td>• Government plans to introduce a program of internship for students nearing completion of their degrees. Initially, the program will be limited to the disciplines of economics and finance. The interns will undergo a training program on the working of the federal government divisions, departments and its corporations. It is proposed to establish 500 internships in the next fiscal year. A stipend of Rs.2500 will be paid to interns for a period of 2-3 months. Students will be selected on merit on the recommendation of vice chancellors of universities.</td>
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Ministry Of Environment, Local Government And Rural Development

PROGRESS OF DETAILED ACTION PLAN

<table>
<tr><th>Proposed Policy</th><th>Time Frame</th><th>Status as of June 2002</th></tr>
<tr><td colspan="3">Environment</td></tr>
<tr><td>• Development of National Environmental Action Plan (NEAP)</td><td>Implemented</td><td>• NEAP has been prepared in consultation with UNDP and was approved by Pakistan Environmental protection council (PEPC) which met under the chairman of President in February 2001. Major objectives of NEAP are to achieve healthy environment, sustainable livelihood by improving quality of air, water and land with civil society cooperation.
• Rules and regulations that have been notified are:
o National environmental Quality Standards (Certification of Environmental Labs) Regulations 2000.
o Environmental Impact Assessment Regulations 2000.
o National Environmental Quality Standards (Self Monitoring and Reporting by Industry) Rules 2001.
o Provincial Sustainable Development Fund (Procedure) Rules 2001.
o Pollution Charge for Industry (Calculation and Collection) Rules 2001.
o Provincial Sustainable Development fund (Utilization) Rules 2001
o Composition of offences and payment of Administrative penalty Rules 2001. (under process)
o Hazardous Substances Rules 2001 (under process).</td></tr>
<tr><td>• Developing a policy framework for creating environmental awareness for introducing pollution free fuels.</td><td>2001-03</td><td>• NEAP support program has been signed by Ministry of Environment, LG & RD and EAD. Follow up is underway.
• Ministry has set up a comprehensive mechanism to examine and evaluate environmental performance of various industries under National Environmental quality Standard (Self monitoring and reporting rules) and to integrate technology and environment. “Environment samples Rules 2001” have been introduced to lay down detailed procedure for collection of samples, their packaging, sealing and analysis of effluents and wastes.</td></tr>
</table>

• Development of National conservation Strategy	2001-02	• National Conservation Strategy (NCS) is the broad national environment policy of Pakistan, within which, National Environment Action Plan (NEAP) has also been approved. The government has formulated a comprehensive strategy to develop provincial capacity for implementing environmental protection laws and monitoring their effectiveness. A proposal to strengthen their capacity and improving their effectiveness has been prepared for presentation to Pakistan Environmental Protection Council (PEPC). Once approved, Finance Division will be asked to provide financial support for its implementation. • The government has also made considerable progress on the enactment of legislation for the protection and conservation of the environment. The Environmental Protection Act, 1997 has now been promulgated, which provides a comprehensive framework for conservation of wildlife habitats and biodiversity; compensation for damages/losses caused by a polluter, thus internalizing the externality; establishment of environmental tribunals and magistrates; initiation of environmental assessment; and promotion of public education and awareness of environmental issues. • Pakistan would also participate in world Summit on sustainable development scheduled from august 26 to September 04, 2002 at Johannesburg South Africa.
Forestation		
• Strengthening of Forestry Wing at Federal Level for sustained monitoring of implementation of Forestry Sector Master Plan.		• To overcome the inadequacy of forest cover, Government is implementing the targets of Forestry Sector Master Plan (FSMP) operational for a period of 25 years. The FSMP focuses on eco system management approach for the conservation of renewable natural resource through community participation. A number of forest development activities have been initiated at provincial and federal level in collaboration with international donor agencies at a total cost of Rs. 5.89 billion (local component of Rs. 1.99 billion and FEC of Rs. 3.0 billion) during FY 2002, an amount of Rs. 0.612 billion was disbursed to provincial forest departments and other line agencies to carry out forest development activities. • The project has short listed three potential organization/NGOs against each of the seven advertised research studies. They have been asked to submit the technical and financial proposals for final selection of suitable organization.

Labor, Manpower, and Overseas Pakistanis

PROGRESS OF DETAILED ACTION PLAN

Improving Workers Welfare		
Proposed Policy	**Time Frame**	**Status as on June 2002**
Labor Welfare Measures		
• Increase pensions under the Employees Old Age Benefits scheme from Rs. 630 pm to Rs. 700 pm w.e.f. July 1, 2001.	Implemented	• The Employee Old Age Benefits Law 1976 is being amended. Summary has been moved for submission to Cabinet for approval of draft amending Ordinance vetted by Law and Justice Division. Following new initiatives have been announced in Budget for FY 2002-02: o A proper self assessment scheme is adopted for collection of EOBI contribution, whereby for two years no inspection will be undertaken by the staff of EOBI. The rate of contribution will be charged at the same regular rate of Rs.150 and not Rs.250 as asked at present under the self assessment scheme. After two years, a one time inspection will be done under the supervision of senior EOBI officer, with no questions asked for past two years. There will be amnesty from any past mis-declaration. o Under the regular scheme, a single visit during a year will be allowed with a 15 days advanced notice. Amnesty will be available to new entrants under the regular schemes. After two years, a one time inspection will be done under the supervision of senior EOBI officer, which will be limited to only previous two years. o The contributions will be limited only to those employees actually paid, to eliminate the possibility of ghost pensioners and minimize mal-practices in EOBI. A passbook will be issued to employees showing contributions made by employer/employee. o As a major concession to business, provincial governments have reduced the number of inspections by different departments. In Sindh, inspections will be carried out in a single day with an advance notice. Other provinces are likely to adopt similar measures. o A new Industrial Relations Ordinance 2002 is at an advanced stage of finalization and shall be published for eliciting public views before its

		approval and promulgation
• Excellence Awards for best performing workers	Implemented	• Excellence Awards for the best performing workers were given on April 30, 2001 for the year 2000. Applications have been invited for awards to be given for the year 2001.
• Enhance workers' compensation from Rs. 100,000 to Rs. 200,000 under the Workmen's Compensation Act.	Implemented	• Labor Laws (amendment) Ordinance 2001 has been promulgated by the President on October 06, 2001, increasing compensation from Rs. 100,000 to Rs. 200,000; and giving effect to re-categorization of workers for participation in the profit, upto the upper wage ceiling of Rs. 5,000 per month.
• Encourage Worker's participation in company profits.	Implemented	• The limit of the share in profits has been increased from Rs. 3,000 to Rs. 6,000.
Workers Welfare Fund		
• Enhance the number and amount of scholarships for workers children out of the Workers Welfare Fund • Provision of houses and flats to workers out of the Workers Welfare Fund	2000-01 On-going	• Number of scholarships has been increased by Labor Welfare Package announced on April 30, 2001. • Increase in amount of scholarships from Rs. 3,550 to Rs. 5,000 per annum, purely on merit, for education in FA/FSc, BA/BSc, MA/MSc, including professional colleges and institutions. Increase in amount of scholarships from Rs. 700 – Rs. 2,500 to Rs. 800 – Rs. 2,800 per month per student. • Ten scholarships per annum for higher education in Pakistan in premier professional colleges like GIK, NUST, LUMS and IBA and two scholarships per annum for studies abroad • Houses and flats are being constructed in a phased manner
Improve working conditions		
• Vocational training of workers	2000-01	• Vocational training of workers is in progress according to the welfare package announced by the Government of Pakistan on April 30, 200. It includes the following: • <u>Vocational Training Program</u>: Streamlining of vocational training system by involving public and private partnership and imparting vocational training to 100,000 apprentices in different technical training institutes/centers during the year 2001-02.

		• Launching of program of retraining and re-skilling for retrenched workers due to privatization and lay-offs. • Welfare package for mines workers is under consideration and preparation o Welfare package of April 30, 2001 envisages the following measures for female workers: o Equal remuneration for men and women for work of equal value through appropriate legislation o Safeguards against sexual harassment through appropriate action o Increase in maternity benefits for mine female workers and twelve annas per day to the actual days she draws at present for the entire period of maternity, that is six weeks before and six weeks after the birth of the child and the day of delivery. o Recruitment of female labor inspectors for enforcement of labor laws on female workers
Steps for Overseas Pakistanis		
• Launch of Foreign Exchange Remittance Card Scheme to incentivise remittances through normal banking channels.		• Overseas Pakistanis Foundation launched the scheme on September 01, 2001 at the behest of the Ministry of Finance. Over 3000 cards have already been issued. The remittances have also taken an appreciable upward swing as compared to previous years. During July-April 2002, the remittance has reached the level of US$ 1865 million as compared to US$ 922 million same period corresponding year. •
• Incentives for Overseas Pakistanis remitting upto US 2,500 per annum	Implemented	• Foreign Exchange Remittance Card (FERC) scheme has been launched wef September 01, 2001. Necessary information has been sent to all Pakistani Missions abroad. • To recognize the contribution of workers to the economy of Pakistan, those remitting US $ 2,500 per annum to Pakistan will be entitled to: • Separate counters for handling at arrival and departures • Free renewal of passport on urgent basis • Duty free import of items of personal convenience of a value of US $ 800 during a year.
• Incentives for Overseas Pakistanis remitting upto US 10,000 per annum	Implemented	• NRPs remitting minimum of US$ 10,000 will be entitled to the following benefits, in addition to above ones: • To avail the quota, to be filled exclusively on merit and while maintaining the minimum standards, to be reserved in all the public sector professional colleges and universities. • Duty free import of items of personal convenience of a value of US$ 1,500

		during a year.
• The salary income of Pakistani seafarers working on foreign vessels remitted to Pakistan through normal banking channels is being exempted from levy of income tax	Implemented	• Implemented from July 01, 2001
• Relief for Government Servants	Implemented	• Government has decided that all those government servants who retired prior to 1-12-2001, others who have opted to remain in the pay scales of 1994, shall be entitled to the restoration of surrendered portion of pension in lieu of commutation/gratuity. It has also been decided that all other benefits available under the 1994 scales shall continue for those who have opted to remain in the 1994 scales. Government servants who availed the benefit of presumptive fixation of pay in the 2001 scales, i.e. those who retired between 1-7-2001 to 1-12-2001 shall be governed by the Pay and Pension package of the 2001 scales. • Medical Allowance for employees in BPS 1-16 is increased from Rs.160.0 to Rs.210.0 per month. • The Over Time Allowance for drivers which fixed in 1991 is increased from Rs.6.0 per hour to Rs.9.0 per hour subject to a maximum of Rs.50 per day as against maximum of Rs.36.0 per day previously. • Late sitting/conveyance charges have been revised and improved. The details are being worked out.
Overseas Pakistanis Foundation (OPF)		
• Restructuring of OPF to make it an organization to advance the social welfare of the Pakistanis working overseas and their families in Pakistan by identifying their problems and by contributing to their solutions.	June 30, 2001	• A comprehensive study to execute restructuring of OPF is underway to make it more meaningful and effective organization according to the present needs of expatriate Pakistanis and their dependents. Study would be placed before the OPF Board of Governors for consideration and approval in next meeting • 100 regular employees of OPF have been retired under golden handshake scheme and early retirement scheme in November 2000, with approval of the OPF Board of Governors. • Cases relating to financial irregularities have been referred to NAB and are still under consideration with NAB/FIA. • For adequate representation of Overseas Pakistanis, two new members of

		prominent expatriate Pakistanis have been included in OPF Board of Governors. • Operational transparency of OPF has been ensured through necessary procedures and checks and balances • MIS section is fully functional and related softwares for processing of UNCC claims, OPF personnel management system, pension scheme, accounting system of OPF public schools, and computerization of registration of members are in place and operational. • Work of OPF Housing scheme Zone V Islamabad, Peshawar, Raiwind Road Lahore, Dadu and Faisalabad has been activated.. Ground breaking ceremony of OPF housing scheme in Islamabad and Faisalabad was held on July 06 and July 19, 2001 respectively. • Training of various trades has already started at PTS Swat and PTS Peshawar in first week of September 2001. However, the IT center at Quetta is yet to be established.
• Pension Scheme for Overseas Pakistanis	July 2001	• Scheme had been launched w.e.f. July 03, 2001 by the Federal Minister for Labor, Manpower and Overseas Pakistanis. • Different packages have been prepared by the actuaries. Under the minimum package, Overseas Pakistanis would contribute towards pension fund at the rate of around $30 / Rs.1,800/- per month for a period of 10 years. Entitlement of pension is Rs. 3,200/- per month.

Housing and Works Division

PROGRESS OF DETAILED ACTION PLAN

Development of Housing Facilities		
Proposed Policy	**Time Frame**	**Status as of June 2002**
Housing Policy		
• A new housing policy to strengthen role of public sector financial institutions in this sector and simplify regulatory regime.	Implemented	• The Cabinet approved the National Housing Policy on December 05, 2001. The policy has been formulated through a consultative process involving diverse set of stakeholders. Housing and construction has been notified by government as a priority industry. The major emphasis of the policy is on resource mobilization, land availability, incentives for homeownership, incentives to developers and constructors and promotion of research and development activities to make construction cost effective. The objective is to create affordability, specially, for the middle and low income groups.
• Special housing schemes for the poorest by regularizing Katchi Abadis and by allocating new lands	Ongoing	• One of the corner stone of housing policy is to ensure development of housing for the poor and needy and housing for the majority rural population through the use of different instruments like land, cross-subsidy, concessionary finance etc. • Government's policy regarding Katchi Abadis aims at regularization these settlements through the provision of basic services. In this connection, the framework announced by the government, calls for the granting of proprietary rights to residents of Katchi Abadis, which were in occupation up to 23rd March 1985. New Katchi Abadis established after 1985 would be regularized on a case-by-case basis by district governments. • Occupants of Katchi Abadis in urban areas making full payment of development charges in lump sum within a period of three months would get 50% concession on the said charges; while no charges will be recovered in respect of the land in Katchi Abadis under the occupation of widows, orphans and disabled persons • To ameliorate the living conditions of the rural poor the government has

		decided to distribute 'shamlat' land around villages free of cost to the homeless. • Under the housing policy, provincial governments have been asked to develop packages in which prime state land within urban centers, occupied by Katchi Abadis, shall be offered to the private developers for commercial use provided they arrange and finance up-gradation or relocation of Katchi Abadis. • Punjab Housing and Physical Planning Department has finalized the lay-out plan of a low cost housing scheme measuring 150 kanals on GT Road near Lahore. The modalities for transfer of land and bulk loan for the scheme are being finalized. • During FY 2002, 28 Katchi Abadis were regularized having 9,293 houses and benefiting 45,595 people.
• Provision of trunk infrastructure be responsibility of utility agencies.	Ongoing	• IT & Telecom Division has conveyed its agreement to approved policy measures regarding provision of trunk infrastructure without any additional charges to the public or private housing development schemes within the planned area. • Ministry of Water and Power has also been requested to revise their policy of trunk infrastructure in line with the approved policy measures.
Support from Financial Sector		
• SBP and SECP to evolve new regulatory framework for housing finance companies. HBFC restructuring and proactive role for creating a vibrant and dynamic housing financing industry in Pakistan	June 2002	• Housing Building Finance Corporation has been strengthened with induction of professional management. HBFC Board in consultation with the SBP and SECP are evolving new regulatory framework to cater for the housing demand.
• Allow tax deductibility on mark-up paid on housing loans up to 25% of income with a maximum of Rs.50,000	Implemented	• From July 2002. the condition of maximum ceiling on loan amount for housing sector of Rs.600,000 is being withdrawn and the maximum ceiling of mark-up is raised to Rs.100,000.
• Financial institutions shall be encouraged to give mortgage loans for housing purposes at market rates.	2002-03	• The State Bank of Pakistan has issued revised instructions to commercial banks allowing them to provide mortgage financing for construction of houses to the extent of Rs. 5 million for the maximum period of 15 years. House Building finance Corporation has been authorized to undertake

		activities for raising fund through commercial papers, redeemable capital (PTCs and TFCs) etc.
• All commercial banks will be motivated to advance loans for housing projects by earmarking a substantial percentage of their loan portfolio.	2002-03	• Banks are allowed to have an exposure under housing finance to the extent of 5% of their net advances which is substantial amount keeping in view net advance of Rs. 886 billion of commercial banks as on 31-12-2000. • Banks are encouraged to develop floating rate products for extending housing loans, thereby managing interest rate risk to avoid its adverse effects. SBP would also encourage banks to develop in-house system to stress test their housing portfolio against adverse movements in interest rates as also maturity mismatches.
• Financial institutions and housing Financial Institutions shall be encouraged to float long term bonds at market rates.	2002-03	• SBP has allowed Housing finance companies to float long-term bonds for housing finance and also encouraged to give mortgage loans.
• Housing Refinance window shall be set up at SBP for long term funds from multilateral agencies.	2002-03	• The final scheme for setting up of housing refinance window at SBP for long term funds from multilaterals has been formulated. Finance Division has also conveyed its approval with the stipulation to allow participation of HBFC in the scheme, which is under formulation.
• Housing Finance Institutions shall be encouraged to promote savings and provide micro loans for low income group through community organizations, NGOs and CBOs.	2002-03	• SBP has conveyed no objection on promotion of housing finance institutions to encourage savings and provide credit from community based finance and other sources. Further the banks/HFCs are being advised to devise procedures for he same.
• Restructure HBFC and enhance annual disbursement of HBFC from present Rs. 1.2 billion to Rs. 7 billion in next five years.	2002-07	• SBP has conveyed its no objection for increasing the annual disbursement of HBFC loans from the present Rs. 1.2 billion to Rs. 7 billion over next five years, provided HBFC is able to raise resources enabling it to disburse the amount to the extent of desired level without any credit line from SBP. • BFC has also informed that as SBPs credit line is stopped since 1994, it will have to raise funds from market to enhance its annual disbursement to Rs. 7 billion for which the restructuring of the corporation is a pre-requisite. They have taken up the issue with Ministry of Finance.

• Other Measures to encourage housing sector	Ongoing	• Stamp duties/registration fees are being rationalized by provincial governments of Sindh and Punjab. • Import of Plant and Machinery by housing and construction industry is already @ 10% vide SRO 349(I)/2001 dated 18-06-2001. However import of spares at concessionary rates is not covered under the existing scheme of investment, which will be bought before the Anomalies Committee for resolution. • SBP has informed that Micro Finance Bank Ordinance does not restrict investment in housing sector.

Finance and Law Divisions

PROGRESS OF DETAILED ACTION PLAN

Legal Reforms & Developments		
Proposed Policy	**Time Frame**	**Status as of June 2002**
• Laws relating to Trade Marks and Intellectual property rights, industrial relations, workers compensation and work conditions, will be reviewed.	Implemented	• The following new laws have been drafted and promulgated: • Patents Ordinance 2000 • Copyrights Amendment Ordinance 2000 • Registered Designs Ordinance 2000 • Layout Designs of Integrated Circuits Ordinance 2000
• Rebuilding investors' confidence in the oil & gas sectors and provision of legal cover to policy commitments.	2001-03	• Ongoing
• Appropriate legal framework will be developed to regulate the IT industry, protect intellectual property rights and promote e-commerce in the country.	Under Implementation	• Enactment of IT and E-commerce laws shortly
• The recovery laws would be strengthened to facilitate the process of mortgage foreclosure and expeditious settlement of banking disputes.	Implemented	• A new law entitled: Financial Institutions (Recovery of Finances) Ordinance 2001 has been promulgated.
• Appropriate regulatory changes will be made to provide for easy mergers, acquisitions, take-over and liquidation of public listed companies.	Implemented	• Listed Companies (Substantial Acquisition of Voting Shares and Take-overs) Ordinance 2001 being enacted.
• A new Insurance Law will be made to provide for a deregulated, competitive and safe environment for insurance business.	Implemented	• The outdated insurance Act 1938 was repealed and a new Insurance Ordinance, 2000 has been promulgated.
• Appropriate changes will be made in the law relating to Monopoly Control Authority to make it	2001-03	• Under Progress

effective without diluting growth incentives for business.		
• The quota for disabled person as per the Special Education/Social Welfare Law will be enforced strictly.	Implemented	
• Only three taxes, namely income, customs and sales tax will be levied at federal level, with occasional provision for regulatory duties.	Implemented	
• A National Procurement Regulatory Authority will be established to regulate and guide the process of public procurement and hear complaints in this regard.	Implemented	• PPRA is operational
• All economic activities like banking, finance, aviation, telecommunications, power, gas etc., will be regulated by independent agencies, to be formed under the law. Its members will have security of tenure without being answerable to any executive authority.	Ongoing	• Establishment of regulatory authorities is in progress.
• Government is bringing about a new law to reorganize anti-smuggling efforts.	2002-03	• In process
• The present system of adjudication in sales tax negates the principle of separation of judiciary and executive. Entrusting of adjudication functions to executive officers, multiple appellate stages and absence of any time limit to pass an order have combined to create a slow adjudication process marred by inordinate delays.	2002-03	• For providing speedy justice to the taxpayers the whole adjudication system is being revamped on the principle of separation of the judiciary from the executive.
• State Bank of Pakistan to be restructured with a view to dividing its core central banking functions (e.g. monetary policy and supervision) and non-	Implemented	• A State Bank subsidiary called the SBP Banking Services Corporation has been established under the SBP Banking Services Corporation Ordinance, 2001

core functions and transferring and delegating the non-core functions to a subsidiary of the State Bank being established for the purpose.		
• To establish a Micro-finance (*Khushhali*) Bank for rendering micro-finance services to poor persons for purposes of alleviation of poverty. • The micro-finance services to the private sector under a new legal framework that will regulate the establishment, business and operations of Micro-finance Institutions.	Implemented Dec 2001	• Micro-finance (*Khushhali*) Bank Ordinance 2000 has been promulgated. • Promulgated.
• The National Saving Scheme is proposed to be institutionalized; a National Savings Promotion Authority is proposed to be established for the purpose.	2002-03	• National Savings Promotion Authority Ordinance, 2001, is presently preparation and consideration
• Establishment of a new corporation to make provisions for the acquisition, restructuring, rehabilitation, management, disposition and realization of non-performing loans and other assets of various banks and financial institutions; and a supplemental law has been promulgated to provide for expeditious legal remedies for matters relating to non-performing assets and recovery of the outstanding amounts payable to banks and financial institutions to make them attractive for privatization and to promote the revitalization of nation's economy and rehabilitation and restructuring of industrial undertakings	Implemented	• Corporate and Industrial Restructuring Corporation Ordinance, 2000 promulgated. • Non-performing Assets and Rehabilitation of Industrial Undertakings (Legal Proceedings) Ordinance, 2000.
• Establish Pakistan Export Finance Guarantee Agency Limited to provide a comprehensive range of export trade finance guarantees.	Implemented	• Memorandum and Articles of Association have been registered with the SECP under the Companies Ordinance, 1984.
• Prohibiting benami property and the holding of property in the names of fictitious persons is desirable in view of the fact that the practice of	2002-03	• *Benami* Property (Prohibition) Ordinance, 2001, under consideration.

holding property in the name of a *benamidar* or in the name of fictitious persons is widespread and is entered into with a view to defraud creditors and/or to evade payment of government dues.		
• Development of private electronic media in order to improve the standards of information, education and entertainment and to enlarge the choice available to the people of Pakistan in the media for news, current affairs, religious knowledge, art, culture, science, technology, economic development, social sector concerns, music, sports, drama and other subjects of public and national interest.	2002-03	• Private Electronic Media Regulatory Authority Ordinance, 2001 is under preparation and consideration
• Introduce fiscal responsibility and budget management. • Provide an institutional framework for debt management.	2002-03	• Draft Fiscal Responsibility Law has been placed on web for public debate. • Establishment of a Debt Management Office very shortly in Ministry of Finance.
• New Income Tax Law 2001Simplify and rationalize the tax laws.	Implemented	• New IT law has been promulgated and implemented from July 01, 2002.
• Ensure effective regulation of professional conduct of Chartered Accountants	2002-03	• Chartered Accountants (Amendment) Ordinance, 2001 under consideration.
• To enable companies in financial trouble to reorganize or liquidate their debt.	2002-03	• Enactment of a Bankruptcy Law under consideration
• Appointment of Bank Mohtasib and Insurance Ombudsman	2002-03	• Under the Banking Companies Ordinance, 1962 and under the Insurance Ordinance, 2000
• Adhere to current norms of international commercial arbitration.	2002-03	• Ratification of the New York Convention on International Commercial Arbitration under consideration

(ANNEXURE-1)

Ministry of Petroleum & Natural Resources

Organization	Augmentation Details	Project cost in Millions			Financial Arrangements
		Foreign Exchange US $	Pak Rupee Component	Total amount in Pak Rupees	
Sui Northern Gas Pipelines Limited (SNGPL)	• Installation of Additional 18,000 BHP Compression	14.45	330	1,081	• Bank Borrowing
Sui Southern Gas Company Limited (SSGC)	• Relocation of Compressors at Hyderabad • ILBP Rehabilitation. • Integration of Zamzama at Dadu. • Augmentation of ACPL • Augmentation of Bin Qasim Supply System	32	2,254	3,991	• Own Resources • Bank borrowing • Financing of Bin Qasim Pipeline by KESC
	TOTAL	**46.45**	**2,584**	**5,072**	

AUGMENTATION PROGRAM PHASE II

Organization	Augmentation Details	Project cost in Millions			Financial Arrangements (Rs in million)
		Foreign Exchange US $	Pak Rupee Component	Total amount in Pak Rupees	
Sui Northern Gas Pipelines Limited (SNGPL)	--	--	--	--	--
Sui Southern Gas Company Limited (SSGC)	• Laying of 390 KM Transmission Lines • River Crossing	44	12,887	15,171	Financial arrangements would require: New Equity: Rs. 4,552 million **Loans**: Foreign Currency Rs. 2,284 million Local Currency Rs. 8,335 million **TOTAL** **Rs. 15,171** Steel pipe line is proposed to be procured through local manufacturers who at their own would import required HR Coils / Plate for conversion. Since payment would be made in local currency, SNGPL has not projected foreign exchange requirements in this regard.
	TOTAL	**44**	**12,887**	**15,171**	

AUGMENTATION PROGRAM PHASE III

Augmentation Details	Project cost in Millions		
	Foreign Exchange US $	Pak Rupee Component	Total amount in Pak Rupees
Laying of 100 km 24'' diameter gas pipeline from Marri / Mengal area to Sui	10	2,000	2,550
Looping of approximately 200 km 24'' diameter on SSGC Indus Right Bank pipeline from Dadu to Sui including installation of compression.	40	3,850	6,050
Laying of 500 km 30'' diameter pipeline from Sanghar block to Multan.	96	12,320	17,600
TOTAL	**146**	**18,170**	**26,200**

ANNEXURE III
Replacement Of Furnace Oil In Power Sector
SAVINGS ON FURNACE OIL IMPORT USING GAS AS REPLACEMENT

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additional Gas Sales in Power Sector	152	271	557	654	562	467	464	422	408	408	431
Equivalent Furnace Oil (in million tons)	1.33	2038	4.88	5.73	4.93	4.10	4.07	3.70	3.58	3.55	3.78
Cost of Furnace Oil (in US $ million)	207	368	757	889	764	635	631	574	555	550	586
Cost of Gas in Power Sector (in US $ million)	111	197	406	476	409	340	338	307	297	295	314
Cost of Gas payable to the Producers (in US $ million)	72	128	264	309	266	221	220	200	193	192	204
Annual savings using Gas instead of Furnace Oil (in US $ million). (FO cost-Gas cost payable to producers in US $)	135	240	493	580	498	414	411	374	362	358	382