

5. Poverty Reduction Strategy

The MTFD aims at establishing a just and sustainable economic system for reducing poverty and achieving Millennium Development Goals. Poverty has numerous facets, manifested in the form of low income, lack of access to resources, few opportunities for participation in the political process and high vulnerability to risk and shocks. Tackling poverty requires a holistic approach that promotes pro-poor economic growth, creates opportunities and choices while maintaining macroeconomic stability, improving governance, consolidating devolution to the grass roots level and protecting vulnerable segments of the society. Poverty reduction is an encompassing objective of MTFD 2005-10. It subsumes the Government's Poverty Reduction Strategy Paper issued in 2003. The MTFD will promote policies and programmes to reduce poverty by satisfying unmet basic needs of the poor (in terms of shelter, health and education, for example) through a participatory process that empowers the poor.

During the 1990s, Pakistan witnessed increase in poverty from 26.1 percent in 1990-91 to 32.1 percent in 2000-01. This period has been characterized by political uncertainty and economic instability as well as a severe drought that hampered economic development. Also, many social indicators, particularly those for health, education, shelter, potable water and sanitation, and electricity showed marginal improvements. The main cause of rise in poverty in Pakistan lies in the widespread structural inequity that leads to the exclusion of the poor from both owning and accessing assets and services and their voices in decisions that directly affect them. Ensuring that economic growth translates into reduction of income and non-income poverty on sustainable basis is the major challenge for MTFD 2005-10.

5.1 Profiling Poverty

Consumption Expenditure based Poverty

In 2001, on the basis of Pakistan Household Integrated Economic Surveys (HIES) data and using adult equivalent requirements of 2350 calories per day, consumption based absolute poverty incidence (i.e., percentage of population below the poverty line) was estimated at 32.1 percent – 38.9 percent in rural areas and 22.7 percent in urban areas (Table 1). Rural poverty during the period 1998 and 2000-01 increased by 4.3 percentage points, while the increase in urban poverty during the same period was 1.8 percentage points. The main reasons of increase in poverty in urban areas has been unemployment and in rural areas lack of assets.

Table 1

Poverty Indices during 1992-93 and 2000-01

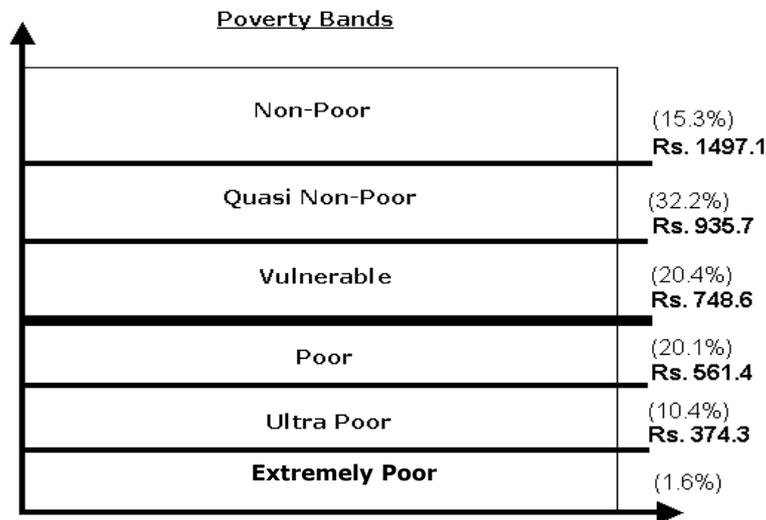
	1992-93 HIES	1993-94 HIES	1996-97 HIES	1998-99 HIES	2000-01 HIES
Poverty Indices: Head-count (Percentages)					
Overall	26.8	28.7	29.8	30.6	32.1
Urban Areas	28.3	26.9	22.6	20.9	22.7
Rural Areas	24.6	25.4	33.1	34.7	39.0

Source: Planning Commission.

Consumption based absolute poverty in Pakistan is also characterized by large percentage population that is classified as transitory poor. The following distribution of

population around the poverty band based on HIES data 2001-02 (Fig-1) reveals that nearly 40.5 percent of the population can be classified as vulnerable and poor. Only 12 percent of the population is ultra and extremely poor. A five round panel data set for rural Pakistan find that only 3 percent of the households were poor in all five years, and half were poor in at least one period.

Figure 1



The above classification of the population around the poverty band is appropriate to a single year snapshot view of poverty. However, in an inter-temporal sense, the two groups around the poverty line (40.5%) can be classified as transitorily poor and the two groups below the poor (12%) as chronically poor. As MTDF is an inter-temporal framework we adopt the latter approach in discussion of policies and interventions. These findings have important policy implications for designing an effective poverty reduction strategy as embodied in MTDF 2005-10.

Income Distribution

Rising poverty in the nineties was also accompanied by worsening income distribution. Based on Household Integrated Economic Surveys (HIES) the share in national income of the richest 20 per cent of the population has increased from 44 per cent in 1988 to 47 per cent in 1999 and 48 per cent in 2002. Correspondingly, the share of the poorest 20 per cent has decreased from 8.8 per cent to 7.8 per cent to 7 per cent over the same period. It is worth noting that the income share of lowest 20% population in urban areas is lower than their rural counterparts as informal safety nets are weaker in urban areas than in rural areas.

Poverty in Pakistan has a distinct spatial character in that rural and urban poverty has not only been different in terms of magnitude but also its course of development. Rural poverty in the beginning of the nineties was 24.6 percent while urban poverty was 28.3 percent. Up to 1998-99, a decline in urban poverty and an increase in rural poverty have been observed. Since then, an increase in poverty for both rural as well as urban areas has been noted .

5.2 The Medium Term Development Framework 2005-10

One third of the Pakistani population continues to live below the poverty line and there are alarming gaps in the social attainments even after five decades of development. The poverty reduction strategy of Medium Term Development Framework (MTDF) is a continuation of PRSP strategy. It consists of four basic themes: high pro-poor growth, social development, good governance and protection of vulnerable groups. It is appropriate to reiterate the basis of the PRSP's strategy as the MTDF's strategy for poverty reduction is only an extension in terms of time period.

The strategy recognizes that:

- For growth to reduce poverty, it must emanate from sectors that have greater potential to generate employment.
- Since various forms of poverty in Pakistan are acute, these require targeted policy interventions to provide quick relief through short-term employment opportunities, social safety nets and financial assistance.
- Additional income alone would not eliminate poverty unless the causes of poverty are addressed. Hence, there is need to improve access to basic needs (primary education, primary health care, drinking water, access to justice etc.) and governance.
- Involvement of the poor in the formulation of these policies and management of their affairs through broad-based alliance with civil society and the private sector is critical in attaining the objectives of the strategy. The communities' participation is a pre-requisite for situation analysis, needs assessment, project design, implementation oversight, and in operation and maintenance. To foster social mobilization and to nurture organized forums, Community Organizations (COs) of Citizens Community Boards (CCBs), intermediary support organizations are needed.
- There is need for strong programme for monitoring and capacity development, as well as impact assessment.
- Availability of adequate resources for poverty reduction programmes is important in determining the effectiveness of the strategy. Detailed costing of proposed initiatives is expected to take some time as it involves comprehensive exercise at the district, provincial and federal levels.

The MTDF emphasizes that development is defined not just in terms of increased GDP, but also more broadly in terms of human well-being, i.e. reduction in 'income poverty' as well as 'human poverty'. The MTDF strategy combines high growth with equitable growth and social development. In order to be consistent with the regional and world efforts to reduce income and human poverty, MTDF indicators and targets for poverty reduction have been aligned with Millennium Development Goals (MDGs) and Poverty Reduction Strategy (PRSP). The specific monitor-able targets (intermediate for 2010 and final for 2015) for key indicators of poverty reduction, as agreed by the Government of Pakistan, towards the achievement of MDGs by the year 2015 are given in Table 1.

Table 1
Eradicating Extreme Poverty and Hunger

Target 1: Halve, between 1990 and 2015, the proportion of people below the poverty line

Indicators	Definitions	1990/91	2000/01	2010 MTDF Targets	2015 MDG Targets
Proportion of population below the calorie based food plus non-food poverty line.	Head-count index based on the official poverty line of Rs 748.56 per capita per month, based on 2000-01 prices and 2350 minimum caloric requirement. ¹	26.1% ²	32.1%	21%	13%

Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Indicators	Definitions	1990/91	2000/01	2010 MTDF Targets	2015 MDG Targets
Prevalence of underweight children under 5 years of age	Proportion of children under 5 years who are underweight for their age	40% ⁴	41.5% ³	28%	<20%
Proportion of population below minimum level of dietary energy consumption	Proportion of population below 2350 calories per day of food intake (Food poverty line)	25%	30% ⁴	15%	13%

Notes and Sources:

- 1 This is the definition of Pakistan's official poverty line.
- 2 Data related to poverty and consumption indicators reported here are collected periodically through the Household Integrated Economic Survey (HIES) by the Federal Bureau of Statistics and analyzed by the Planning Commission and CRPRID in order to compute the head count ratio and related indicators.
- 3 Data on nutrition related indicators are collected periodically through the National Nutrition Survey and analyzed by the Planning Commission. In the table given above, the data reported under the column for 2000/01 are from the 2001-02 survey and those under 1990/91 are from the 1988-89 survey.
- 4 Planning Commission

5.3 Strategy and Interventions for the Poor and Vulnerable

The first component of MTFD strategy is premised on the observation that a large segment of population is vulnerable and poor. This status can partly arise out of low overall growth, and/or volatility in growth as a consequence of economic and non-economic shocks

at the macro level. Thus achieving employment oriented pro-poor economic growth is one of the main pillars of this strategy.

Accelerating Economic Growth and Expansion of Employment Opportunities

Economic growth is an essential condition for poverty reduction, but not sufficient as it alone cannot tackle the problem of the extremely poor. Pakistan's growth performance in recent years is commendable. It is expected that continuation of current trend and present policies and programmes would lead to achieve high economic growth rate around 8 percent per annum. The reform process will further strengthen through financial sector reform, investment policy reform and privatization, capital market development, trade liberalization and export growth and deregulation. This will have positive impact on poverty reduction.

The growth, however, should be equitable. The MTFDF recognizes that a significant change in inequality in income and wealth is possible only in a longer-term perspective. In the short to medium term framework other economic instruments such as social protection policies and programmes should be effectively implemented to provide ad hoc support to vulnerable groups. The following sectors have been prioritized in accordance with their potential to provide employment to the poor segments of the society.

- Agriculture (agro-industry, agri-business and livestock) and water sector development
- Small & Medium Enterprises (SMEs)
- Housing & construction

Agriculture and Water Sector Development

Agriculture development is critically important to meet the MTFDF poverty reduction target since 67% of the poor live in rural areas. The framework also recognizes that there is enormous scope for accelerating growth in agriculture, creating new jobs through expansion of the area under irrigated cultivation, raising crop yields, which increases labour intensity, and diversification of cropping patterns from low value to high value crops such as fruits, vegetables, flowers and other horticulture crops for domestic consumption, processing and export. According to a study only livestock and non-farm income represent inequality decreasing sources of income. Thus, MTFDF also emphasizes on developing the livestock sector, agro-industry and agric-business. Increasing prosperity in agriculture will lead to the growth of non-farm jobs in agro-industries, agro-business and other occupations.

Small & Medium Enterprises (SME)

Despite a persistent tendency to associate employment with large industry in the organized sector, an in-depth examination of employment potential makes it evident that the largest share of new jobs will come from the development of Small and Medium Enterprises (SMEs). SMEs are better insulated from the external shocks, more resistant to the stresses, and more responsive to the demands of the fast-changing technology adoption, globalization and entrepreneurial development. SMEs have contributed vast majority of private sector jobs in more advanced economies such as the USA, Japan and Korea.

A comprehensive package of venture capital, credit, liberalization of controls, technology, training, marketing and management measures is needed to ensure expansion of this sector. The development of agro-processing sector (mainly for fruits, vegetables, dairy, and livestock) and initiatives for fair marketing, transportation, and handling of agricultural produce present wide range of opportunities for private sector growth in the agro-based rural economy. Rural based agribusiness SMEs are a natural source for exploiting these opportunities that will provide new avenues for employment and income generation for rural population. Under the poverty reduction strategy of MTRF, SMEs are expected to play a crucial role in ensuring Pakistan's international competitiveness, rapid assimilation of new technologies and creation of new jobs.

Housing and Construction

The housing and construction sector provides substantial additional employment opportunities. The MTRF recognizes housing as a productive economic activity because it contributes through a high multiplier effect with a host of beneficial forward and backward linkages in the economy. The sector, through linkages effect with about 40 building material industries, supports investment and growth climate and helps reduce poverty by generating income opportunities for poor households. In 1998 "Housing Backlog" was 4.3 million units. In 2004 this has increased to 6 million, indicating an annual incremental demand of 570,000 units, whereas supply is around 300,000 units. Shortage of finance constitutes a major constraint in housing production and maintenance. The MTRF proposes construction of new housing units in a manner that by 2010 entire incremental housing needs to be met by creating effective demand for the housing sector through provision of credit facilities, particularly micro-credit to the low income groups and incentives as enacted in the PRSP. A rapid growth in housing finance will significantly contribute to the economy in the form of new jobs and support to a variety of allied industries.

5.4 Policy Interventions

Income Generation Programmes

Income generation programmes obligate the recipient to exchange labour time for an income transfer. Two programmes have been used widely: labour-intensive public works and credit-based self-employment (livelihood) programmes. While public works can be used as temporary measure for consumption smoothing during economic or natural shocks (such as drought), or as yearlong poverty reduction programmes, credit-based livelihood programmes aim to raise the average real income of the poor in the long term. Public works provide immediate income; credit programmes aim to generate medium-term income streams.

Khushhal Pakistan and Tameer-e-Pakistan Public Works Programmes: Public works have been an important counter cyclical intervention for poverty reduction. These two programmes provide essential public works on nationwide basis as a supplementary means for economic revival and to restore quality of life and incomes. The focus of the Programmes is on provision of sustainable sources of drinking water, local level infrastructure, restoration of existing physical works to raise the quality of life. The latter Programme will supplement the Khushhal Pakistan Programme in undertaking labour intensive schemes in all National Assembly constituencies, spread over the provinces of Balochistan, NWFP, Sindh, and Punjab including FATA. All schemes will follow a pre-specified menu and are implemented through district governments.

Drought Relief Programme: The drought conditions in Pakistan affected the physical assets as well as the social capital of the poor specifically the landless rural poor. The weakening of these assets reduced flows of product and/ or cash income and destroyed the physical asset of the poor household, communities and areas through dramatically reducing its value due to prolonged collapses of asset markets (e.g., declines in the value of farm land in drought affected areas) resulted in increase in poverty level. The DERA programme has been implemented across the country to mitigate the effects of drought.

5.5 Micro-credit for the Poor in the Agriculture Sector

To specifically target the poor and landless in rural areas, micro-credit has proven to be potent intervention from the public sector along with the cooperation of the private sector. Moreover micro-credit is a powerful empowering instrument particularly for women. Combined with education, micro-credit empowers the poor to improve their livelihood by themselves. Currently, this service is available to small fraction of the population. Estimates suggest that about 6 million household needs micro-credit services in Pakistan. The Zarai Taraqiati Bank (ZTBL) and already established National and Provincial Rural Support Programmes (NRSP, & PRSPs) in the public sector are set to further expand their lending operations in the agriculture for the development of livestock sector and thereby target the poor in the rural areas. ZTBL is functioning in 95 districts of the country. The Bank, during 2003-04, disbursed Rs. 33.234 million of small credits to 1.4 million rural beneficiaries.

Khushhali Bank, over the past four years, have been working to develop an efficient distribution system capable of handling large volume of business across diverse operating environments while at the same time, developing an insight into the market. It has a network of 130 service outlets across 64 districts of the country; has processed nearly 0.423 million loans valuing about Rs 4.2 billion and with a predominantly rural portfolio and 33% women clients. Khushhali Bank's ratio of livestock loans to total Micro credit is already around 36 percent. Khushhali Bank has successfully bridged with bilateral (USAID) and multilateral (Asian Development Bank) development agencies to simultaneously focus on highly marginalized territories in Sindh and Balochistan and route human and capital investment for sustained results with minimal lead-time. In 2005, they plan to expand network to 75 districts of the country, expect annual disbursement of nearly Rs 3.0 billion with a strategic focus on the rural areas of Pakistan.

5.6 Micro-credit for SMEs

Micro-finance to SMEs including finance for self-employment are part of the loan portfolios of above banks as well as Pakistan Poverty Alleviation Fund (PPAF), NRSP and PRSPs in the public sector and First Micro-Finance Bank in the private sector. By the end of December 2004, the cumulative outreach of the PPAF (under credit, infrastructure and capacity building components) had extended to 95 districts of the country (out of the total 106 districts) through 47 partner organizations of which 10 were catering exclusively for women. Of the total 0.507 million sub loans, 0.227 million (45%) were provided to the women. PPAF provided Rs. 5.587 billion for micro-credit and enterprise development and Rs. 1.789 billion for infrastructure projects, benefiting more than 7.734 million beneficiaries. In addition, around 102 thousand staff and community members, including 40% women, were trained on which Rs. 0.956 mill were spent. PPAF financial and non-financial services have been estimated to be benefiting over 6.5 million individuals, directly or indirectly, across the country. The private sector provides micro credit facilities to about 0.3 million borrowers. The involvement of private NGOs is substantial and in long-term perspective

their partnership with government agencies is likely to increase further the number of borrowers and availability of credit. Rozgar Micro-Finance Bank is expected to start shortly. The State Bank is also processing application for Pak-Oman Company.

5.7 Disaster Management

The tsunami event of December 2004 brought the leadership of the world to accept that there is no time to lose in making the communities safer against a broad range of disasters that threaten their lives and livelihoods. The Government with the assistance from UNDP has prepared a multi-sectoral and multi-disciplinary programme for disaster risk reduction. It is a five-year programme estimated to cost an amount of US \$ 15.5 million, which has been designed by undertaking a comprehensive review of the existing capacity of the governmental sector and civil society for disaster preparedness and management. The proposal includes establishment of structures and a mechanism for responsive early warning, preparedness, coordination and mitigation capacity in the country. It also covers preparation of a National policy, legislation and plans for an all-risk reduction approach to disaster management. The programme includes establishment of a National Disaster Management Agency (NDMA) in the Cabinet Division to serve as the national strategic/policy coordinating body for preparedness, mitigation, early warning, relief, rehabilitation and recovery activities and creation of structures and mechanisms at provincial and local levels with the capacity to plan and undertake activities for better management and handling of situations emerging from various natural and human induced disasters. The Provincial Governments of Punjab, Sindh and Balochistan have prepared proposals for setting up of Provincial and District Disaster Management structures with support from UNDP. Similar mechanisms are planned to be set up by the Government of NWFP and administrations of AJK and the Northern Areas.

5.8 Social Protection

MTDF recognizes social protection as means of strengthening poor people's capabilities to mitigate and manage risk and vulnerability, and thus, of impacting positively on underlying poverty and inequality. In addition to smoothing exposure to risk and vulnerability (from loss of income, from external shock), social protection can also play a significant role in employment promotion for poverty reduction. Pakistan's PRSP contains a strong commitment to effective social protection, with "targeting the Poor and Vulnerable" as one of its core pillars.

Social Assistance Programmes for the poor

The social assistance provided through programmes and institutions is serving millions of people who are in need of some help to survive. The impact of relief assistance to the poor households is significant. The social assistance programmes in the public sector such as Food Support Programmes, Zakat, Pakistan Bait-ul-Mall, Employees Old-age Benefit Institution (EOBI), Social Security Schemes, and Social Welfare Programmes (Destitute Homes, Mother and Children Home, Rescue Homes, Abandoned Babies and Destitute Children Home, Home for Old and Infirm Persons etc), are providing relief to about 5 million beneficiaries or about 10 per cent of the poor population estimated on the basis of food poverty.

In the private sector, social assistance programmes cover areas of income transfer, health, education, employment and income support activities to poor. These programmes have been administered by various institutions such as Sindh Institute of Urology and

Transplantation (IUT), the Orangi Pilot Project (OPP), the Agha Khan Rural Support Programme (AKRSP), National Rural Support Programme (NRSP), Basic Development Needs Programme (BDN), Khuda Ki Busti (Development of Katchi Abadis), Al-Shifa Eye Hospital, and Edhi Foundation.

Cash Transfers: Zakat system was introduced through an Ordinance titled "Zakat and Ushr Ordinance, 1980". Twenty five percent Zakat budget is being divided among institutions against various schemes like Educational Stipends (General and Technical), Stipends to students of Deeni Madaris, Health Care (Provincial and National), Social Welfare, Leprosy patients etc. and remaining 75% direct to individuals through Local Zakat Committees against schemes such as Guzara Allowance, Marriage Assistance, Permanent Rehabilitation Scheme and Natural Calamities. During 2003-04, Rs. 5 billion were distributed amongst 1.656 million beneficiaries.

Permanent Rehabilitation Grant: Rehabilitation of Mustahiqeen, with Zakat assistance for enabling them to set up their own means of livelihood, suitable to their qualification, skill and local conditions. The rehabilitation grant provides adequate financial assistance from Zakat fund to Mustahiqeen who are willing to become self reliant and useful citizens of the country. During 2003-04, Rs. 2.4 billion were distributed amongst 185 thousand beneficiaries. Once included in the programme, households continue to receive assistance indefinitely. New beneficiaries are registered when the programme is expanded or on the death of an existing beneficiary. Each year, around 10-15% of FSP beneficiaries are replaced.

Food Support Programme: The Pakistan Bait-ul-Mal has created a database for its FSP recipients. The database aims to minimize duplication of beneficiaries from other poverty reduction programmes. FSP Management System is being developed, which will include payroll information system and web-based accounting system. The coverage of the food support programme benefited to 1.2 million poorest households in 2003-04 with monthly income of maximum Rs. 2000. Cash support of Rs. 2400 is provided to them through biannual installments. A system of means testing has been adopted for identification of beneficiaries by linking the programme with the 'Zakat System' where records of Mustahiqeen are developed through extensive participation. During 2003-04, a sum of Rs. 3 billion was disbursed to 1.2 million households.

Tawana Pakistan Programme: The Tawana Pakistan Programme is being implemented as a Nutrition Package for school-going girls (5-12 years) in 26 High Poverty District all over the country. The project is being implemented by Pakistan Bait-ul-mal to benefit 0.5 million girl students in five thousand Girls Primary Schools by providing meals for 25 days per month for 10 months per year with supplements of vitamins/micro-nutrients. On completion the project will result in 18 per cent greater weight gain for age, 10 per cent height gain for age, 100 per cent increase in girls' enrolment in primary schools in target districts and decrease student drop out rates by 30 per cent. This intervention will also contribute in achieving the MDG target of reducing the proportion of population below 2350 calories per day of food intake.

Educational Stipends (Technical): In order to make self reliant the eligible poor segment of society the scheme financed out of Zakat funds was started in the year 2002-03 with annual allocation of Rs. 1 billion. A *mustahiq* having 15-35 years of age is given stipends @ Rs 1000 per month, relaxable by Ministry of Religious Affairs Scholarship Committee for appropriate vocational/technical training. On successful completion of training Rs 5000 are given as one time grant to each trainee for purchase of relevant tools/equipment.

Educational Stipends (Technical) is an important initiative for capacity building of the poor eligible for Zakat. Punjab Vocational Training Council is running 65 Vocational Training Institutes making use of abandoned/under-utilized buildings and has plans to extend the scheme down to Tehsil level with the involvement of business community at Headquarters and institutional levels. 88% of the beneficiaries of this scheme get employment or are engaged in self-employment. Governments of Balochistan and Sindh have shown keen interest in implementing the Punjab model. Government of NWFP is trying to strengthen its existing Vocational Training Institutes with the help of this scheme.

National Level Hospitals/Institutions: Assistance is being provided to 87 National Level Hospitals directly from Central Zakat fund to supplement their existing resources. Grant to each hospital is approved by the Central Zakat Council for release on biannual basis. The National level hospitals/institutions provide free medical treatment to *mustahiq* patients on determination of their *istehqaq* by the respective Local Zakat Committees. The ceiling for free medical treatment of out door and indoor patients is Rs. 1000 and Rs. 2000 respectively relaxable with the approval of Health Welfare Committee.

The Social Security System for the poor

The social insurance system in Pakistan includes Old Age, Invalidity and Widow Pensions and Health Care governed by EOBI and Provincial Social Security Institutions. Old-Age benefits are provided by EOBI. Medical care is provided through social security hospitals and health dispensaries.

Employees' Old-Age Benefits Institution (EOBI): In Pakistan a large section of the population is not provided pension or Old-age benefits. All government employees and their dependents are entitled to life pension, widow pension and commutation of a portion of pension and free medical care. A small number of employees of registered industrial establishment or a commercial establishment have been covered under the Employees Old-Age Benefit Institution (EOBI) scheme. The EOBI is funded by an employer contribution of 5% of wages and a limited Federal contribution and provides monetary benefits to its insured persons in their Old Age, in the event of their becoming disabled/invalid owing to injuries/diseases. Survivor pension is also provided in the event of the death of an insured person to the widow/widower for life. The EOBI pension has a minimum amount (currently Rs. 700 per month) while the entitlements are related to length of service (average monthly wages multiplied by number of years of eligible service divided by 50). During the current financial year (upto March 2005), a sum of Rs. 1.4 billion has been disbursed to around 0.117 million beneficiaries. Disbursements include old-aged pensions, survivors' pensions and old-age grants.

Workers Welfare Fund (WWF): The major objectives of the Fund is to finance development projects like establishment of labour colonies and construction of houses, hospitals and schools for the industrial workers and finance education, training, re-skill and apprenticeship for the welfare of workers, marriage grants and death grants and invest money held in the Fund in securities. Employers of industrial establishments in the private sector under the Workers Welfare Fund (WWF) Ordinance established in 1971 are required to pay 2 per cent of their assessable income exceeding Rs. 0.1 million in any year of accounts to the Fund.

The Fund has established 38 schools across the country in which 30,000 students are enrolled. Free education up to Matric is being provided to children of workers. Scholarships are

being given to 5,000 talented children of workers from F.Sc. to M.Sc. and Medical and Engineering Colleges and Universities. In the health sector, a 200 bedded National Institute of Kidney diseases has been established and 4 kidney centers of 50 bedded each in each province has been established. In the housing, 7960 houses has been completed till 2002 and 5285 were under construction, 3,961 flats were constructed and 788 are under construction and 34,110 plots were developed and 1010 are under development. Death grant of Rs. 1 lack was provided to 1202 families and marriage grant of Rs. thirty thousand per worker is provided to 23,400 workers for marriages of their daughters. Rs.2.0 million annually is given to Skill Development Councils and excellence awards Rs. 1 lack each given to two outstanding workers from each province.

5.9. Indigenous Philanthropy

Experience of the past 20 year shows that there has been substantial increase in private voluntary initiatives in the social fields in Pakistan. A well developed network of organizations supported principally by local giving addresses a broad spectrum of social development needs, including health, education, community development and shelter. The impressiveness of the aggregate individual and corporate sector giving of Rs. 70 billion in 1998 is substantially higher compared to government expenditure on social protection programmes in that year. The current individual and corporate sector philanthropists giving, which are largely used for consumption support need to be reformed to move into social investment to rehabilitate poor, the disabled and marginalized to sustainable livelihood.

5.10. Policy Interventions

Consultations with Chambers of Commerce and Industry, Employers Federation, Trade Unions, Employees Unions and employees suggest that the existing systems of social security and pension benefit few employees, and large number of employees are not covered for health and pension benefits. These institutions also suffer from many governance problems and need comprehensive reforms and broadening of their coverage.

A multi-dimensional view of poverty and risk requires an expanded view of social protection. This suggests a move beyond formal safety nets. A sustainable approach to social protection will involve strengthening and improved targeting of resource transfers. It will also engage with a range of other options, including diversifying livelihood, access to services, and changing behaviour towards, and relationships with, socially vulnerable groups. To implement the social protection holistically in the medium term, the Government is currently exploring several social protection dimensions. For this, the government is undertaking in-depth studies to profile the characteristics of the target groups, assess the need for different types of social protection as well quantify the fiscal implications of a comprehensive and sustainable social protection system in the country. These include studies for informal sector, 'Strengthening Analysis of and Response to Risk and Vulnerability in Pakistan', under which specific studies will be carried out including vulnerability analysis; analysis of coverage, targeting and impact of existing programs, social protection and employment possibilities; and feasibility studies for improving existing programs and introducing new programs in various areas.

5.11. Social Welfare, Special Education & Rehabilitation

The existing National Social Welfare Policy of 1994 duly approved by the cabinet is under review to devise a new Policy and National Plan of Action to meet the present day

requirements. The policy plan of action would ensure in an integrated manner, expansion of Social Welfare services to most remotest rural areas and people's access to education, health, income generation training and technology, employment other public services etc and efficient utilization of resources allocated to social development.

Child Protection

Pakistan, like other developing countries, is entangled with number of issues related to child survival, development, protection and participation. Key issues surrounding protection of children (who are 48% of total population) are Child Labour, Juvenile Justice, Sexual Exploitation, Child Trafficking, Special Children, Refugee Children, Drug Abuse, Child Domestic Abuse, Street Children, Child Beggary, Birth Registration and Girl Child.

National Commission for Child Welfare and Development (NCCWD) established in December 1980 as an advisory body on matters related to child rights and protection draws its strength from United Nations Convention on the Rights of the child (UNCRC); ratified by Pakistan in November 1990.

NCCWD has taken following steps towards accomplishments of its objectives: -

- i) Preparation of End Decade Review reports of four provinces, FATA & FANA
- ii) Seminars, Workshops and consultations at various levels
- iii) Preparation of National Plan of Action (NPA) for children
- iv) Celebration year 2004 as "Year of Child Welfare and Rights"

Volunteerism and Private Investment

The emergence of voluntary social welfare organizations in the field of social services is the manifestation of human urge to help other fellow beings in alleviating their distress, mitigating their miseries and to share their sufferings and sorrows. This spirit and desire to contribute towards human welfare originates and flourishes in an atmosphere of freedom, tolerance and enlightened moderation. The National Council of Social Welfare is an apex organization of the Ministry of social welfare and special education has been playing a pioneering role in fostering the growth and development of voluntary social welfare agencies/ services in the country.

The National Commission for Human Development (NCHD) has taken the initiative to create a National Volunteer Corps (NVC), following the UN International Year of Volunteers. Thousands of men, women and children are being mobilized to extend support to social sector interventions at the grassroots in Pakistan. NCHD is developing a system to match volunteer skill sets with the operational needs of the organization, in order to support its programmes. NCHD is trying to bridge the gap through building capacities of the stakeholders involved in the process of social service delivery while encouraging active community participation to ensure sustainability of development interventions at the grassroots.

NGOs' Database

A central repository of NGOs' data which are registered under various Acts/Ordinances has been developed. It will have its terminals in all districts. Training of officials of districts registration authorities and provision of essential computer-hardware to each focal office at district level will be arranged under this project in a phased manner. Functional requirements of this database include NGOs database, ACTs/Ordinances database, NGOs registration Procedure, Thematic Area of Operations database, NGOs' personal area for information delivery and correction, a web-maker to create NGO's information pages in the system, detailed and meaningful search and funding windows database.

Welfare of Persons with Disabilities

Disability is both economic as well as social problem. Whereas it brings misery to the persons with disabilities (PWDs) and to their families, it adds to the poverty also. According to WHO, 10% of the population of the developing countries like Pakistan suffers from disabilities. The National Census 1998 however indicates much lower percentage i.e. 2.49% of the total population of the country, which suffers from disabilities.

National Policy for Persons with Disabilities

In 2002, the Government approved the first National Policy for Persons with Disabilities, which gives direction to future programme planning and implementation in this field. To implement the National Policy effectively, a National Plan of Action is also under preparation. The overall vision of the policy is to provide by the year 2025, an environment that will allow full realization of the potential of PWDs leading to inclusive mainstreaming through required support of the government, private sector and civil society.

Recognizing the need for education, training and rehabilitation of persons with disabilities and their mainstreaming, that will be ensured through aligning the policies at all levels of the government, changes in curricula of normal education system and provision of specialized aids and equipment to the programme as well as to the individual concerned. Strengthening, up graduation and revitalization of the existing special education centers is being accorded priority under the National Policy and through the medium term and 10 year's Perspective Plans. Vocational/technical training programme including sheltered workshops for PWDs also being planned for disabled person for their ultimate rehabilitation. Women and children with disabilities are a special focus for the new policy. The National Institute of Special Education (NISE) will further strengthen its programme of teachers training and research for improved service delivery. The programme will also promote the new technology by using computers for education and training of persons with disabilities. The private sectors and donors will continuously be engaged in this system.

Disabled Persons (Employment and Rehabilitation) Ordinance 1981" has since been promulgated, which reserves 1 percent quota of employment for persons with disabilities. This quota is being enhanced to 2 percent through an Act of Parliament to provide more opportunities for gainful employment of PWDs. Organizations such as Pakistan Bait-ul-Mal, Zakat Administration, Khushhali Bank etc. and other national and international organizations will be associated to provide support through micro-credit schemes to support programmes like Vocational Rehabilitation and Employment of disabled Persons (VREDP)

with community participation. This programme, being cost effective in nature, shall be replicated in urban and semi-urban areas.

The planned outlays during 2005-10 under social welfare, special education and Rehabilitation will be Rs. 3.70 Billion. Special Education and Rehabilitation programme will cost Rs. 1.37 Billion, and Tawana Pakistan Project (TPP) will require an amount of Rs. 1.80 Billion during the Five-year period. Provincial programmes will be in addition.

5.12. Devolution

Poor governance can be the cause and effect of poverty. The latter because a majority of poor people are sidelined due to weak social standing & low education, and therefore cannot influence its functioning to redress poverty and/or improve its effectiveness. Efforts to reduce poverty substantially hinges on creating environment to empower individual household and communities particularly vulnerable. The structural elements of improving governance under PRSP framework include: devolution; fiscal decentralization; access to justice; police reforms; civil service reform; capacity building; anti-corruption strategy; procurement reform; freedom of information; fiscal and financial transparency and strengthening data basis. The MTFD will further strengthen these structural reforms. It is also expected that increasing levels of education, greater access to information and greater prosperity will help mitigate these factors to a large extent during the MTFD period and beyond.

In order to improve governance and consolidate devolution, a National Programme targeting 3.2 million poor households in the rural areas of Pakistan is expected to be launched and implemented during the next five years. The programme expected to cost Rs 45 billion will include social mobilization in 2000 rural union councils, skill development, micro finance, small infrastructure, livestock, health and education and enterprise programme for the extremely poor. Stakeholders will include PPAF, NCHD and National Training Bureau (NTB).

5.13. Strategy and Interventions to Reduce Extreme Poverty

Human Resource Development

Human resource development (HRD) is the primary and most effective means for reducing chronic absolute poverty, inequalities in income, and reducing inter-generational income inequalities. Increasing overall literacy, through universal primary education, education for all (EFA) and reducing the drop-out rates of males and females at the primary level are the major interventions that are likely to contribute to human resource development and thus, reducing poverty in the coming years. Besides, the earning capacity of poor families is intimately also linked to their health and nutritional status. Thus health programmes specifically that target preventable and community diseases, maternal and child health, directly impact the well being of poor households in the society. Improvements in education and health indicators are the essential prerequisite for raising agricultural, manufacturing and service sector productivity and providing job opportunities in both rural and urban areas. Consequently reducing both forms of poverty in the society. As a key determinant for the overall socio-economic development of the country, HRD is the main thrust area of MTFD.

Education

Education is the single most important factor contributing to national economic growth and stability and for reducing chronic poverty. Education is one of the key drivers of

PRSP and Pakistan MDGs to establishing a solid platform for socio-economic growth. Access to education and learning is seen by the PRSP as key building block for sustainable development because of its enabling effect for employability, entrepreneurship and empowerment of women, unemployed and other groups in society.

Although Pakistan in recent years has witnessed certain positive developments in the education sector, much remains to be done for improving quality and governance, specifically in the rural areas and for females. Current statistics, nevertheless, point to encouraging results: 72% of pupils starting grade 1 reach grade 5. Completion rates for girls are improving but continue to be lower than boys.

The literacy rate and net primary enrolment in Pakistan are low not only as absolutes but also in comparison with other countries in the same development bracket. Currently, there are numerous policy and programme initiatives by the federal and provincial governments to address the weaknesses in the education sector. Apart from enlarging and strengthening the base of the education sector, emphasis on skill development via spread of vocational training centers will be a major policy intervention. In recent years concerted efforts have been made to develop PhDs, up-grade Information Technology (IT) institutes and revamp curricula of other degree programmes to address the problem of low and required skills development. The government is also setting a Technical Education and Vocational Training Authority (TEVTA) at the federal level, and the ministry of industries is setting a technology and human resource up-gradation institution. All these efforts are to reduce the rising skill gap.

Full development of Pakistan's enormous human potential requires a shift in national priorities, to commit a greater portion of the country's financial resources to the education sector. Pakistan currently invests less than 2.0 per cent of GDP of public resources on education. This compares unfavorably with the UMI reference level of 4.9 per cent of the GDP, especially with countries such as South Africa, which invests 7.9 per cent of GNP on education (see detail description, status and impact of each of these initiatives in the education chapter of this document).

Health & Nutrition

The basic indices of health and nutrition have changed very little over the last 20 years. A steady, though not a rapid, improvement is observed over the years. Problems in prevention and control of malnutrition, diarrhoea, acute respiratory illness (ARI) and other communicable and vaccine preventable diseases account for two-thirds of the child mortality rate (CMR) and infant mortality rate (IMR). Moreover, prevalence of bad practices due to ignorance and illiteracy and the overwhelming burden of poverty have hampered achieving a significant reduction in CMR. The largest contributor to CMR is the IMR.

Over 31% of children less than five years of age are short, over 11% are underweight, and over half are anaemic. Localised studies indicate that in poor families, 25-30% of babies are born with a weight less than 2.5 kg, while in better off families only 10% of babies are underweight, indicating the association between poverty, nutritional status of mother and health of child.

Communicable diseases remain the major cause of illness. During the next 5 years, existing programmes are likely to eliminate polio. However, TB, and malaria will remain major public health problems. Childhood diarrhoea, another major cause of illness, can be largely prevented through community participation, improved supply of clean drinking water and public education.

National Health Policy

The various programmes implemented under The National Health Policy (NHP) aim to implement the strategy of protecting people against hazardous diseases; of promoting public health; and of upgrading curative care facilities. The policy emphasizes on "Health Care for All (HFA) i.e., provide health services, which are accessible and acceptable. The aim of the policy is to reduce the prevailing burden of diseases, especially preventable disease through improvement in service delivery mechanism by incorporating efficiency, equitable, effective, preventive and promotive aspects as top priority. Although private expenditure on health care is rising, but the level of public expenditure needs to rise from present level of 0.6 percent of the GDP in order to support a more equitable and effective health care system, providing universal access, fair distribution of financial costs, and special attention to vulnerable groups such as women, children, the aged and disabled (detail description, status and impact of each of these programmes can be found in the Health chapter of the MTDF).

Land Distribution

Government has designed a programme to distribute the state land among the rural landless households to improve their livelihood. An estimated 2.7 million acres of state land is available for distribution. In FY04 the land distribution took place only in Punjab where about three thousand five hundred acres of land was distributed among the three hundred and fifty four beneficiaries. In FY 02 about fifty thousand acres of land was distributed in all four provinces. Roughly government has distributed ten acres of land to each beneficiary. This amount of land is sufficient to bring a family out of poverty if the family has access to credit for purchasing agriculture inputs such as water, seed and fertilizer. The current level of land distribution is unlikely to cover landless households at a large scale. However, a transparent, targeted and coordinated re-distributive initiative would have important implications for many poor households who benefit from the land distribution programme.

5.14. Financing Poverty Reduction Programmes

The need to target public sector expenditures, both current and developmental to alleviate poverty in the country gained considerable importance after the phasing out of SAP-II and signing of Poverty Reduction and Growth Facility (PRGF) in 1999. However until a modicum of macro economic stabilization was achieved in 2001-02, the pattern of public spending targeted specifically for alleviating poverty, fluctuated yearly as a result of stringent deficit targets and slow growing revenues.

The government, within the framework of full PRSP 2003 has prioritized public expenditure to achieve sustainable high economic growth, create physical and social assets for the poor, develop a system of social safety nets and strengthen public institutions to address governance issues. As a result during the last three years social and poverty related expenditure have increased in nominal terms by more than 50%, up from Rs. 167 billion in 2001-02 to Rs. 254 billion in 2003-04. The pro-poor expenditures are expected to rise further to Rs. 278 billion in the current fiscal year as compared to the first half of 2003-04, the PRSP budgetary expenditures during the first half of 2004-05 are 26.0 percent higher, from Rs. 98 billion to Rs. 124 billion. As a percentage of GDP the expenditures in the current half of fiscal year constitute 2.02 percent as compared to 1.80 percent in the corresponding period of last fiscal year. This has been possible mainly due to government's medium-term fiscal strategy aiming to create fiscal space for higher levels of social and poverty spending.

Table 2 gives the projected PRSP expenditure as percentage of GDP for the plan period 2005-10. As a ratio of enlarged GDP (are in 1999-2000 prices), the allocation to poverty related expenditure would rise from 4.25 percent in 2004-05 to 6.49 percent of GDP in the terminal year. The challenge for MTDf is to speed-up the trickle-down effect of larger GDP pie by allocating more resources to the vulnerable and down-trodden so as to achieve the future targets of the PRSP. With overall economic growth, resulting in higher tax/GDP ratio and concessional resources expected from the international donors, larger resources would be allocated to social sectors.

Table 2
PRSP Expenditures as percentage of GDP

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Pro-Poor Expenditure (Billion Rupees)	278.06	324.55	380.10	446.18	524.22	616.20
Pro-Poor Expenditure as percentage of GDP (%)	4.25	4.65	5.07	5.51	5.98	6.49

Three types of non-budgetary transfer target the poor: Zakat, EOBI and micro-credit, Zakat being the largest programme in monetary terms. Disbursement of Zakat declined by 21 percent to Rs. 6.3 billion in 2004 as compared to more than Rs. 8.0 billion in 2003. With in Zakat the sub-component Guzara Allowance aimed at the poor of the poorest however declined marginally by 7 percent. Efforts are in hand to explore further source of funding to ensure sustainability of the system.

Public expenditure on anti-poverty programmes, including social, community and economic services is very low. Since this expenditure constitutes the large bulk of poverty related expenditure, a sizeable increase in public expenditure is needed to significantly improve the current situation. With the spending planned under the MTDf and commitment to the goal of poverty reduction, achievement of the medium term PRSP and MDTF targets, consistent with the long-term MDGs and SAARC Social Charter targets, lie in the domain of possibility. In this process, the Government will work closely with the private sector, civil society and development partners. They will be effective partners in GoP efforts to reduce poverty and develop human capital through contributing financial and technical resources.

5.15. Monitoring and Evaluation

In-depth monitoring and impact evaluation information is essential to ensure the relevance, efficacy and efficiency of the resources spent for poverty reduction. The increasing awareness of the multidimensional nature of poverty and the need to factor in perceptions of the poor into strategies for its reduction adds to the complexity of the challenges. Poverty monitoring framework of MTDf focuses on regular tracking of input, intermediate and outcome indicators. However, the present capacity for poverty monitoring and reporting progress is by and large inadequate. The quality and regularity of survey information are weak. The capacity to analyze statistical information is marginally better. Achieving poverty reduction targets of MTDf would require an effective monitoring system that regularly measures their implementation and impact.

The system of expenditure monitoring of PRSP programmes is well in place in the PRSP Secretariat of the Ministry of Finance. It is monitoring the pro-poor sectoral expenditures on a quarterly basis since 2003. The procedures and system to monitor physical input, process and output indicators on an annual and quarterly basis is being strengthened and streamlined to assess the effectiveness of PRSP expenditures on poverty reduction. In order to monitor the output indicators of the social sectors, PRSP with cooperation of FBS has put in place annual household surveys of key welfare indicators known as Core Welfare Indicators Questionnaires (CWIQ). CWIQ will monitor progress with the help of 16 outcome and 30 intermediate indicators, linked with public expenditures. Results of the first survey conducted in 2004/05 will be published in June 2005. The other main official data source to monitor poverty is household Income and Expenditure Surveys. Currently it is underway and results are expected by the end of year 2005. The status of social indicators in districts has also been recently assessed and quantified by Multiple Indicator Cluster Survey (MICS), an independent effort by UNICEF.