SOCIO-ECONOMIC UPDATE OF KHYBER PAKHTUNKHWA: REVIEW FROM THE EOT PERSPECTIVES

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Outline of the presentation

- Economic Indicators
- Education
- Social Indicators
- Priority Sectors /Potential Sectors
- Institutional Reforms (Governance)
- Policy Documents & Research
- Future Research Area

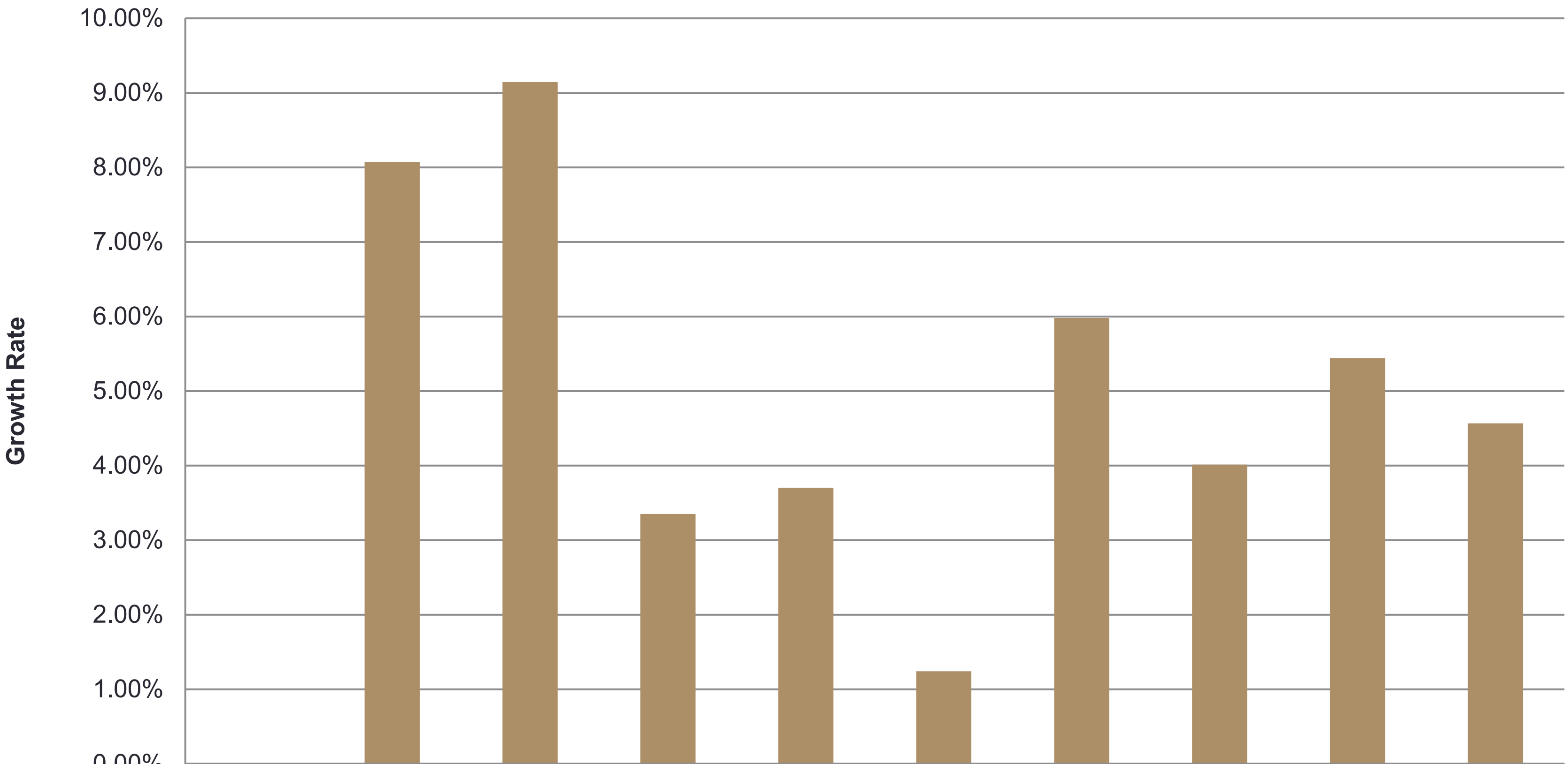
Economic Indicators

- Agriculture
  - Farm Area 10.53 % (5570 K hector).
  - Major Corps (Maize=18.87%, Barley=18.03%, Tobacco=70%).

- Live Stock
  - Cattle drop from 20% to 14.2 %.
  - Goat 17.8% to 11.9%.

* All figures are given as Percentage of total production of Pakistan

GDP Growth Rate of Khyber Pakhtunkhwa



	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (R)
Growth Rate		8.07%	9.15%	3.35%	3.70%	1.24%	5.98%	4.01%	5.44%	4.57%

Sectoral Share in Gross Domestic Product (GDP)											
S.#	GDP Sectors/Sub-sectors	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15(R)
I	Commodity Producing Sector (A+B)	51%	51%	51%	50%	47%	48%	48%	47%	46%	46%
A	Agriculture Sector	28%	26%	25%	24%	24%	24%	23%	23%	22%	22%
i	Crops	6%	6%	6%	5%	5%	4%	4%	4%	4%	5%
a	Major Crops	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%
b	Minor Crops	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
ii	Livestock & Poultry	19%	18%	17%	17%	17%	18%	17%	17%	17%	16%
iii	Fisheries	0.2%	0.3%	0.2%	0.2%	0.1%	1.0%	1.3%	0.4%	0.9%	1%
iv	Forestry	2%	2%	2%	2%	2%	2%	1%	1%	1%	1%
B	Industrial Sector	23%	24%	26%	26%	23%	24%	25%	24%	24%	23%
i	Mining and Quarrying	3%	5%	4%	4%	5%	6%	6%	7%	7%	6%
ii	Manufacturing	11%	12%	11%	11%	11%	11%	12%	11%	11%	10%
a	Large Scale Manufacturing	9%	9%	9%	9%	8%	8%	9%	8%	8%	8%
b	Small Scale Manufacturing	1%	1%	1%	1%	2%	2%	2%	2%	2%	2%
c	Slaughtering Industry	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
iii	Construction Industry	5%	6%	6%	5%	5%	5%	5%	5%	5%	5%
iv	Electricity Generation and Distribution and Gas Distribution	4%	3%	5%	6%	3%	2%	2%	2%	2%	2%
a	Electricity Generation and Distribution	4%	2%	5%	6%	2%	2%	2%	2%	2%	2%
b	Gas Distribution	0.48%	0.38%	0.42%	0.34%	0.35%	0.22%	0.33%	0.23%	0.21%	0.22%
C	Services Sector	49%	49%	49%	50%	53%	52%	52%	53%	54%	54%
i	Wholesale & Retail trade	14%	15%	17%	16%	18%	18%	19%	20%	21%	22%
ii	Transport, Storage & Communication	13%	13%	13%	14%	15%	13%	12%	11%	11%	10%
iii	Finance & Insurance	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
iv	Housing Services (OD)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
v	General Government Services	6%	6%	5%	5%	5%	6%	6%	7%	7%	7%
vi	Other Private Services	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
	Regional GDP of KP (Basic Prices)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

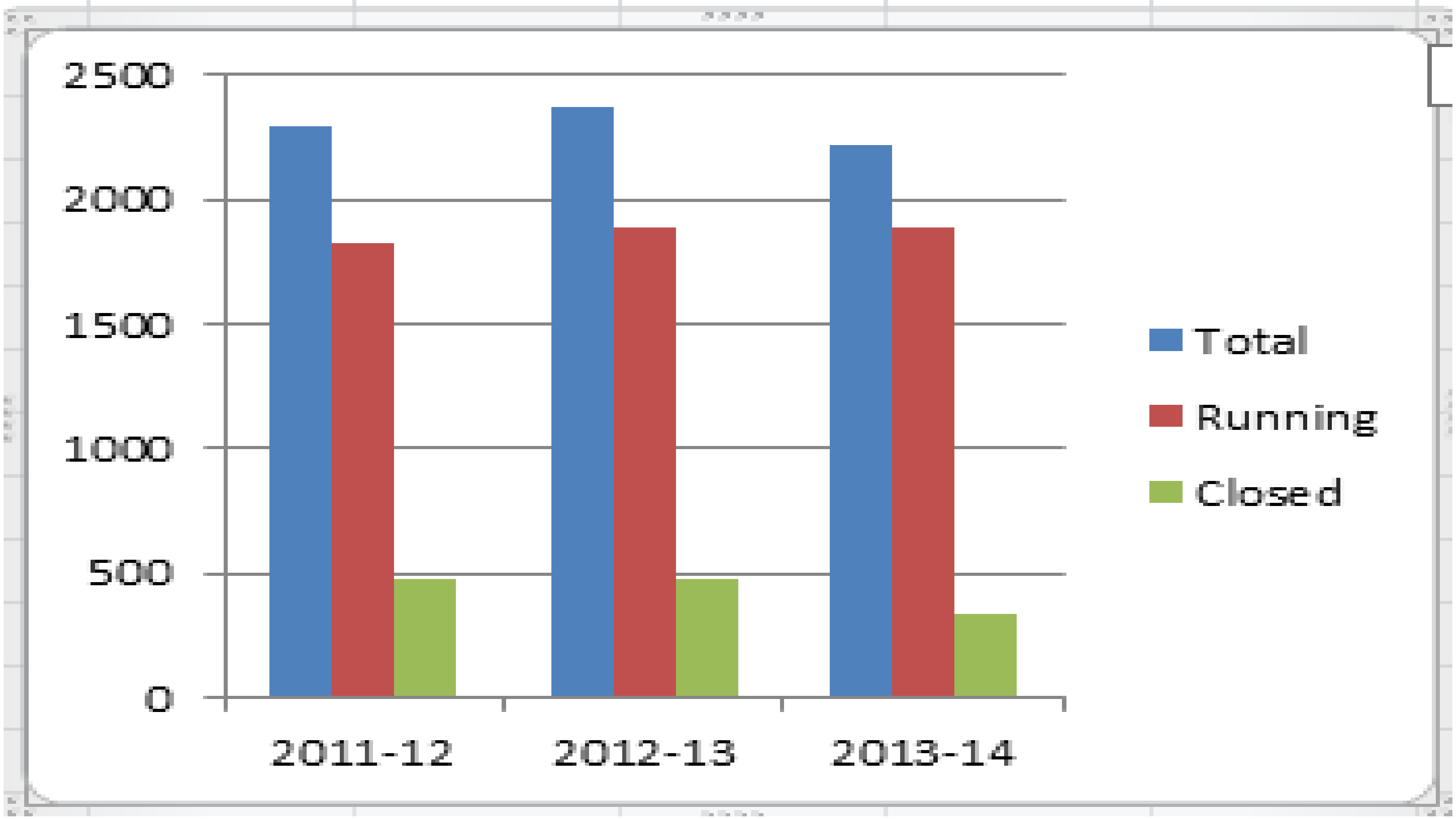
Major industrial and Mineral Productions

• Cement	29.49*
• Cigarettes	36.15*
• Vegetable Ghee	20.85*

Mineral

• Chromite	30.95*
• Gypsum	25.72*
• Lime stone	31.53*
• Marble	57.51*
• Silica Sand	20.15*

* All figures are given as Percentage of total production of Pakistan


2500
2000
1500
1000
500
0
2011-12
2012-13
2013-14
Total
Running
Closed

S. No.	Groups	Units	Production		%age Changes
			20012-13	2013-14	2013-14 over 2012-13
1	**Beverage Industries**	(000)Ltr	109,400	151,469	+38%
i	**Fruit Juices**	(000)Ltr	64,686	30,368	-53%
ii	**Syrups and Squashes**	(000)Ltr	34,349	32,666	-4.89%
2	**Cement**	(000)M.T	9,328	9,237	-1%
3	**Ceramics**				
i	Sanitary Ware	(000)No's	81.5	87.6	+7.5%
ii	Wall Tiles	(000)Sq.Mtr	2,155	2,140	-0.7%
4	**Cigarettes**	(000)No's.	22,976,000	23,312,000	+1.5%
5	**Textile**				
i	Cotton Cloth	(000) Mtr	13,372	2,613	-80%
ii	Cotton Yarn	(000) M.T	110.84	121.47	+10%
6	**Electric Bulb**				
i	Electric Bulb	(000) No's	44,204	40643	-8%
ii	Electric Tubes	(000) Mtr	1,093	-	-
7	**Fertilizers**	(000) M.T	57.822	75.624	+30%
8	**Matches**	(000) No's.	4,757000	4,580000	-3.7%
9	**Paper & Board**				
i	Paper	(000) M.T	7.154	6.817	-4.17%
ii	Paper Board	(000) M.T	6.359	8.062	+27%
10	**Sugar**	(000) M.T	342.20	341.34	-0.25%
11	**Vegetable Ghee**				
i	Cooking Oil	(000) M.T	47.059	60.959	+30%
ii	Vegetable Ghee	(000) M.T	261.817	246.177	-6%
12	**Woolen**				
i	Blanket	(000)No's.	62.5	57.9	-7.3%
ii	Fiber	(000)Mtr	1,574	1,711	+8.7%

Education

- Primary Schools 14.29%
- Middle Schools 6.00%
- High Schools 6.47%
- Degree Colleges 17.21%

* All figures are given as Percentage of total production of Pakistan

Table: 7: Number of Mainstream Govt. Institutes, Enrolment and Teachers by Level (Number)									
Year	Enrolment			Institutes			Teachers		
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
All Primary*	2,838,721	2,842,776	3,012,593	22,760	23,073	22,892	76,285	77,452	78,199
Middle	230,645	229,955	237,518	2,557	2,577	2,612	17,717	17,501	21,492
High/Secondary (9 to 10)	591,292	625,209	663,232	1,836	1,980	2,027	2,6712	2,8315	30,085
Higher Sec	210,796	232,079	249,122	303	345	361	9,233	10,482	10,763
Degree Colleges	141,018	148,641	151,166	145	158	160	87,713	91,791	97,373
Post Graduate Colleges(xv +xvi)	4,254	4,777	4,112	20	20	21	1,124	1,381	1,412
Colleges of Management Sciences	13,870	13,038	18,017	25	27	28	606	606	671
Technical & Vocational Institutes	4,809	4,809	4371	47	52	49	449	449	373
Technology & Polytechnic Institute	6,112	6,112	17,100	25	25	22	508	508	460
Universities			77,501			19			3,984
Total	3,900,499	3,958,755	8,644,633	27,573	28,099	28,031	132,634	136,694	151,423

Social Indicators

- Health
  (Hospitals 16.6%, Dispensaries 8.11%, MCH Centre's 8.2%)
- Poverty 44.3%
- Population 13.40% to 14%.
- Literacy Ratio 53%

Table: . Health Facilities in Khyber Pakhtunkhwa both Govt. & Private.								
INDICATORS/YEARS		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Hospitals	**Total**	163	172	177	183	183	**190**	
	Govt.	129	138	143	147	147	157	
	Private	34	34	34	36	36	33	
RHCs	**No.**	89	86	86	91	91	92	
	Beds	1,331	1,435	1,421	1,538	1,548	1514	
BHUs	**No.**	781	783	781	776	785	771	
Dispensaries	**Total**	411	421	425	442	434	446	
	Govt.	393	402	406	406	425		
	Private	18	19	19	19	9		
T.B Clinics	**No.**	25	26	26	26	26	30	
	Beds	134	72	72	82	82	62	
Mother Child Health Care Centers	**No.**	55	55	67	68	57	55	
Beds in Hospital	**Total**	13,814	15,340	16,020	16,887	16,887	17602	
	Govt.	12,568	13,912	14,951	15,764	15,764	16619	
	Private	1,246	1,428	1,069	1,103	1,103	983	
Beds in Dispensaries	**Total**	87	91	91	96	79	26	
	Govt.	62	66	66	71	71		
	Private	25	25	25	25	8		

Employment

Table: Labor force, Employed and Unemployed, KP (million)

Years	2010-11	2012-13	2013-14
Labor Force	6.58	6.72	6.45
Employed	6.05	6.14	5.91
Unemployed	0.53	0.58	0.54

Table: Employment Shares by Sectors (%),KP

Major Sectors	2010-11			2012-13			2013-14		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	100	100	100	100	100	100	100	100	100
Agriculture/Forestry/Fishing	37.95 %	30.41 %	72.67 %	36.79 %	28.1%	76.79 %	37.2%	28.27 %	77.88 %
Mining and Quarrying	0.48%	0.58%	0%	0.1%	0.11%	0.06%	0.17%	0.21%	0%
Manufacturing	10.24 %	9.66%	12.91 %	9.01%	9.27%	7.79%	10.18 %	12.41 %	9.01%
Construction	12.96 %	15.73 %	0.17%	12.42 %	15.01 %	0.45%	11.83 %	14.35 %	0.39%
Electricity, Gas and Water Supply	0.49%	0.6%	0%	0.97%	1.16%	0.11%	0.82%	1%	0%
Wholesale & Retail	14.41 %	18.03 %	1.01%	15.31 %	18.46 %	0.78%	14.88 %	18.12 %	0.11%
Transport, Storage & Communication	7.34%	8.91%	0.17%	9.49%	11.44 %	0.5%	9.26%	11.23 %	0.22%
Public Administration & Defense	3.51%	4.17%	0.45%	3.6%	4.33%	0.17%	2.76%	3.32%	0.22%
Finance, Insurance, Real Estate and Business services	1.07%	1.3%	0%	1.68%	1.96%	0.39%	1.48%	1.8%	0.05%
Community, Social and Personal Services	8.14%	7.54%	10.89 %	8.43%	7.67%	11.88 %	8.93%	8.51%	10.84 %
Others Services Activities	2.46%	2.65%	1.57%	2.2%	2.46%	0.95%	2.5%	2.76%	1.33%

OVERVIEW OF PRIORITY SECTORS

Energy

- **Hydroelectricity generation capacity for Khyber Pakhtunkhwa is estimated to be 25,000 MW.** Existing Hydel stations in Tarbela, Warsak, Dargai and Malakand located in the province are connected to the national grid line. KP has received the long overdue Hydel profit arrears amounting to Rs. 110 billion. The entire **amount** has been remitted to the province over a period of four years starting from FY 2010/11 into equal annual installments of Rs. 25 billion. Further, the province will receive Rs. 12 billion for the year 2015-16 in terms of Hydel profits (Planning&Development, 2015).
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Minerals

- Mineral Resource categories available in the province are as under:
- Dimension stones i.e. marble, granites and other decorative stones
  - 1 billion tones reserves of different types of marble (P&D, 2015).
  - Light colored granites in northern parts with estimated resources of 100 million tons.
  - The share of the province in **Gross Value of Production and Gross Value Added** in all minerals in Pakistan stood at 3.82 and 3.6 percent respectively (Planning & Development, 2015).
  - However, KP contributes about **78 percent of the marble Production in Pakistan**.
- Gemstones i.e. emeralds, topaz, corundum, tourmaline, aquamarine, peridote, etc
- Industrial rocks & minerals i.e. phosphate, soapstone, feldspar, gypsum, rock salt, limestone, silica sand, etc
- Fuel Minerals i.e. Coal.
- Metallic minerals i.e. including gold, silver and base metals (copper, lead, zinc, antimony, etc.)

Agriculture

- Cultivated area is 29.53 percent and irrigated area is 50 percent of the cultivated area (Planning & Development, 2015).
- Land use intensity is 61.71 percent and cropping intensity is 106.02 percent (SMEDA, 2010).
- The major agricultural crops of the province include Wheat, Maize, Tobacco, Gram, Jowar, Bajra, Barley, Rice, Sugarcane, Sugar Beet, Fruits and Vegetables.
- A total of 2.56 million workforce is involved in trade, commerce, industry and agriculture sector which constitute **15 percent of the total population** of the province (SMEDA, 2010).
- Amongst these sectors, the agriculture sector takes the major share of the work force i.e. **40 percent of the total labour force** and contributing more than 20 percent to provincial GDP (SMEDA, 2010).
- The Province has a comparative advantage in term of **fruits and vegetable production over Punjab**, though the area under Horticulture is 6 percent as compared to 9 percent in Punjab (IGC, 2014). Similarly, other agricultural advantages include the tobacco farming and processing in the area.

Tobacco

- In Khyber Pakhtunkhwa, various types of tobacco, such as Flue Cured Virginia, White Patta and Burley are grown.
- In the overall production of tobacco in the country, nearly 75-80 per cent of tobacco is produced in Khyber Pakhtunkhwa (Khan, 2013). The Flue Cured Virginia commonly known as cigarette tobacco is the main cash crop of growers of districts Swabi, Mardan, Charsada, Bunner and Mansehra, producing **60-70 million KGs of the World** standard tobacco (Khan, 2013).
- The Federal government is the main beneficiary of the crop because it annually gets Rs. **46-47 billion as Central Excise Duty which constitutes 70 percent of the price of cigarette** while Pakistan **Tobacco Board gets Rs. 60-65 million in shape of Tobacco Cess** and the provincial government of Khyber Pakhtunkhwa gets more **than Rs. 100 million in shape of provincial Tobacco Development Cess (Khan, 2013)**. Approximately 6-8 percent of tobacco is annually exported (Khan, 2013).
- **Oil & Gas**
- Khyber Pakhtunkhwa has Oil & Gas reserves of **one billion barrel oil and four trillion cubic feet gas.**
- Oil & Gas Development Company (OGDCL) holds the largest stake in exploration activity of oil and gas. Oil & Gas sector has a great potential of attracting foreign direct investment. In Khyber Pakhtunkhwa, huge deposits of oil and gas have been discovered in the southern belt of the province, including districts Kohat and Karak. Khyber Pakhtunkhwa has generated ***Rs.17.5 billion revenue during the financial year 2014-2015*** from oil and gas royalties. According to the budget documents of the same year, 5 percent of the amount has already been transferred to districts where major Oil and Gas exploration occurred like Kohat and Karak (Daudzai, 2015). This is expected to serve as an engine of economic change in the area.

Tourism

- Currently, **<u>Private sector owns 90 percent</u>** of the Tourism and Hospitality industry but investment is restricted only to Hotel and Transport facilities (Planning&Development, 2015).
- Main tourism hubs of the province include Narran, Kaghan, Galiyat region, Chitral, District Swat, Madain, Abbottabad, etc. In year 2009, Khyber Pakhtunkhwa earned revenue of **<u>Rs.974 million</u>** because of foreign tourism.
- According to IGC (2014), the total number of domestic tourists visiting KP in a year ***<u>2014 was about 8.8 million, which is 19 percent of total national domestic traffic.</u>***
- The government of Khyber Pakhtunkhwa had allocated Rs.1.21 billion for 53 projects relating to tourism and sports.
- The province is also offering health and educational tourism facilities to mainly Afghan nationals.
- Comprehensive Development Strategy 2010-17
- Integrated Development Strategy, 2104-18
- www.khyberpakhtunkhwa.gov.pk

SWOT Analysis of KP Economy

Strengths

- **Strategic location**
  - - Abundant synergies exist between Pakistan & Afghanistan.
  - -Exports to Afghanistan has increased from 0.6 billion in year 2010 to 2.5 billion in year 2014.
- **Additional Resources**
  - - More autonomy to the provincial government to manage its affairs after18th amendment.
  - -Allocation of greater financial resources in 7th NFC award.
- **Increased urbanization**
  - -The population density for Peshawar is 2,716 person/sq.km.
  - -For Mardan, Charsadda & Swabi it is 1,000 persons/sq.km.
  - -Led to greater public & private investment in urban amenities.

Strengths

- **Growing consumer market**
  - Population of KP 28 million (approx.).
  - KP population growth rate 2.93 percent.
- **Remittances**
  - KP share is 25 percent out of a total workforce abroad.
  - In Pakistan remittance accounts for 60 percent of exports earning i.e. US$ 13 billion.
- **Geographical advantage**
  - Gwadar is the shortest port for Afghanistan, China & CARs' for trade.
  - India for trade with Afghanistan & CARs' can use KP as a transit route.

Strengths

- **Rich mineral resources and quality raw materials**
  - Mineral sector is one of the cash cow sector of KP.
  - KP has an estimated reserve of 1 billion tons of marble reserves, found in 30 different varieties.
- **Rich resources of energy (hydel power)**
  - KP has a potential of producing 25,000MW of electricity.
- **Governance**
  - Current KP government's Charter of Good Governance.
  - Current KP government's resolve to eradicate corruption.
  - Legislation (RTI, RTS, Police Act, University Act, Ehtesab Commission, Complaint cell, E-Services, PPP Act, Conflict of interest Act).
- **New Institutions**
  - Establishment of TEVTA & Technical University.
  - KPBoIT, KPOGCL, PEDO, KPEZDMC etc.

Weaknesses

- **Bureaucratic lethargy and red tapism**
  - Lack of continuity and ownership of the public sector institutions.
  - Macro level instability.
- **Low, slow and unstable economic growth**
  - KP grew by 4.2 percent in year 2011-12.
  - Below national average of 4.6 percent.
  - KP's 83 percent of the population living in rural areas.
- **Poverty**
  - KP's45 percent population lives below poverty line.

Weaknesses

- **Unemployment and low level of labor force participation**
  - KP's unemployment rate is estimated to be 9 percent as compared to National level unemployment rate stands at 6 percent.
  - KP's labor force participation is 37 percent as compared to National level average is 46 percent.
- **General law and order situation**
  - Due to law & order situation the current level of private investment is only 8.7 percent of total GDP of KP.
- **Ease of doing business ranking**
  - Peshawar is ranked 8^{th} in Pakistan by World Bank's ease of doing business rankings.
  - Faisalabad & Lahore, ranked 1^{st}& 3^{rd} respectively.

Weaknesses

- **Legal and financial institutional framework**
- **Poor infrastructure**
  - Destroyed infrastructure due to ongoing armed conflicts and natural disasters.
  - Positive relationship between improved transport infrastructure and poverty alleviation.
- **Low human resource base and skill levels**
  - In KP large proportion of the youth have poor educational attainment & skill development.
- **High insecurity**
  - Fallout of the US led war in Afghanistan.
  - Rise of militancy.
  - After 2005, KP became the second most violent part of Pakistan.

Weaknesses

- **Inconsistent and unreliable supply of utilities**
  - Poor performance of KP's manufacturing sector due to energy shortages i.e. electricity, communications and water.
- **Weak public-private collaboration**
- **Weak investment promotion agencies**
- **Higher costs of doing business**
  - In 2016, World Bank has ranked Pakistan as 138th in terms of ease of doing business.
  - Negative travel advisories from US, EU etc.

Opportunities

- **Link up with CPEC**
  - The 2,400-kilometer corridor would include SEZs', railway system, a model city, an airport as well as a free port at Gwadar.
- **Economic and trade gateway to Afghanistan**
- **Special Economic Zones (SEZ’s)**
- **Demand for products in the regional and international markets**
  - Certain agro-based products, fruits, carpets, marble and granite, gems/jewelry, handicrafts etc. have a huge potential.
- **War-effected economy with huge potential for revival and trade/commerce activities, especially in war-affected districts**

Opportunities

- **Potential for investment in key industries/sectors**
  - Construction
  - Agriculture & Horticulture
  - Hydel & Hydrocarbons
  - Tourism
  - Mining
  - Carpet Industry
  - Furniture
  - Pharmaceuticals
  - Petrochemicals
  - mineral based industries
- **Openness to Foreign Investment**

Threats

- Flight of capital as Punjab and Karachi are more investor friendly.
- Flight of workforce to Punjab and Karachi
- **Energy Crisis**
  - Worsening energy shortages& significant increase in its prices is badly impacting KP as potential investment hub.
- **Unsustainable government spending**
- **Crumbling infrastructure and alarming demographics**
- **Other socio-economic threats**
  - Rising street crimes &extortion
  - Rising cases of Polio, hepatitis, HIV and respiratory diseases

Policy documents Develop in Recent Past

- Policy Documents & Research
  - Industrial Policy
  - Investment Policy (Draft)
  - Mining Policy
  - Public Private Partnership Act
  - EPA Act 2014
  - IGC Report :Claiming Prosperity of KPK
  - Integrated Growth Policy
  - Public Account Committee
- Future Research Area
  - Sectorial Analysis
  - CPEC

Institutional Reforms in Recent PAST

- RTI
- RTS
- Police Reforms
- Ehtesab Commission
- KPBOIT
- KPEZDMC
- KPOGRA
- PEDO
- Complaint Cell
- Dispute Resolution Council