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INSIDE THIS ISSUE:

OPINION

Rural Economy:
An Engine for Economic Growth and
Social Well-Being for
Pakistan
Page 01

ANALYSIS

Climate Finance
Page 08

CONCEPT

Three steps to see Expenditure in
Budget Documents
Page 18

OPINION

Rising Consumer Price Index
(inflation) in 2019 and
People's purchasing power
Page 19

Key Economic Indicators of
Pakistan, 2008-18
Page 23

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Editorial

This issue of PIPS Parliamentary Research Digest comprises articles on absorbing budget related topics such as rural development as precursor of economic growth and climate finance in addition to statistical pieces on Consumer Price Index and comparative economic indicators of recent years. We hope these will assist Members of Parliament in forming their insights for the budget analysis and debate.

On May 13, 2019 the PIPS Board of Governors in its meeting chaired by the Honourable Chairman Senate of Pakistan/President PIPS Board of Governors Senator Muhammad Sadiq Sanjrani, held a Condolence Resolution and Reference on the sad demise of Mr Khan Ahmed Goraya, the Founding Executive Director PIPS and Former Secretary General, National Assembly of Pakistan. The Members offered *fateha* for the departed soul and paid rich tributes to the national contributions of the founding Executive Director. PIPS BoG also acknowledged the services of Mr Zafarullah Khan, Executive Director PIPS who resigned on 30th April, 2019.

We are confident that this issue of digest would assist honorable MPs to develop insights regarding economy related thematic areas. For any specific areas of importance that you want PIPS to send you research or briefing papers, don't hesitate to contact us at research@pips.gov.pk or legislation@pips.gov.pk for legislative service.

Wishing all Honourable Members of Parliament – our worthy readers, families and friends, a joyful blessed Eid ul Fitr!

Muhammad Rashid Mafzool Zaka
Director General (Research and Legislation)



*Honorable Senator Muhammad Sadiq Sanjrani, Chairman Senate of Pakistan/
President PIPS BoG Presiding Over Meeting of PIPS Board of Governors held on
May 13, 2019*



PAKISTAN INSTITUTE FOR PARLIAMENTARY SERVICES

Dedicated to Parliamentary Excellence

CONDOLENCE RESOLUTION AND REFERENCE

FOR MR KHAN AHMED GORAYA, FOUNDING EXECUTIVE DIRECTOR, PIPS

We the Members of the Board of Governors of the Pakistan Institute for Parliamentary Services (PIPS) met on Monday, the 13th day of May, 2019 at 3.00 in our meeting chaired by Honorable Chairman Senate/ President PIPS Board of Governors, Senator Muhammad Sadiq Sanjrani, at PIPS, Islamabad. We unanimously:

Express our heartfelt condolences on the sad demise of the Founding Executive Director of PIPS and former Secretary General of the National Assembly of Pakistan, Mr Khan Ahmed Goraya, on 10th March, 2019, to his entire family members and friends;

Acknowledge the imperative national contribution of Mr. Goraya in establishing PIPS as the country's first and exclusive research and capacity building facility for Members of the Parliament and provincial assemblies in 2009-10,

Recalling his meritorious services in setting up PIPS on a firm institutional footing as he was instrumental in formulation of HR Rules and Financial Manual as early as October 2010 by the esteemed Board of Governors that earnestly gave way to transparent and merit-based recruitments, optimum budget utilization and a team working environment dedicated to parliamentary excellence at the Pakistan Institute for Parliamentary Services;

Mindful of the fact that Mr. Goraya was an able and seasoned parliamentary officer with impeccable integrity and honesty, who saved invaluable 1.5 million US dollars of the national exchequer by persuading USAID on providing essential furnishing and equipment, (that wasn't in the original commitment) in addition of construction of the PIPS campus,

Eulogize the dedicated services of Mr. Khan Ahmed Goraya for not only establishing a national institution of PIPS calibre on such strong foundations but also in making the National Assembly Secretariat a vibrant, strong and effective establishment during his tenure as its Secretary General;

Reiterating our compassionate sentiments for the bereaved family, we recite *fatiha* for the departed soul; May Allah reward him a peaceful abode and give his entire family and friends the power to bear this loss with tranquility, *Amin*.

(Muhammad Sadiq Sanjrani)
Chairman Senate of Pakistan/ President, PIPS Board of Governors
On behalf of all members of the PIPS Board of Governors

OPINION**Rural Economy:
An Engine for Economic Growth and Social Well-Being for
Pakistan****Dr. Amanat Ali,**

Assistant Professor, School of Economics, Quaid-e-Azam University

1. Introduction

Rural development basically aims to foster socio-economic change and human improvement in rural areas. Furthermore, it unfolds the rural capital available to be exploited in the rural economy. The rural development addresses general issues of agrarian change, peasant economy, and rural politics.

Pakistan is basically an agrarian country. More than 50 percent population is associated with agriculture in the country. According to the World Bank report, 80 percent of Pakistan's poor live in rural areas. There are many reasons that have caused this major junk of population living in rural areas. Some of the major reason include, vicious cycle of poverty, lack of education in rural areas, parental farming.

Popularly, it is believed that the rural population needs to migrate to the cities for better opportunities and living standards. This does not only cause the problem of urban population swell but also leaves the rural economy untouched and unexplored. This ultimately hampers rural development and causes unhindered urbanization in the country. Considering the myriad of rural population issues, it is necessarily important focus of the policy and agenda to ameliorate the rural population and mainstream them so that they may have equal socio-economic and political opportunities and contribute equally in the national development. It is important to note that the rural development does not encompass the agriculture only, but also social, economic and political empowerment.

If we want to move towards a balanced and inclusive growth approach then definitely, we cannot ignore rural areas, which are mainly the food baskets for the cities and one of the biggest contributors in raw material for the industries. One cannot deny the fact that rural areas are heavily contributing in Pakistan's exports whether we take the examples of cereals or cotton and its allied products. But what is missing: they are mainly providing raw materials not the finished product, lack of access to modern techniques and technologies, absence of efficient institutions for conflict resolution and mitigation, chronic neglect of land reforms, lack of specialization in land use, absence of earning opportunities in rural areas where jobs are mainly seasonal, lack of access to quality inputs at competitive prices, absence of a fairer system for rewards etc.

2. Product Space

In their seminal study Hidalgo *et al* (2007) presented the argument with concrete evidence that those economies grow faster that upgrade their products and consequently they tend to produce and export more in the international markets. The technology, capital, institutions and skills needed to make newer products are more easily adapted from some products than others. They state the importance of product space as follows; “Here, we study this network of relatedness between products, or “product space,” finding that more-sophisticated products are located in a densely connected core whereas less sophisticated products occupy a less-connected periphery. Empirically, countries move through the product space by developing goods close to those they currently produce. Most countries can reach the core only by traversing empirically infrequent distances, which may help explain why poor countries have trouble developing more competitive exports and fail to converge to the income levels of rich countries”.¹

They presented the following example to prove their point, “Think of a product as a tree and the set of all products as a forest. A country is composed of a collection of firms, i.e., of monkeys that live on different trees and exploit those products. The process of growth implies moving from a poorer part of the forest, where trees have little fruit, to better parts of the forest. This implies that monkeys would have to jump distances, that is, redeploy (human, physical, and institutional) capital toward goods that are different from those currently under production. Traditional growth theory assumes there is always a tree within reach; hence, the structure of this forest is unimportant. However, if this forest is heterogeneous, with some dense areas and other more-deserted ones, and if monkeys can jump only limited distances, then monkeys may be unable to move through the forest. If this is the case, the structure of this space and a country’s orientation within it become of great importance to the development of countries”.

They have shown the detailed structure of the product, together with the location of the countries and the characteristics of the diffusion process undergone by those countries in their study, they conclude and strongly suggest that not all countries face the same opportunities when it comes to development. Poorer countries tend to be located in the periphery, where moving toward new products is harder to achieve. More interestingly, among countries with a similar level of development and seemingly similar levels of production and export sophistication, there is significant variation in the option set implied by their current productive structure, with some on a path to continued structural transformation and growth and others stuck in a dead end. These findings have important consequences for economic policy, because the incentives to promote structural transformation in the presence of proximate opportunities are quite different from those required when a

¹ Hidalgo, César A., Bailey Klinger, A-L. Barabási, and Ricardo Hausmann. "The product space conditions the development of nations." *Science* 317, no. 5837 (2007): 482-487.

country hits a dead end. It is quite difficult for production to shift to products far away in the space, and therefore policies to promote large jumps are more challenging. Yet it is precisely these long jumps that generate subsequent structural transformation, convergence, and growth.

3. What we can learn from this study for rural development?

The answer is very simple and straight and that is create more product space and value addition chain based on agriculture in rural areas this will not only provide jobs but also reduce pressure on cities which are already facing severe challenges because of urban swell and migration to cities from the rural areas. But question remains that how it can be done? Again, the answer is that by creating right institution in rural areas and by following a balanced development strategy. We need to think out of the box as existing structures and institutions are not performing which is evident from the conditions of rural areas.

4. Some Project to Replicate in Rural Areas

Pakistan produces millions of tons of waste each year in agriculture and forestry like many other countries in the world. This biomass contains much more than just garbage. The something that can be realized and exploited to get economic gains besides largely mitigating adverse environmental effects of coal by replacing use of coal in brick kilns and many other places where it is being used for heat and energy. People living in villages and near to forest areas can earn by first collecting this waste and selling to small or medium size industry for further processing that waste into briquettes from the biomass. That processed product in the form of briquettes and sell them to local brick kilns and other end users. For more details of the process that how agricultural and forests' waste can be converted into useful material for burning as a replacement for coal, anyone interested can following the "youtube.com" documentary at the link below².

Furthermore, grasslands occupy 40% of the world's land surface (excluding Antarctica and Greenland) and support diverse groups, from traditional extensive nomadic to intense livestock-production systems. Global Warming pressures mean that many of these grasslands are in a degraded state, particularly in less-productive areas of developing countries and one possible solution is plantation of Tagasaste³ at mass scale for animal feed in the form of pastures which will affect not only productivity but also vital environmental services such as hydrology, biodiversity, and carbon cycles. Livestock condition is often rich and household incomes are at or upper poverty levels. The challenge for optimizing management practices that result in "win-win" outcomes form Tagasaste for the environment, and households.

² <https://www.youtube.com/watch?v=SoTbxcybwMc>

³ Oldham, C. M., Allen, G. M., & Fortune, J. A. (1994), Production from cows and calves set-stocked on tagasaste, a perennial leguminous fodder shrub. *Australian Society of Animal Production*, 20: 85-85.

Tagasaste raised animals growing freely in their natural environment where they're able to eat nutritious plants that their bodies are adapted to digest. The production of Tagasaste needs less water. In addition to dramatically improving the welfare of farm animals, pasturing also helps reduce environmental damage, and yields meat, eggs, and dairy products that are tastier and more nutritious than foods produced on factory farms. We can find the importance of Tagasaste in scientific literature as the study, Borens and Poppi (1990) states as following; "The nutritive value of the leguminous tree tagasaste (*Chamaecytisus palmensis*), commonly known as tree lucerne, was investigated in a series of experiments. The tree grows in dry environments, the leaves are highly palatable and on the basis of its chemical composition it would appear to have a role as a high-quality feed source or supplement".⁴

Animals raised on pasture enjoy a much higher quality of life than those confined within factory farms. When raised on open pasture, animals are able to move around freely and carry out their natural behaviors.

A growing body of research indicates that pasture-raised meat, eggs, and dairy products are better for consumers' health than conventionally-raised, grain-fed foods. In addition to being lower in calories and total fat, pasture-raised foods have higher levels of vitamins and a healthier balance of fats than conventional meat and dairy products.

5. Credit Availability a challenge

One of the important factors is lack of credit facilities for the rural population. Creation of credit for the farmers is not sufficient yet the easy access of the funds and simple process of credit to them is necessarily important. This was initially practiced in Bangladesh by the Nobel Laureate, Dr. Muhammad Yunus. This program successfully reduced the poverty in rural Bangladesh. In addition, the business knowledge and education is also important for farmers' awareness of the market which would prevent their unnecessary profit exploitation by third party.

Technological improvements, connectivity, rural electrification, communication and the availability of facilities are important factors that can enable people to have more opportunities in rural areas and they will not shift to cities.

Hyper Villages could keep the countryside alive by opening up opportunities for young people who don't work in agriculture, creating a better balance that would

⁴ Borens, F. M. P., and D. P. Poppi. "The nutritive value for ruminants of tagasaste (*Chamaecytisus palmensis*), a leguminous tree." *Animal feed science and technology* 28, no. 3-4 (1990): 275-292.

prevent rural villages become dormant retirement centers, Moreover, Hyper Villages could help sustain a rural way of life by advertising local produce and encouraging more people to buy locally produced food, potentially creating a virtuous circle. They could remove the feeling of exclusion from the outside world many villages feel, whilst endorsing their traditional values. This will require improvements such as current infrastructure, more comprehensive access to superfast broadband but the good news is residents can drive many of the changes themselves.

6. Renewable Energy Projects as a Complements to Agriculture

Another example can be converting croplands into photovoltaic (PV) farms that would aggravate the competition for land between food and energy production. Setting up PV panels on top of crop farms shades a part of the crops. This method has numerous advantages such as the uniform distribution of temperature, minimizing the difference between shading and lightning area and reducing the wind resistance. The solution proves to be economically profitable to the farmers practicing farming in hot climatic and arid regions. Farm land can be used for livestock farmers for grazing their livestock on the photovoltaic farm and also the burden and in turn competition for grazing land reduces. Crops can achieve a higher yield under the fluctuating sunlight of an Agro voltaic system. Under dry climatic conditions, the climatic conditions below the PV panels suggest that the PV panels help in alleviating the water demand by the crops. Water use efficiency can be increased by selecting crops with a rapid soil covering which contributes to a higher amount of light being captured with decreased soil evaporation.

These types of projects can accelerate progress towards the target of 1MW per village of renewable energy generation to be locally or community owned within short span of time. Also, to maximize the benefits to communities from commercially owned renewable energy generators. The generation of electricity from solar photovoltaic generation is one area that the Pakistani Government is considering as part of the renewable energy mix but by engaging communities it would have multiple benefits.

Agriculture, the main focus of rural development, receives inadequate resources and attention, the report says. Modernizing agriculture in poor areas could yield substantial benefits, raising productivity and providing the pull needed to keep young people on the land instead of migrating to large cities.

7. Conflict as One of Major Constraint on Rural Development

Conflict is one the key reason for misery and poverty rural areas and there is a dire need for effective and efficient institutions capable of equitable dispensation of justice at gross root levels. Protection of property and life should be ensured as guaranteed in the Constitution of Islamic Republic of Pakistan through effective and

efficient institutions where besides existing institutions which are overburdened and in many cases failing to deliver; there can be special emphasis on alternative dispute resolution mechanisms. This will save time, finance and human resources for productive use.

8. Land Reforms and Zoning

Land reforms are overdue since long in Pakistan as they should have been done much earlier. These include pattern of land ownership especially after distribution and redistribution among generations over the last seven decades. Additionally, private housing societies have made the issue of land ownership further complicated where they are crowding out genuine productive projects in industrial and agricultural sector and almost everybody start parking their surplus funds in either speculative purchase of plots or files of those private housing societies. Consequently, funds are not available for much needed production sectors of the economy. These problems complexes further as housing societies are spreading with almost no check on mainly the fertile agriculture lands across the country.

Another, important thing which needs to be done is zoning of areas for specialization depending upon suitability of land and climate for different crops with special emphasis on value addition chains in rural areas. Farmers are also facing many constraints in the form of access to credit, availability of quality inputs and they are having difficulties in direct access to markets for sale of their outputs and quite heavily relying on rent seeking middle men. This means they are getting low quality inputs at higher prices and also not getting fair value of their products. System is designed in a way that the farmers who are facing all challenges and bearing all types of risks are being exploited in the hands of a few rent seeking middle men.

9. What needs to be done?

How to convert these challenges into opportunities and how can we create more openings for earning in rural areas? These are a few examples, just for start of thought process which can be multiplied many folds if suitable institutions are created in the rural areas. Main emphasis on creation of right and suitable institutions in rural areas is because rural areas are facing constraints in the form of financial and human resources that are leading to brain drain. This brain drain is not only at international level but also very acute at local levels that is everyone who affords has already migrated or planning to migrate to cities in search of opportunities and in this way not much human and financial resources left in rural areas to efficiently utilize natural resources located in rural are not productively utilized. Health and educational institutions are mainly concentrated in cities and rural areas are simply ignored. Indeed, it is a big challenge but every challenge

provides an opportunity. Pakistan is having huge untapped potential to reap benefits by productively using resources in rural areas.

We can convert these challenges into opportunities if we create a space for knowledge dissemination, sharing and exchanging of ideas at least at union council level if not at village level to begin with. This space or new institution can be a specialized space with at least following facilities, education- conventional and skill with special emphasis on entrepreneurial skills; financial and credit services; health and fitness centers and community center equipped with information technology where educated youth may be trained to earn online and meeting place or seminar hall for discussions and discourse. This place will serve the purpose of awareness to modern techniques and ideas along with exchange of indigenous ideas for the solution of their problems and also a way forward for progress and development. But this place of opportunities should be in the collective ownership of communities and government support being linked to cooperation and innovation score of that community so that opportunity cost of indulging in conflict can be raised. A formal legislative backing for this space is necessary but after further improving of the concept of this space for opportunities.

Additionally, owing to the absence of a congenial environment, the growth of community-based rural institutions is almost non-existent. This factor has hindered the growth of 'rural civil society'. Thus, there is a need for effective state-led intervention to encourage the growth of rural institutions like water users' associations, dairy cooperative networks, farmers' cooperatives and producers' associations, as these community-based organizations may emerge as potent drivers for inclusive rural development.

Conclusively, concrete steps are required for the provisions of financial services in rural areas, as improved access to credit, deposit and insurance services will boost broad-based rural development and reduce income inequalities. Such measures will go a long way in creating opportunities for the rural poor to gainfully employ themselves and improve their standards of living.

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ANALYSIS**Climate Finance****Fakiha Mahmood**

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Abstract

Climate finance is an important component of the international climate regime, and with ever increasing salience, it is expanding and getting deeply embedded with the development policy and practice worldwide. This paper presents an overview of the international climate finance regime including major international legal instruments as well as key international institutions established to cater to the climate finance. It also provides an analysis of climate finance in Pakistan. The level of climate finance disbursements by international agencies as well as the magnitude of the climate expenditures at national level has been discussed for better understanding of climate finance architecture in Pakistan.

1. Introduction

Climate finance is an important component of the international climate regime, and with ever increasing salience, it is expanding and getting deeply embedded with the development policy and practice worldwide. The outcry of climate change rests on some fundamentals. For example, the change in Earth's climate and its adverse effects are a common concern of humankind which transcends territorial states. The increasing concentrations of greenhouse gases in the atmosphere are causing substantial rise in the earth's temperature, thereby causing adverse impact on the natural ecosystem and humankind. The rise in the greenhouse gas emissions is largely attributed to the developed countries. The per capita emissions in the developing countries are very low as compared to the developed countries.

“Climate finance refers to local, national or transnational financing – drawn from public, private and alternative sources of financing – that seeks to support mitigation and adaptation actions that will address climate change.”¹

The efforts to deal with the challenge of climate change need large scale investments. The international community acknowledges that the source countries and the level of vulnerability of each country towards climate change vary significantly. Hence, the major international agreements relating to climate change

¹ <https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance>.

including the Convention², the Kyoto Protocol and the Paris Agreement, place the responsibility of provision of financial resources on the developed countries in order to help less developed countries meet the challenges emanating from climate change. However, the empirical side reveals that though the developed countries are leading the climate finance efforts, the developing countries are also contributing in many ways on voluntary basis. It needs to be understood that the maxim “polluter pays” more closely describes the idea of climate finance, as it is not the charity being offered by the developed countries to the developing countries.

Furthermore, it is pertinent for all the stakeholders to gain insights into the financial needs of developing countries and the ways and means to mobilize climate finance. A balance of resources between adaptation and mitigation is also important. The climate finance assessment looks at the flows of financial resources in order to ensure that they are consistent with the pathway towards low greenhouse gas emissions and climate-resilient development.

2. The Magnitude of International Climate Finance

In December 2009 Copenhagen Accord, developed country parties pledged to provide almost USD 30 billion for the period 2010-2012. The commitment came to be known as Fast Track Finance. It envisaged an approach balancing adaptation and mitigation. Under the program, Australia provided 602,246 million AUD during FY2010-11 and FY2012-13, Canada provided 1200 million CAD, European Union provided 7340 million EUR, Japan provided 1350 million USD, and US provided 7457.8 million USD etc. The funds provided were utilized across the developing world for climate change related projects and activities like sustainable landscapes, clean energy, forests and agriculture, adaptation and mitigation, REDD+, good governance etc.³ Though the exact figures are not known, some studies conclude that the funding surpassed the original pledges.

According to the studies conducted by the Governments of France and Peru in their capacity as the Presidents of the COP 21 and 20, the almost USD 62 billion in public and private sources were funneled to developing countries from developed countries in 2014. However, a major portion of this funding came from private sources, and it's not clear that how much the public sector contributed. Released in November 2016, the second Biennial Assessment and Overview of Climate Finance Flows of the UNFCCC concluded that USD 41 billion of public international finance flowed to developed counties in 2013-14. The third Biennial Assessment, released in 2018, recorded that this had reached USD 56 billion annually in the period 2015-16.⁴

² United Nations Framework Convention on Climate Change.

³ http://unfccc.int/climatefinance/misc_/StaticFiles/gnwoerk_static/fsf_home/f761c43212024a57b5203c2298210be5/458f12706d644bfc967e2f8fc79a9459.png.

⁴ Charlene Watson and Liane Schalatek, “The Global Climate Finance Architecture”, *Climate Funds Update*, February 2019, <https://climatefundsupdate.org/publications/the-global-climate-finance-architecture-2018/>.

The Conference of Parties of the UNFCCC, during 2015 deliberations which culminated into the signing of landmark Paris Agreement, decided to raise US\$ 100 billion annually till 2020 specifically for climate finance.

3. Institutional Mechanism for International Climate Finance

The institutional arrangement for the intergovernmental process pertaining to climate change rests on three prime instruments i.e. United Nations Framework Convention on Climate Change, Kyoto Protocol, and the Paris Agreement. Various institutions have been established under these conventions in order to facilitate and overlook the flow of resources under the rubric of climate change. The Global Environment Facility and the Green Climate Fund are the prime institutions working under the UNFCCC to govern matters pertaining to climate finance. Various other subsidiary organs work to facilitate the flow the resources for tackling the issue of climate change.

Climate Finance provisions in the Institutional arrangements for climate change intergovernmental process	
THE CONVENTION 1992	
Supreme Governing Body: Conference of the Parties	
Article 11 of the United Nations Framework Convention on Climate Change outlines the Financial Mechanism, it states:	
<p>“1. A mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology, is hereby defined. It shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention. Its operation shall be entrusted to one or more existing international entities.</p> <p>2. The financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance. ...</p> <p>5. The developed country Parties may also provide and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels.”</p>	
KYOTO PROTOCOL 1997	
Supreme Governing Body: Conference of the Parties serving as the Meeting of the Parties (CMP)	
Article 11 of the Kyoto Protocol to the UNFCCC outlines the financial mechanism, it states:	
<p>“...Provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in advancing the implementation of existing commitments...”</p> <p>“... Also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of advancing the implementation of existing commitments...”</p> <p>“The developed country Parties and other developed Parties in Annex II to the Convention may also provide, and developing country Parties avail themselves of, financial resources for the implementation of Article 10, through bilateral, regional and other multilateral channels.”</p>	

PARIS AGREEMENT 2015**Supreme Governing Body: Conference of the Parties serving as the Meeting of the Meeting of the Parties to the Paris Agreement (CMA)****The Preamble to the Agreement states:**

“...Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”

Article 9 of the Paris Agreement pertains to the financial mechanism. It stipulates:

“1. Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation to their existing obligations under the Convention.

2. Other Parties are encouraged to provide such support voluntarily.

3. As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts.

4. The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing states, considering the need for public and grant-based resources for adaptation.”

a. Global Environment Facility (GEF)

The GEF has been established as a “financial mechanism” to provide funding to developing countries under the strategic guidance of following international conventions:

1. Convention on Biological Diversity (CBD),
2. United Nations Framework Convention on Climate Change (UNFCCC),
3. Stockholm Convention on Persistent Organic Pollutants (POPs),
4. UN Convention to Combat Desertification (UNCCD), and
5. Minamata Convention on Mercury.

GEF is also linked, directly or indirectly, with these conventions: Montreal Protocol, Global Ship Ballast Water Treaty, UN Law of the Sea Treaty, International Convention for the Prevention of Pollution from Ships (MARPOL Treaty), and the UN Agreement on conservation and management of straddling fish stocks and highly migratory fish stocks.⁵

The GEF has 183 member countries termed as Participants. Though the funding under the GEF is targeted towards the developing countries, the list of donor

⁵ Global Environment Facility, <http://www.thegef.org/partners/conventions>.

countries includes both developed as well as developing countries. Even Pakistan is among the list of 30 donor countries who have together pledged to provide a record US\$4.43 billion for GEF-6 period that runs from 2014 to 2018 at the last replenishment.⁶

b. Green Climate Fund (GCF)

The GCF was established in 2010 by 194 countries parties to the UNFCCC with the aim to augment the efforts of developing countries to respond to the challenge of climate change. The resource mobilization effort of GCF launched in 2014 gathered pledges worth US\$10.3 billion. Though the major funding came from developed countries, the developing countries also pledged their support. After the signing of Paris Agreement, GCF was given the additional responsibility to financial mechanism agreed to under the Agreement. While supporting the developing countries in reducing their greenhouse gas emissions and adapting to climate change, the GCF makes efforts to keep balance between adaptation and mitigation. Pakistan has been implementing two major projects with GCF i.e. Green BRT Karachi, and Scaling-up of Glacial Lake Outburst Flood (GLOF) risk reduction in Northern Pakistan. The first one relates to mitigation and second one relates to adaptation, respectively.⁷

c. Special Climate Change Fund (SCCF)

The Special Climate Change Fund operates under the Global Environment Facility (GEF) by financing projects relating to: adaptation, technology transfer and capacity building, energy, transport, industry, agriculture, forestry and waste management, and economic diversification. It was established in 2001 to complement the funding mechanisms for the implementation of the UNFCCC.⁸

d. Least Developed Countries Fund (LDCF)

The LDCF aims to support a work program to assist Least Developed Country Parties carry out the preparation and implementation of national adaptation programmes of action (NAPAs). The LDCF operates under the GEF.⁹

e. Adaptation Fund (AF)

The Adaptation Fund operates as an offshoot of the Kyoto Protocol. It was established in 2001 to finance concrete adaptation projects and programs in developing country Parties to the Kyoto Protocol that are particularly at the risk of climate change. It is funded with a share of proceeds from the Clean Development Mechanism (CDM) project activities and other sources of funding. The share of

⁶ Global Environment Facility, <http://www.thegef.org/partners/countries-participants>.

⁷ Green Climate Fund, <https://www.greenclimate.fund/home>.

⁸ <https://unfccc.int/topics/climate-finance/resources/reports-of-the-special-climate-change-fund>.

⁹ <https://unfccc.int/process/bodies/funds-and-financial-entities/least-developed-countries-ldc-fund>.

proceeds amounts to 2 percent of certified emission reductions (CERs) issued for a CDM project.¹⁰

f. Standing Committee on Climate Finance

The Standing Committee on Climate Finance assists, informs and advances the work of the COP (the supreme decision making body of the UNFCCC) in exercising its functions in relation to the financial mechanism. The Committee provides support to the COP in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the Financial Mechanism, mobilization of financial resources and measurement, reporting and verification of support provided to developing country parties.¹¹

4. Pakistan's Climate Finance Portfolio

Pakistan is among the world's top most countries vulnerable to climate change. Some of the challenges include considerable increase in the frequency and intensity of extreme weather events, intense floods and droughts, projected recession of the Hindukush-Karakoram-Himalaya (HKH) glaciers due to global warming, reduced agricultural productivity due to enhanced heat and water-stressed conditions, further decrease in the already scanty forest cover, increased intrusion of saline water in the Indus Delta, adversely affecting coastal agriculture, threat to coastal areas due to projected sea level rise and increased cyclonic activity due to higher sea surface temperatures, and increased stress between upper and lower riparian regions in relation to sharing of water resources.¹²

The levels of GHG emissions in Pakistan are such that while from 1994 to 2015 the emissions increased by about 123 percent, the total emissions are expected to increase by about 300 percent for the projected period i.e. 2015-2030. In other words, the GHG emissions of Pakistan in 2030 would be 1603 MT CO₂ equivalent, which stood at 405.07 MT CO₂ in 2005 and 181.7 MT CO₂ in 1994.¹³ According to Pakistan's INDC,

“Pakistan intends to reduce up to 20% of its 2030 projected GHG emissions subject to availability of international grants to meet the total abatement cost for the indicated 20 percent reduction amounting to about

¹⁰ <https://unfccc.int/process/bodies/funds-and-financial-entities/adaptation-fund>.

¹¹ <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/standing-committee-on-finance-scf/background#eq-1>.

¹² Qamar uz Zaman Chaudhry, “Climate Change Profile of Pakistan”, *Asian Development Bank* 2017, <https://www.adb.org/sites/default/files/publication/357876/climate-change-profile-pakistan.pdf>.

¹³ *Pakistan's Intended Nationally Determined Contribution (INDC)*: as part of the international climate policy regime, national governments are obliged to submit their Intended Nationally Determined Contributions to achieve stabilization of GHG in the atmosphere, with a timeframe that adequately allows for adaptation to climate change. Thus, an INDC essentially indicates a country's contribution to achievement of the universal target set in the Paris Agreement and the accompanying compliance mechanism at country level.

US\$ 40 billion at current prices. Pakistan's adaptation needs range between US\$ 7 to US\$ 14 billion/annum during this period."

a. International level

Though it is signatory to all major international climate change instruments including UNFCCC, Kyoto protocol and the Paris Agreement, Pakistan is a new comer in the international climate finance sphere. It has budding institutional setup and limited expertise in receiving or disbursing international climate finance resources. Pakistan had received only \$ 15 million in disbursements of multilateral climate finance till 2012. In the recent past, Pakistan has received international climate financing from the Asian Development Bank (ADB), the Global Environment Facility (GEF), the Adaptation Fund, and Japan's Fast Start Finance Initiative. The ADB provided Pakistan with \$389.8 million in the shape of both investments and technical assistance under the rubric of climate finance during 2011-2015.¹⁴ The total amount of approved GCF funding for Pakistan is \$86.0 million as of April 2019, allocated for two projects.¹⁵ The Global Environment Facility has provided Pakistan \$234.42 million in total financing and \$626.68 million in co-financing to date, including projects carried out at national as well as regional/global level.

Total Funding Received by Pakistan from GEF				
Trust Fund	Project Type	Number of Projects	Total Financing	Total Co-Financing
GEF	National	33	\$88,108,210	\$307,275,109
	Regional/Global	17	\$146,329,770	\$319,405,059
	Total	50	\$234,437,980	\$626,680,168
SCCF	National	1	\$3,310,000	\$14,700,000
	Regional/Global	0	\$0	\$0
	Total	1	\$3,310,000	\$14,700,000

Source: Global Environment Facility, <https://www.thegef.org/country/pakistan>, (downloaded on: April 26, 2019).

b. National level

The Climate Change Policy of 2012 provides the broader framework for climate change related decision making in Pakistan. The Ministry of Climate Change is the primary government institution dedicated to deal with the issue at hand. Pakistan has established Climate Change Council and Climate Change Authority in order to tackle the issue of climate change and abide by its international commitments. The Pakistan Climate Change Act of 2017 establishes both the bodies.

Pakistan currently lacks a discrete standard coding system for the identification of climate-relevant projects and programs in its national planning and

¹⁴ Qamar uz Zaman Chaudhry, "Climate Change Profile of Pakistan", *Asian Development Bank* 2017, <https://www.adb.org/sites/default/files/publication/357876/climate-change-profile-pakistan.pdf>.

¹⁵ Green Climate Fund, <https://www.greenclimate.fund/countries/pakistan>.

budgetary framework. Climate related projects are scattered across different sectors and departments. Furthermore, with the process of devolution in the aftermath of the 18th Constitutional amendment the subject of environmental protection has been vested with the provinces.

The Ministry of Climate Change launched Climate Change Financing Framework (CCFF) in October 2017, with the aim to mobilize, manage, and target climate change finance at national and sub-national level. The Framework highlights various entry points for the mainstreaming of climate change into planning and budgeting processes, including in Medium Term Budgetary Framework. The implementation of the Framework would enable the federal government to produce efficient, transparent and timely reports on budgetary allocations for climate change related projects and actual utilization of funds against those allocations.¹⁶ The federal government's budget 2017-18 allocated Rs. 341 billion in relation to climate change. This is 6.85 percent of the total budget spread across different sectors. The CPEIR study conducted by UNDP in 2017 to locate climate finance in Pakistan paints similar picture of climate relevant expenditure details for Pakistan.

PAKISTAN'S CLIMATE RELEVANT EXPENDITURE DETAILS

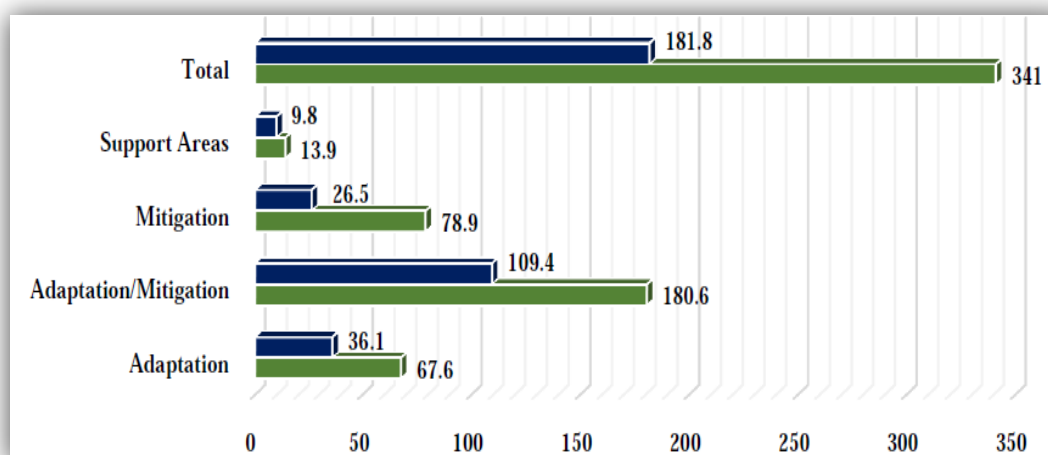
	2011-12	2012-13	2013-14	2014-15	2015-16*
Federal	6.5%	5.8%	6.2%	8.1%	6.5
Khyber Pakhtunkhwa	7.2%	5.3%	7.1%	9.7%	8.9
Balochistan	7.3%	10.4%	11.1%	11.3%	11.9
Punjab	6.2%	7.1%	8.2%	9.3%	13.7
Sindh	5.7%	4.2%	4.3%	6.9%	7.2%
FATA	13.1%	12.5%	11.6%	11.9%	10.2%
Gilgit Baltistan	16%	19%	20%	28%	25.6%
Azad Jammu & Kashmir	9.2%	14.0%	12.5%	16.9%	14.3%
National	6.7%	6.1%	6.7%	8.5%	8.4%

*The results of federal government for FY 15-16 are generated from Expenditure Coding and Tracking System. The provincial government results have been generated partially using the system and partially the CPEIR methodology.

Source: UNDP, 2017 Climate Public Expenditure and Institutional Review (CPEIR)

¹⁶ Ministry of Finance, "Economic Survey of Pakistan 2017-18". (Islamabad: Printing Corporation of Pakistan, 2018).

Typology of Climate Change Estimated and Actual Spending (Rs. billions)



Source: Economic Survey of Pakistan 2017-18

PSDP Funded Climate Change Related Projects 2017-18

Name of Project		Estimated Cost (Rs Million)
1	Establishment of Geomatic Centre for Climate Change and Sustainable Development	48.90
2	Green Pakistan Programme – Revival of Forestry Resources in Pakistan	3652.14
3	Green Pakistan Programme – Revival of Wildlife Resources in Pakistan	738.90
4	Sustainable Land Management project to combat Desertification in Pakistan SLMP-11	105.43
5	Construction of Boundary Wall of Zoo-cum-Botanical Garden	90.10
6	Green Pakistan Programme – Strengthening Zoological Survey of Pakistan Undertaking immediate inventory of endangered wildlife species and habitats across Pakistan	76.73
7	Generating Global Environment Benefits from Improved Decision Making Systems and Local Planning in Pakistan	193.55
8	Glacial Lake outburst Flood in Northern Areas GCF funding	3920.18
9	Establishment of Flood Forecasting and Warning System for Kalpani Nullah Basin, Mardan, Khyber Pakhtunkhwa	230.00
10	Establishment of Specialized Medium Range Weather Forecasting Centre (SMRFC) and Strengthening of Weather Forecasting System (JICA)	2502.50
11	Installation of Weather Surveillance Radar at Karachi (JICA)	1580.00
12	Reverse Linkage Project between Pakistan Meteorological Department and Marmara Research Centre (MRC), Turkey (IDB)	101.00

Source: Economic Survey of Pakistan 2017-18

5. Conclusion

With ever increasing salience of climate change around the world, the climate finance is increasing in scale and magnitude. International climate finance is highly complex as it involves a multitude of conventions and institutions at global, regional

as well as national levels. It includes resources generated from both private as well as public sectors and takes the form of concessions, grants, and loans.

Pakistan is among the top most countries vulnerable to climate change, but relatively a new player in the international climate finance. Despite of having signed all major international climate change conventions, Pakistan has received little climate funding from international sources. Currently, Pakistan lacks an integrated coding system available to locate climate finance in the federal and provincial budget. However, the framework for the mainstreaming of climate finance has already been prepared and passing from the implementation stage.

Pakistan has already been spending around 6-8% of its budget on climate related ventures since past few decades. With the mainstreaming of the climate related projects in the national planning and budgetary processes, it is hoped that Pakistan will be able to get greater access to international climate finance and abide by its commitments under the international climate change law.

Climate finance is a vast area which offers immense opportunities for climate-resilient development especially for developing countries and those most vulnerable to climate change. But utilizing these resources requires deeper understanding, as well as its mainstreaming in the national planning and budgetary processes. Furthermore, the institutions meant for transparency and oversight should play a proactive role so that the funds generated are utilized in an efficient manner, and not wasted due to malpractice or incompetence.

CONCEPT**Three steps to see Expenditure in Budget Documents****Muhammad Adnan Azeem**

Accounts Officer, Office of the Controller General of Accounts, Pakistan

Step One: Open the book titled - “Demands for Grants and Appropriations”

1. Go to the Table of Contents =>
2. See List of Ministries in Alphabetical Order (for example at “c” we will find commerce) =>
3. See Page No. of Required Demand =>

And **Honorable MP will get to one page Summary of the demand (Object wise summary)** – It gives total amount of grant at the top of page, along with charged and voted bifurcation. The page will only touch upon at major object classification that includes PRIMARILY TOTAL AMOUNTS of Employees’ related expenses, i.e. A011 Pay, A012 Allowances, A03 Operating Expenses, A04 Employees retirement benefits, A05 Grants, subsidies and write off loans, A06 Transfers, A09 Physical Assets and A13 Repairs and Maintenance.

**Step Two: See Pink colored book titled: Details of Demands for Grants and Appropriations (Volume – I Current Expenditure)**

1. Go to Table of Contents =>
2. See Page No. of Required Demand =>

and Get following details:

- Summary of the demand (Object wise summary)
- Cost centre wise details e.g. Secretariat, National Tariff Commission, Pakistan Institute of Trade & Development, Directorate General of Trade Organizations.

**Step Three: READING THE SPECIFIC PAGE OF PINK BOOK TO Find annual budget allocation of a COST CENTRE, that is, those departments who come under specific Division/Ministry and who have asked for Demands for Grants.**

- Go to page no. for said cost centre
 - Column 1 ... Functional Classification
 - Column 2 ...Object Classification
 - Column 3...Description of Object Classification
 - Column 4 ... Budget Estimate 2014-15
 - Column 5...Revised Estimate 2014-15
 - Column 6...Budget Estimate 2015-16

ANALYSIS**Rising Inflation in 2019 and Peoples' Purchasing Power****Kinza Saleem**

Young Parliamentary Officer, Research & Legislation Wing, PIPS

1. Background

The inflation has remained under control and has averaged at 5.5 percent in the last five years (2013-18), down from the average of 11.83 percent in the period of 2008-2013.¹ But in the recent year, including 2019 inflation is on upward trajectory.

Problem Statement

The global oil prices increase and devaluation of Pakistan rupee has caused a dominating push to the economy of Pakistan. Also, the newly elected government has inherited a **current account deficit** and for overcoming it, the government increased tariff rates on some luxury import items, cut on public spending. In the wake of these problems macro-economic stability is necessary for avoiding economic catastrophes, external bailouts and to keep pace with the regional development.

Aims and Objective

This objective of this study is to examine and analyze the current state of inflation in Pakistan; identify its effect on the purchasing power of people and to suggest macroeconomic adjustments and policy reforms to achieve stability and sustain future economic growth.

Research Questions

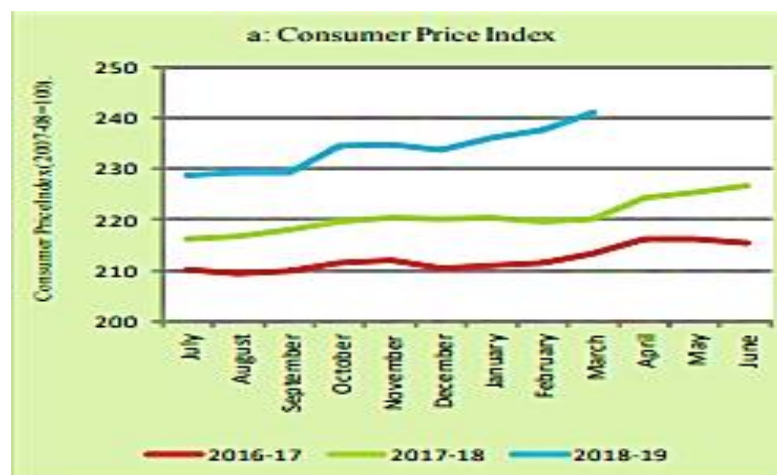
- 1) What is the current situation of consumer price index in Pakistan?
- 2) What is the effect of it on purchasing power of people?
- 3) What are the policy options for short term adjustment and long-term economic stability?

¹Ministry of Finance, "Economic Survey of Pakistan 2017-18". (Islamabad: Printing Corporation of Pakistan, 2018).

Main Analysis

Current situation

The highest inflation is recorded at level of 9.4 percent on year-on-year basis in March 2019 which was 3.2 percent during same month of last year.² The higher inflation tends to worsen income distribution by hitting the low-income groups relatively harder than of the upper and middle income groups. This has reduced their purchasing power. It is evident from the data that inflation has risen sharply for food and non-food items.



Source: State Bank of Pakistan, Inflation Monitor, April 2019³

Price increase in selected daily use items during the month of April in comparison to April 2018 is provided in the succeeding paragraphs:

Tomatoes (124.29%), Gas (85.31%), Onion (35.99%), Newspaper (33.33%), Chillies Green (31.82%), CNG (27.46%), Sugar Refined (22.17%), High Speed Diesel (21.66%), Gold Tezabi (20.86%), Petrol (14.99%), Beef with Bone (13.26%), Iron Bar (11.52%), Mutton (11.48%), Unskilled Labour Wage (9.52%), Kerosene Oil (9.36%), Cement Local (9.22%), Pulse Gram (8.89%), Electricity (8.48%), Vegetable Ghee Tin (6.40%) and House Rent (5.82%).

However, the price of following items showed decrease during the same period: Lemon (27.16%), Gram Whole (Yellow) (12.24%), Eggs Farm (8.61%), Potatoes (3.50%) and Coconut Dry (3.33%).⁴

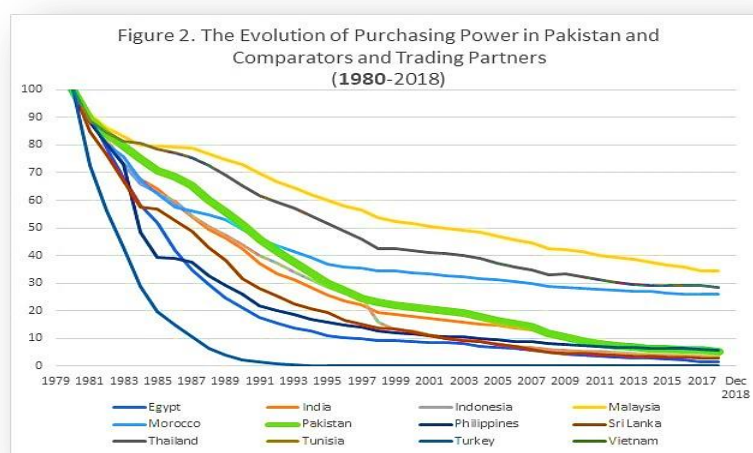
² State Bank of Pakistan, Statistics & DWH Department, "Inflation Monitor," (State Bank of Pakistan, Statistics & DWH Department, 2019).
http://www.sbp.org.pk/publications/inflation_Monitor/2019/Mar/IM_Mar_2019.pdf, 2019.

³ Ibid.

⁴ Pakistan Bureau of statistics, Ministry of Planning, Development and Reforms, "Monthly Review on Price Indices" (Islamabad: Pakistan Bureau of Statistics, 2019). (Accessed on: May 02, 2019),
http://www.pbs.gov.pk/sites/default/files/price_statistics/monthly_price_indices/2019/Monthly%20Review%20April%2C%20202019.pdf

This increase has caused the purchasing power of people to decline thus limiting their ability to buy commodities of regular use such as CNG, petrol, clothing, Fast Moving Consumer Goods etc.

Trend analysis has suggested that though inflation has picked up in the past few months and is now in the upper single digit level. It has an obvious adverse impact on the purchasing power of general masses; however, the data of the regional countries shows that the overall situation of the regional economies on purchasing power is observing downward trends.⁵ Under this, the purchasing power of people in India, Sri Lanka, Turkey etc. has declined over the years allowing the researchers to keep a relatively optimistic viewpoint of the current situation of Pakistan.



Source: Dawn⁶

Yet the peril for Pakistan is that inflation could not be brought to the moderate levels and the government has pledged a bailout of \$6bn from international monetary fund for next 3 years in order to stabilize the faltering economy⁷. Few among many repercussions are structural reforms and further devaluation of rupee. Also, the flexibility to make policy choices will be constrained and the poor will be most deprived by increased cost of basic amenities and additional tax revenues.

Way forward:

- i. ***Policy for Compensating poor*** via lifeline tariffs may be formulated to ensure that low income households also have access to affordable electricity

"Cash transfer" is a fixed amount of transfer given to a household whose income is below an established threshold

⁵ Cheema Nadir, "Inflation in Pakistan: multiple causes", *Dawn*, March 11, 2019.

⁶ Ibid.

⁷ Khaleeq Kiani, Pakistan reaches agreement with IMF, to receive \$6 billion over 3 years", *Dawn*, March 12, 2019.

- and cash transfers for any temporary surge by ensuring that the poor are well protected against inflation.
- ii. **Ensure ease of doing business** by formulating policies which will lower the cost of doing business especially in metropolitan cities and moderate inflation should be targeted as inflation below 3pc can be a risk.
 - iii. **Integrated planning** must be undertaken by allowing federal and provincial entities to work together to develop a program of actions and investment options and review past plans and vision documents, international best practices and take a better approach for decision making
 - v. **Overreliance on short-term measures must be stopped** as they rarely ensure long term stability issues such as supply side disruptions due to natural calamities must be resolved.
 - vi. **Policy to limit central bank to pursue overly expansionary** monetary policy which only serves as an immediate solution and causes time-inconsistency problem.
 - vii. **Indigenous resources** such as hydro, solar, *wind etc* must be used for meeting the country demands in order to decrease affects from global oil price shocks and dollar rate increase.
 - viii. **Formulate Policies to encourage technological innovation-** Currently Pakistan has huge imports basket consisting daily use items. It causes balance of payment crises, hurts domestic industry as well as costs expensive to the consumers. To cope this, the technology and innovation should be promoted to shift the use to domestic products.

Acronyms

- **CPI** Consumer price index
- **FMCG** Fast moving consumer goods

Glossary

- i. **Fiscal consolidation**-It is a policy aimed at reducing government deficits and debt accumulation (*Organization for Economic Co-operation and Development glossary*)
- ii. **Core inflation**-It is a chosen measure of inflation (e.g., the Consumer Price Index or CPI, the Personal Consumption Expenditures) that excludes the categories of food and energy (*Federal Reserve Bank of San Francisco*)
- iii. **Consumer Price Index (CPI)**-The consumer price index expresses the current prices of a basket of goods and services in terms of the prices during the same period in a previous year, to show effect of inflation on purchasing power (*business dictionary*).
- iv. **Current account deficit**-A current account deficit is when a country imports more goods, services, and capital than it exports (*Bureau of economic analysis*)

Key Economic Indicators of Pakistan (2008-18)

Compiled By
Muhammad Rizwan Manzoor,
 Research officer, PIPS Economy and Budget Desk

ECONOMIC INDICATORS		FY-2008	FY-2009	FY-2010	FY-2011	FY-2012	FY-2013	FY-2014	FY-2015	FY-2016	FY-2017	FY-2018
GROWTH AND INVESTMENTS												
GDP-Growth rate	%age change – factor cost	5.0	0.4	2.6	3.6	3.8	3.7	4.1	4.1	4.6	5.2	5.5
Inflation(CPI) -y-o-y	%age change – Average	12.0%	17.0 %	10.1%	13.7 %	11.0 %	7.4%	8.6%	4.5%	2.9%	4.2%	3.9%
Inflation(WPI) -y-o-y	%age change – Average	16.4%	18.9 %	13.8%	21.2 %	10.4 %	7.4%	8.2%	- 0.3%	- 1.1%	4.0%	3.5%
BALANCE OF PAYMENTS												
Current Account Balance(\$Billion)	(\$Billion s)	(13.9)	(9.3)	(3.9)	0.2	(4.7)	(2.5)	(3.1)	(2.8)	(4.9)	(12.6)	(19.0)
Current Account Balance(as of GDP)	as % of GDP	(8.2)	(5.5)	(2.2)	0.1	(2.1)	(1.1)	(1.3)	(1.0)	(1.7)	(4.1)	(6.0)
Exports of goods (\$Billion)	Goods(\$ Billions)	20.4	19.1	19.7	25.4	24.7	24.8	25.1	24.1	22.0	22.0	24.8
Exports of goods (Growth %)	Goods (\$Billion s)	18%	-6%	3%	29%	-3%	0.3%	1%	-4%	-9%.	0%	12.8 %
Imports of goods (\$Billion)	Goods (\$Billion s)	35.3	31.7	31.1	35.8	40.4	40.2	41.7	41.4	41.3	48.7	56.0
Imports of goods (Growth %)	Goods (\$Billion s)	31%	- 10%	-2%	15%	13%	- 0.5%	4%	-1%	0%	18%	15%
Remittances	Goods (\$Billion s)	6.5	7.8	8.9	11.2	13.2	13.9	15.8	18.7	19.9	19.4	19.4
Reserves(SBP + Commercial)	\$Billions -end June	11.4	12.4	16.8	18.2	15.3	11.0	14.1	18.7	23.1	21.4	16.4
SBP reserve	of which: SBP	8.6	9.1	13.0	14.8	10.8	6.0	9.1	13.5	18.1	16.1	9.8

In months of next year's imports of goods and services	Months of import cover	2.6	2.9	3.6	3.6	2.7	1.5	2.2	3.2	3.7	2.9	1.8
BUDGET												
Total Revenues(Rs Billion)	Rs Billions	1499	1,851	2,078	2,261	2,567	2,982	3,637	3,931	4,447	4,936	5,228
Total Revenues(% of GDP)	% of GDP	14%	14%	14%	12%	13%	13%	14%	14%	15%	15%	15%
Total Expenditure(Rs Billion)	Rs Billions	2,277	2,531	3,007	3,455	4,327	4,816	5,026	5,388	5,796	6,801	7,488
Total Expenditure(% of GDP)	% of GDP	21%	19%	20%	19%	22%	22%	20%	20%	20%	12%	22%
of which Current	Rs Billions	1,858	2,042	2,386	2,901	3,123	3,660	4,005	4,425	4,694	5,198	5,854
:Development*	Rs Billions	423	456	652	514	744	1,140	1,136	1,113	1,301	1,693	1,622
Budget Deficit	Rs Billions	(7771)	(680.4)	(929.2)	(1,194.4)	(1,760.7)	(1,833.9)	(1,388.7)	(1,456.7)	(1,863.8)		
% of GDP	% of GDP	-7.3%	-5.2%	-6.3%	-6.5%	-8.8%	-8.2%	-5.5%	-5.3%	-4.6%	-5.8%	-6.3%
PUBLIC DEBTS												
Public Debts	Rs Billions	6,126	7,731	9,006	10,767	12,695	14,294	15,996	17,380	19,677	21,409	24,953
% of GDP	% of GDP	58%	59%	61%	59%	53%	64%	64%	63%	68%	67%	72%
EXCHANGE RATE												
Rupees to Dollar	Average	62.5	78.5	83.8	85.8	89.2	96.7	102.9	101.3	104.2	104.7	109.9
Depreciation	Rate of change	3.2%	25.5%	6.8%	2%	4.4%	8.4%	6.3%	-1.5%	2.9%	0.4%	4.9%

Data Sources: State Bank of Pakistan, Pakistan Bureau of Statistics and Ministry of Finance

ECONOMIC INDICATORS – FY 2017-18 and 2018-19

Compiled By **Mr Asim Khan**,
Young Parliamentary Officer, Research & Legislation Wing, PIPS

S. No	Economic Indicators	Financial Year (2017-2018)	Financial Year (2018-2019)
01	GDP Growth	5.4 % ¹	3.9 % ² - 3.5%
02	Foreign Direct Investment	2.621 Billion \$	1.273 Billion \$
03	Per Capita Income	1652 \$	1516 \$
04	Size Of Economy	313.3 Billion \$ ³	291 Billion \$
05	Investment To GDP Ratio	16.7% ⁴	15.4% ⁵
06	Saving To GDP Ratio	10.4% ⁶	11.1% ⁷
07	Current Account Deficit	13.5 Billion \$	9.5 Billion \$
08	Remittances From Overseas	14.802 Billion \$	16.096 Billion \$
09	Trade Deficit	30.17 Billion \$	26.3 Billion \$
10	Imports	49.36 Billion \$	45.47 Billion \$
11	Exports	19.19 Billion \$	19.17 Billion \$
12	Inflation	3.93% ⁸	7.1% ⁹
13	Short Term Interest Rate	6.5% avg 2015-2018	11% in April 2019 ¹⁰

¹ Ministry of Finance, “Pakistan Economic Survey 2017-18,” (Islamabad: Printing Corporation of Pakistan, 2018).

² Monetary Policy Statement, State Bank of Pakistan March 29, 2019 and “Pakistan: Economy,” Asian Development Bank, (Accessed May 21, 2019), <https://www.adb.org/countries/pakistan/economy>.

³ Bilal Memon, “Size of Pakistan’s economy is \$313.13 billion, says SBP,” *The Express Tribune*, July 20, 2018.

⁴ Mehtab Haider, “Most Economic Indicators drop some improve” *The News*, May 19, 2019

⁵ Ibid.

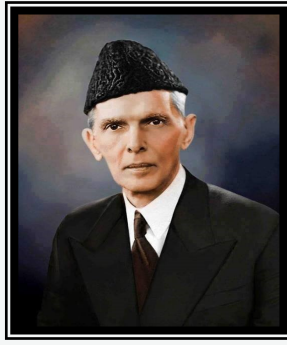
⁶ Ibid.

⁷ Ibid.

⁸ “Monetary Policy Statement, 2019” *op cit*.

⁹ Shahbaz Rana, “Pakistan’s GDP growth may slow down to 3.4%: World Bank,” *The Express Tribune*, April 7, 2019.

¹⁰ KIBOR on money market instruments of one week maturity.



The first thing that I want to tell you is this, that you should not be influenced by any political pressure, by any political party or individual politician. If you want to raise the prestige and greatness of Pakistan, you must not fall a victim to any pressure, but do your duty as servants to the people and the State, fearlessly and honestly. Service is the backbone of the State. Governments are formed, Governments are defeated, Prime Ministers come and go. Ministers come and go, but you stay on, and, therefore, there is a very great responsibility placed on your shoulders. You have no hand in supporting this political party or that political party, this political leader or that political leader - this is not your business. Whichever Government is formed according to the constitution, and whoever happens to be the Prime Minister or Minister coming into power in the ordinary constitutional course, your duty is not only to serve that Government loyally and faithfully, but, at the same time, fearlessly, maintaining your high reputation, your prestige, your honor and the integrity of your service."

Informal talk to Civil Officers at Government House, Peshawar: April 14, 1948



PAKISTAN INSTITUTE FOR PARLIAMENTARY SERVICES
DEDICATED TO PARLIAMENTARY EXCELLENCE

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