

SUMMARIZED VERSION OF DRAFT POVERTY REDUCTION STRATEGY PAPER

The summarized version of Draft Poverty Reduction Strategy Paper (PRSP) has been circulated as the basic policy document in the recently held Pakistan Development Forum in Islamabad (May 12-14, 2003). It outlines the broad framework for preparation of the full national PRSP. The work is in progress on some of the issues such as (i) Core Welfare Indicators Questionnaire Survey; (ii) Public Expenditure Review; (iii) Country Financial Accountability Assessment; (iv) Provincial Poverty Reduction Strategy Papers; and (v) Costing of Education, Health, and Population reform programs. The full PRSP would be aligned with the work in progress as soon as it is made available.

The summarized version of Draft PRSP includes conceptual framework of Poverty Reduction Strategy based on (i) Accelerating economic growth and maintaining macroeconomic stability; (ii) Investment in human capital; (iii) Targeted interventions (iv) Strengthening Social Safety Nets; and (v) Improving governance. The draft also highlights the programs and policies of the government under each of these pillars of the poverty reduction strategy and proposed indicators to monitor the outcome of these policies as well as intermediate indicators for social sectors.

The summarized version of Draft PRSP is based on broad based consultations with the provincial governments, local governments, civil society, interest groups, NGOs, and communities at the grass root level consulted through Rural Support Program Network and Participatory Poverty Assessment. To make the full PRSP further participatory, the draft PRSP is being disseminated, amongst other modes, through the Web also.

We will appreciate if the readers may please send their views/comments /suggestions to us at the following address or e-mail to improve it further:

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DRAFT PRSP
(SUMMARIZED VERSION)
FOR DISCUSSION ONLY

PRSP SECRETARIAT
MINISTRY OF FINANCE
GOVERNMENT OF PAKISTAN

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TABLE OF CONTENTS

FOREWORD

CHAPTER 1: INTRODUCTION	1
CHAPTER 2: POVERTY IN PAKISTAN	4
CHAPTER 3: PARTICIPATORY PROCESS IN PRSP FORMULATION	6
CHAPTER 4: POVERTY REDUCTION STRATEGY	8
a. Accelerating Economic Growth and Maintaining Macroeconomic Stability	8
3.1 Public Finance	8
3.2 Monetary Policy and Financial Sector Reforms	10
3.3 Trade Liberalization and Export Promotion	12
3.4 Investment Policy and Privatization	13
4.0 Supportive Infrastructure	14
4.1 Communications	14
4.2 Power Sector	14
4.3 Oil and Gas	15
4.4 Telecommunication	16
b) Investing in Human Capital	16
7.1 Education	17
7.2 Health	21
7.3 Population Welfare	22
8.0 National Commission for Human Development	24
c) Targeted Interventions	24
9.1 Small and Medium Enterprises	24
9.2 Micro Finance Facilities	25
9.3 Khushal Pakistan Program/Tameer-e-Pakistan Program/DERA	25
10.0 Rural Development Strategy	26
11.0 Housing Finance	28
d) Social Safety Nets	29
e) Improving Governance and Devolution	30
12.0 Fiscal Decentralization	33
CHAPTER 5 ADDRESSING IPRSP GAPS	35
5.1 Gender Equality and Empowerment of Women	35
5.2 Employment Strategy to Reduce Poverty	37
5.3 Environment Poverty Nexus	39
CHAPTER 6 COSTING OF REFORMS	41
CHAPTER 7 MONITORING AND EVALUATION MECHANISM	42
7.1 Development and Monitoring of Intermediate Indicators	44
7.2 Institutional Roles in PRSP Monitoring	45
Table PRSP Monitoring Targets	47

FOREWORD

Poverty reduction has taken center stage of Pakistan's development policy framework recognizing that poverty alleviation is not merely a by-product of the growth process. Poverty is a complex and multidimensional phenomenon that extends beyond the notion of income and encompasses social, economic and political deprivation. PRSP attempts to provide an integrated approach to diverse set of factors that influence poverty in Pakistan and takes into account economic, social and governance dimensions.

This summarized version of the draft PRSP outlines the journey from interim PRSP to full PRSP. Building upon the IPRSP, this paper carries forward the major policy interventions and initiatives undertaken by the Government. This document aligned with the Millennium Development Goals provides a strategic framework for development efforts and poverty reduction based on strong political commitment, consultations and broad based participation of all key stakeholders. We will seek support of the Parliament for PRSP programs and increased budgetary allocations to attain poverty reduction benchmarks. Full PRSP will not be a one time document; it is a dynamic process admitting of institutional and policy adjustments at all levels as the time rolls on and new experience is gained.

This paper also attempts to address major gaps identified in the IPRSP. We expect to finalize the full PRSP in the weeks ahead, after factoring in the finalized provincial PRSPs and completion of on going costing of education, health and population sector reforms. Availing of this opportunity of the PDF meetings, we look forward to healthy debate and solicit comments from our development partners to enrich the final document.

I wish to appreciate the contribution made by the PRSP partner ministries especially Planning Division, Provincial Governments and donors. I would like to commend the PRSP Secretariat for their endeavor in preparing this document.

Shaukat Aziz
Minister for Finance
& Economic Affairs

Islamabad, May 12, 2003.

ONE

INTRODUCTION

1. Amid growing recognition that the incidence of poverty was increasing in Pakistan, the Government of Pakistan adopted a comprehensive strategy in November 2001 to reduce poverty, articulated in the Interim Poverty Reduction Strategy Paper (I-PRSP). The strategy aimed to provide an integrated focus on a diverse set of factors that impact poverty, and to meet the twin challenges of reviving broad based equitable growth and reducing poverty.

2. The IPRSP also provided a basis for the development of a full Poverty Reduction Strategy Paper (PRSP) through a participatory process involving stakeholders, civil society, and all three tiers of government in Pakistan, federal, provincial and local. The full PRSP was initially expected to be finalized soon after elections in October 2002 and the subsequent formation of civilian governments. On completion of the electoral process and creation of governments at the federal and provincial levels, the finalization of the PRSP was scheduled for June 2003. During this period, the government of Pakistan issued annual and quarterly Progress Reports to outline the main activities undertaken, pro-poor budgetary and non-budgetary expenditures, progress on development of intermediate and final outcome indicators, and a revised timeline for the preparation of the full PRSP. The full PRSP is presently nearing completion. This document is a summary of the draft PRSP, reflecting the strategy of the newly elected Federal Government to achieve higher growth rates while reducing poverty. The detailed text of the PRSP will follow in the weeks ahead after factoring in other vital information including the findings of the Public Expenditure Review of the World Bank, and the costing of education, health and population sector programs. In order to pool poverty reduction efforts at all three levels of government, district governments have contributed towards the formulation of the draft provincial PRSPs, which in turn have been the basis of the draft full PRSP summarized in this document.

3. The core elements of the strategy in the IPRSP included efforts to engendering growth, implementing broad based governance reforms, improving social sector outcomes and reducing vulnerability of the poor to social and economic shocks. In addition, the strategy paper identified a number of important issues that had an important bearing on the formulation of full PRSP. The PRSP concurs with the IPRSP in recognizing that:

- For growth to reduce poverty, it must emanate from sectors that have greater potential to generate employment. In this context the strategy called for rapid growth in agriculture, small and medium industries, housing and construction, and the Information Technology sectors.
- Since various forms of poverty in Pakistan were acute, these required 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 were addressed. Hence the need to improve access to basic needs such as primary education, preventive health care, population welfare services, in order to win the fight against poverty.

- Improvement in public service delivery required resources and improvement in governance.
- Involvement of the poor in the formulation of these policies and management of their affairs was critical in attaining the objectives of the strategy, and there was need to forge a broad-based alliance with civil society and the private sector in this regard.
- The participatory process must broaden in the formulation of the full PRSP, resulting in consultations at district, provincial and national levels to elicit views, share experiences and understand expectations of the stakeholders.
- There was need for a strong program of monitoring and capacity development, as well as impact assessment.
- Availability of adequate resources for poverty reduction programs was important in determining the effectiveness of the strategy. Detailed costing of proposed initiatives would be completed in the preparation of the provincial PRSPs.

4. The formulation of the draft PRSP has benefited from the participatory process and effective consultations with diverse range of stakeholders. The PRSP has been further enriched as a result of the consultative process and through the inclusion of the objectives of the newly elected federal and provincial governments. The full PRSP addresses important gaps in the poverty reduction strategy identified in the IPRSP. While retaining much of the interim strategy, the PRSP now articulates a more comprehensive strategy including policies for rural development, gender issues, employment and the environment. In addition, the full PRSP now includes a more focused human development strategy. The PRSP utilises a fiscal framework which takes into account mechanisms for transfer of resources and responsibilities from the federal to the provincial and then to the district governments, as well as costing of programs to achieve targets especially in the education, health and population welfare sectors, and a credible monitoring framework in particular for tracking intermediate indicators in the social sectors and anti-poverty programs.

5. The I-PRSP identified a number of measures and actions that the Government had already taken to achieve the objectives and goals of the strategy. The paper also highlighted some policy actions or legislative measures that the Government intended to take in the near future towards the same objectives. This document includes reference to the measures already taken and reports the progress on intended actions, some of which have already been reported in the annual and quarterly Progress Reports. Additional policies adopted in the PRSP will be included in the policy-matrix of the final document.

6. The PRSP, both the process and content, has to be dynamic in nature. The Ministry of Finance took the lead in the formulation of PRSP in collaboration with the line Ministries, Provincial and District Governments, and supported by broad consultations with stakeholders, civil society, non-governmental organizations, and donors at various workshops and community dialogues. This has brought more awareness on the PRSP process that would certainly facilitate its implementation process. It must be appreciated that full PRSP would get institutionalized through evolving process at all levels of government gradually. PRSP, therefore, will need a mechanism and corresponding capacity building for periodical updating to reconcile it with emerging socio-economic realities, impact analysis of policy choices, evaluation of poverty reduction strategies, macroeconomic targets, linkages between policies and poverty outcomes, and

improvements in the service delivery, as the data from various surveys and sources keeps pouring in. PRSP is a rolling comprehensive development framework.

7. In short, the full PRSP is a living document based on six principles with in-built mechanism for adjustment overtime: It is home grown, involving broad based participation by key stakeholders; it is result oriented, focusing on monitorable outcomes that benefit the poor; it is comprehensive, recognizing the multidimensional nature of poverty; it is prioritized so implementation is feasible in both fiscal and institutional terms; it is public-private partnership oriented; and it is aligned with the medium to long-term perspective of Public Expenditure Review and the Millennium Development Goals.

8. It needs to be appreciated that effective implementation of PRSP comes with some risks and challenges. Firstly, the efficacy of reform agenda will require pro-active collaboration among many ministries and agencies in the context of avowed continuation of reform program and policies by the elected governments. Monitoring the performance will be a major undertaking since there are gaps in information available. Developing a reliable and comprehensive database for monitoring and evaluation of PRSP process is a multi year undertaking. Secondly, since the PRSP approach is an innovative initiative in the provincial governments, and the provincial PRSP units are at a nascent stage having capacity constraints, therefore capacity building will need to be addressed quickly. Thirdly, the implementation of programs under the decentralized and autonomous system of district governments may be made consistent with the agreed set of preferences of the district government vis-à-vis the provincial and federal priorities. A mechanism should be in place to address any such divergence. Fourth concern is the continued support of Pakistan's international development partners in development process in Pakistan as waning interest could jeopardize the significant progress made over the last three and a half years. The success of PRSP will critically depend on its effective implementation, constant evaluation of its impact and regular feedback to policy makers for appropriate adjustment in the policy and institutional regime.

TWO

POVERTY IN PAKISTAN

1. The PRSP endorses the view in the IPRSP that poverty has many dimensions in Pakistan. The poor in Pakistan have not only low incomes but they also lack access to basic needs such as education, health, clean drinking water and proper sanitation. The latter undermines their capabilities, limits their opportunities to secure employment, results in their social exclusion and exposes them to exogenous shocks. The vicious cycle of poverty is accentuated when the governance structures exclude the most vulnerable from the decision making process.

2. The IPRSP noted that while the extent and depth of poverty measured through different approaches varies depending upon the indices used and definition adopted, there was considerable agreement over the trends in poverty over recent years. There was broad consensus that the momentum gained in the fight against poverty during the 1980's was lost during the early 1990s when poverty leveled off. Subsequently poverty rose at the end of the decade when per capita GDP growth became negligible. Yet there was considerable debate on the consistency, measurement and methodology of poverty indicators. The IPRSP noted that Pakistan did not have an official and well-accepted poverty line at the time which contributed to the debate.

3. In preparation for the PRSP, the Government of Pakistan has deliberated on the poverty related data and concurs with the IPRSP regarding the broad trends in the incidence of poverty. The Planning Division, during this period has adopted an official poverty line based on a caloric norm of 2350 calories per adult equivalent per day¹. This basic needs poverty line approximates per capita expenditure of Rs. 670 per month in 1998-99 rising to Rs. 748 per month in 2000-01. To facilitate comparisons with existing measures, the Planning Division has estimated a series of basic needs poverty estimates from 1986-87 to 2000-01 based on the HIES data bases, and the series displays similar trends as noted above.

Poverty under Basic Needs Approach (Based On Expenditure Data)

	1986-87	1987-88	1990-91	1992-93	1993-94	1996-97	1998-99	2000-01
Pakistan	29.1	29.2	26.1	26.8	28.7	29.8	30.6 ^a	32.1 ^b
Urban	29.8	30.3	26.6	28.3	26.9	22.6	-	-
Rural	28.2	29.3	25.2	24.6	25.4	33.1	-	-

Source: Planning Commission.

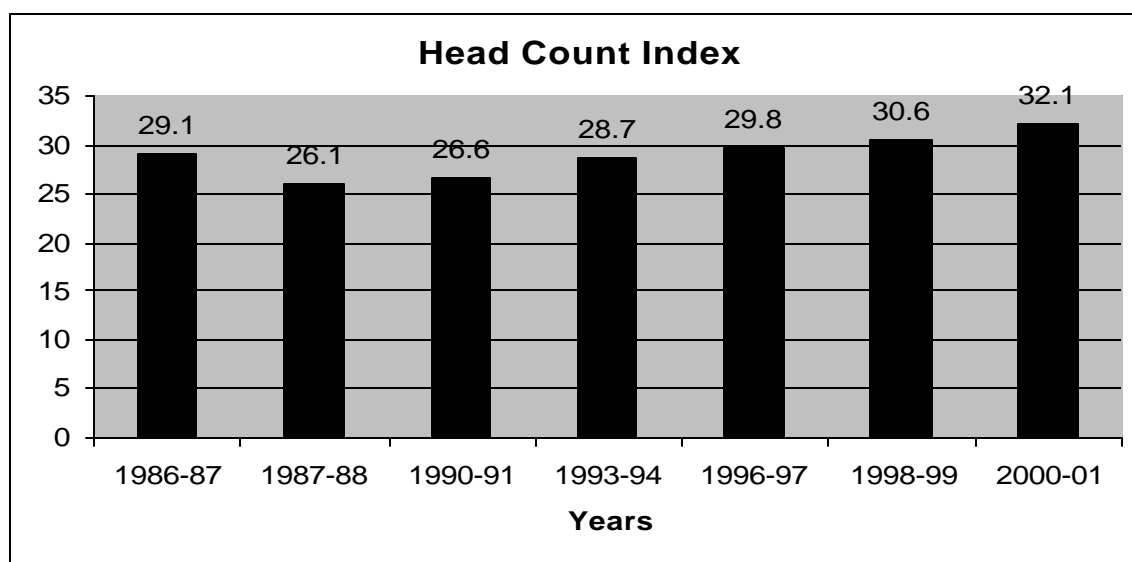
a: The Head count Index is based upon the officially notified national poverty line of Rs. 673.54 per capita per month at the prices of 1998-99 PIHS Survey

b: The Head count Index is based upon the officially notified national poverty line of Rs. 748.56 per capita per month at the prices of 2000-01 PIHS Survey. However, the Head Count Index based upon the post enumeration survey of PIHS 2000-01, with 5% sub-sample of the original size of the survey was conducted in 2003, which has given the number of 31.8.

¹ The caloric norm in urban areas is 2150 calories and 2450 calories in the rural areas.

* The Head count index is based on the new estimated National Poverty Line of Rs. 748.56 per capita per month at the prices of 2000-01 PIHS Survey

4. According to the new official poverty line (above), it is inferred that the basic needs head count dropped between 1986-87 to 1992-93, falling from 29 per cent to 27 per cent of the population. Subsequently the trend in poverty was reversed. Between 1992-93 and 2000-01, poverty increased by 5 per cent to 32 per cent, the biggest jump in 1993-94, while the increase decelerated towards the end of the decade. The shorter series of estimates of basic needs poverty prepared by the World Bank and the FBS/DFID project, both upto 1998-99, are broadly consistent with the Planning Commission estimates, showing an increase in poverty between 1992-93 and 1998-99 of about 6 percentage points. The World Bank's estimate for 1998-99 of poverty is 32 percent, which is 2 percentage points higher than the GOP's estimate for that year. While the FBS/DFID's estimate for 1998-99 is 28 percent¹, which is 2 percentage points lower than the GOP's estimate. Poverty estimates for basic needs will vary due to small differences in methodology, and such estimates are always subject to revisions based on better estimation and sampling techniques. The GOP is aware of the need for such iterations, and is currently undertaking such an exercise to improve sampling in the Household Income Expenditure Survey (HIES) data set and its own estimates.



5. The Government of Pakistan recognizes that on the basis of the official poverty line, poverty continued to increase through 2000-01, the most recent year for which data is available, which also provides a reference base line for impact assessment of the I-PRSP in the period ahead. Further, the I-PRSP had noted an important link between economic growth and poverty reduction through their nexus with real wages and employment. These relationships are being explored further in the context of Pakistan and the results of the analyses will be incorporated in the PRSP when available.

¹ Based on the caloric requirement of 2150 calories per adult per day

THREE

PARTICIPATORY PROCESS IN PRSP FORMULATION

1. The IPRSP recognized the participation of the poor as critical elements in the formulation of the poverty reduction strategy. The objective of the participatory process was to engage stakeholders, civil society, and development partners in policy formulation and to build ownership for the reform program. The aim of the government was to elicit views, share experiences and understand expectations of the stakeholders. For this purpose it had initiated a process of consultations at the district, provincial and national levels.
2. The participatory process has been broadened in the transition towards full PRSP. Following the announcement of the I-PRSP, a comprehensive process of consultations was started including symposiums, seminars and workshops on a variety of issues including poverty assessment, education, health and population sector intermediate indicators, gender mainstreaming, environment, employment and pro-poor growth policies. The process of building ownership has continued at the provincial and district levels. The federal government conducted dialogue with the provincial governments after elections in October, 2002. The provincial governments have also conducted extensive dialogue with the district governments and their representatives and civil society since December 2002. All the four provinces are in the process of finalizing their own PRSPs, which reflect the variety of issues and the diversity of responses across the provinces and the districts within the provinces.
3. The PRSP participatory process has been further enriched by social mobilization at the grassroots level through the rural support programs (RSPs) in setting priorities and improving implementation. The results of consultations with community organizations have contributed to providing answers to issues of service delivery and governance raised by stakeholders. The RSPs have undertaken community consultation dialogues in 49 districts of the country spread over the four provinces, Northern Areas (NAs) and Azad Jammu and Kashmir (AJK). Key reasons for poverty identified were discriminatory education system, high incidence of health problems, widespread unemployment, inaccessibility to capital from traditional sources to start productive enterprise, few opportunities for women to earn a livelihood, lack of availability of vocational skills, inadequacy of agriculture and livestock extension services, environmental degradation, inconsistent water supply, and a rapid rise in population.
4. To supplement, the Participatory Poverty Assessment (PPA) was conducted at 54 field sites in very poor areas across all four provinces, FATA, NA and AJK. Key findings include need for greater access to land and water and protection of natural resource base for the poor; vulnerability of poor households and weak safety nets; basic services health care in particular fail the poor; need for job creation in rural areas; protection of rights for poor women; and lack of access to political power and justice. Full PRSP attempts to reflect and address the preferences identified by the poor in RSPs and PPA dialogues.

5. To ensure that every government department relevant to the PRSP is fully engaged in the formulation and implementation of the strategy to reduce poverty, the process of formulating the full PRSP is steered by a high-level National PRSP Steering Committee headed by the Federal Secretary of Finance. The members of the Committee include Secretaries of relevant ministries, heads of institutions and Additional Chief Secretaries of the provinces. The Committee is mandated to oversee implementation of I-PRSP policy reforms, to evaluate its impact and suggest changes in the policy regime if required. The Committee also monitors poverty-related expenditures, intermediate indicators and final outcomes.

6. Government firmly believes that fostering an open and inclusive national dialogue among stakeholders will stimulate public debate around the PRSP in order to ensure participation and ownership of the strategy. PRSP Secretariat is developing a comprehensive communication strategy to ensure the process of inclusion through sharing and dissemination of information and knowledge at all levels of society. This would ensure accountability, participation and transparency in the implementation of PRSP process. Communication interventions would employ diverse channels in accordance with audience needs including the electronic and print media, workshops and seminars, translation of PRSP into national and regional languages, and special supplements in national dailies. The feedback will be incorporated into the future versions of PRSP.

FOUR

POVERTY REDUCTION STRATEGY

1. Building upon the poverty reduction strategy in the IPRSP and benefiting from the participatory process, the democratically elected Government of Pakistan has strengthened its strategy to meet the twin challenges of reviving growth and reducing poverty. While retaining the interim strategy, the PRSP now articulates a more comprehensive strategy including policies for rural development, gender issues, employment and the environment. The rural development program is embedded in the targeted interventions pillar of the strategy, while policies regarding other issues are dealt with in the ensuing chapter. The PRSP also incorporates a more focused human development strategy that recognizes the central role of the provinces and local governments in achieving human development goals.

2. The Poverty Reduction Strategy of the Government of Pakistan is now based on the following pillars:

- a) Accelerating economic growth and maintaining macroeconomic stability
- b) Investing in human capital
- c) Augmenting targeted interventions
- d) Expanding social safety nets
- e) Improving governance

The main policies and measures the Government has adopted to pursue the five pillars of the poverty reduction strategy are described below. The description below includes a number of measures and policy interventions in addition to those described in the IPRSP.

a) Accelerating economic growth and maintaining macroeconomic stability

3. Economic developments since IPRSP indicate further progress towards revival of growth and macroeconomic stabilization. The continuation of sound macroeconomic and structural policies has contributed to a significant improvement of the external and fiscal position, a low inflation rate and a pickup in growth, expected to be 4.5 percent in 2002-03, albeit slightly less than 5 percent expected in the IPRSP. However the Government expects that the growth rate will gradually accelerate to 6 percent in 2005-06, inflation will remain below 5 percent and foreign exchange reserves will increase to the equivalent of 48 weeks of imports. The projections are based on the assumption that exogenous factors such as climatic conditions, investor confidence and the international economic environment remain favorable. To achieve growth and stabilization targets noted above, the major initiatives of the Government are described below.

3.1 Public Finance:

i) The Government has redefined its role as policy maker and regulator without engaging itself in doing business, and is rationalizing its size. In order to improve its fiscal position, the Government intends to improve the tax to GDP ratio which has remained stagnant at around 13 percent as a result of a narrow tax base, weak tax administration, a complex tax regime, and widespread culture of tax evasion and

corruption. To address this situation, the government undertook tax survey and documentation exercise in 2000. It was supplemented by a comprehensive tax and tax administration reform program initiated in November 2001. The implementation of reform package will continue over the medium term. The aim of the tax administration reform is to convert the CBR into a modern, efficient and an autonomous organization. The CBR is expected to improve revenue collection by providing quality service and enforcing compliance with tax and related laws. The reforms are beginning to bear fruit; the growth rate of revenue has picked up in 2002-03 following a slow down in the wake of September 11 events, which during the first nine months of current FY was 15 percent. In comparison, tax collection grew by an average of 9.5 percent during 1999-00 to 2000-01 and by 4.8 percent during 1996-97 to 1998-99. Revenues are projected to rise from 13.2 to 13.8 percent of GDP over the medium term (FY04 to FY06).

ii) On the expenditure side, the Government is taking steps to reduce losses of Public Sector Enterprises (PSEs) through restructuring and professional management, formulating comprehensive Financial Improvement Plan as well as corporatization of WAPDA for ultimate privatization of un-bundled entities beginning FY04 thereby keeping the fiscal deficit under control. By initiating a comprehensive set of economic stabilization and structural reforms, twin deficits have been adequately contained.

iii) The Government believes that without reducing the debt burden the fight against poverty cannot be won. Consequently, the Government developed a formal debt reduction strategy two years ago to reduce fiscal and current account deficits; curtail the cost of borrowing, and seeking concessional financing from the IFIs. The Government has also established a Debt Policy Coordination Office (DPCO) which is preparing a ten-year debt reduction path and recommended ways to reduce financing costs and to improve management of public debt. In pursuance of these concerns the Government through a consultative process will introduce a Fiscal Responsibility and Debt Limitation Law (FRDLL) before the Cabinet before the end of FY03 to underscore the importance of limiting a sustainable level of public debt and fiscal deficit. The foundation of law is based upon the principles of sound fiscal and debt management that will provide continuous and consistent guidelines to the Government. Option of pre-payment of its expensive external debt and liabilities (EDL) in view of improvement in the reserve position, prospects of continuing current account surpluses, and low domestic and international interest rates is also under implementation. This will reduce the future debt servicing outflows significantly thereby releasing sufficient fiscal space for increased spending on social uplift and infrastructure development.

iv) The Government is developing a Medium Term Budgetary Framework (MTBF) for improved budgetary outcomes and enhanced effectiveness of public expenditure. The MTBF Model will be introduced starting FY04. It will then be rolled out to the provinces and eventually to the district governments. The summary of trends and expected levels of public spending and revenues is reflected in table 4.1. It is expected that the overall fiscal deficit will decline from 4.0 percent of GDP in FY04 to 3.0 percent in FY06.

v) Fiscal Monitoring Committees at the Federal and Provincial levels prepare, reconcile, and publish updated quarterly consolidated data verified by the Controller General of Accounts. This is facilitating the Government to tackle the problem of unidentified expenditure. The Federal and NWFP Governments are preparing parallel budgets for FY04 both on the existing pattern and according to the New Accounting

Model (NAM) under the Project for Improvement in Financial Reporting and Auditing (PIFRA). The process will also be replicated in the other provinces. According to plan, NAM will be adopted by all provincial and district governments in the budget for FY05. The new system will provide timely information for better budget management, financial control, cash forecasting and trend analysis, fiscal administration and debt management.

TABLE 4.1

Items (Rs in Billion)	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008
Total Revenue (% of GDP)	693.5 (17.1)	760.2 (17.1)	829.1 (17.1)	914.9 (17.1)	1015.8 (17.1)	1129.4 (17.5)
Total Expenditure	885.6 (21.8)	930.1 (20.9)	993.6 (20.4)	1078.8 (20.2)	1180.2 (20.1)	1295.3 (20.0)
Overall Fiscal Deficit	- 192.1 (4.7)	- 177.6 (4.0)	- 170.2 (3.5)	- 163.9 (3.1)	- 164.4 (2.8)	- 168.4 (2.6)
Financing of Deficit	192.1 (4.7)	170.0 (3.8)	164.5 (3.4)	163.9 (3.1)	164.4 (2.8)	168.4 (2.6)
- Domestic	81.8 (2.0)	82.6 (1.9)	73.9 (1.5)	109.2 (2.1)	109.5 (1.9)	111.1 (1.7)
- Foreign	55.7 (1.4)	54.4 (1.2)	54.6 (1.1)	54.7 (1.0)	54.9 (0.9)	57.3 (0.9)
- Grants	54.6 (1.3)	33.0 (0.7)	36.0 (0.7)	-	-	-
Total Public Debt	3,735.7 (91.9)	3,903.3 (87.9)	4,063.2 (83.6)	4,271.6 (80.0)	4,483.6 (76.4)	4,702.4 (72.6)
Domestic Debt	1720.4 (42.3)	1803.0 (40.6)	1876.9 (38.6)	1986.1 (37.2)	2095.6 (35.7)	2206.7 (34.1)
External Debt	2015.3 (49.6)	2100.3 (47.3)	2186.3 (45.0)	2285.5 (42.8)	2388.0 (40.7)	2495.7 (38.5)
As % of Total Revenue						
- Total Public Debt	538.7	513.5	490.1	466.9	441.4	416.4
- Domestic Debt	248.1	237.2	226.4	217.1	206.3	195.4
- External Debt	290.6	276.3	263.7	249.8	235.1	221.0
Memo Items						
Exchange Rate (Average)	58.5	57.3	58.1	59.3	60.5	61.78
Exchange Rate (e.o.p)	59.10	60.00	60.90	62.14	63.40	64.68
Interest Rate of Ext. Debt	2.8	2.7	2.6	2.5	2.4	2.4
Interest Rate on D.Debt	10.5	10.3	10.0	10.0	9.8	9.6
External Debt (\$ billion)	34.1	35.0	35.9	36.8	37.7	38.6

Source: Ministry of Finance.

3.2 Monetary Policy and Financial Sector Reforms:

i) Monetary policy is conducted in Pakistan through market-based indirect instruments. Since the free float of the exchange rate in July 2000, the conduct of monetary policy has an explicit bearing on the exchange rate. Rising current account surpluses, and the resulting liquidity in the inter-bank foreign exchange market, increased the pressure on the Rs/US\$ parity through H1-FY03. However, the State Bank of Pakistan retained its cautious policy stance, and continued to mop up most of the

excess liquidity from the inter-bank market, allowing the rupee to appreciate only gradually. As a result, the rupee rose only 3.1 percent through the period. Foreign exchange reserves have increased from US\$3.38 billion on 9/11 2001 to over \$10 billion recently, sufficient to cater eleven months of imports. The current monetary stance is unlikely to be altered unless there is a shift in the inflation outlook.

ii) The average lending rates have declined from 14 percent in November 2001 to 8.26 percent in March 2003. The export refinance rate has declined to 3.5 percent and the return on National Savings Scheme instruments have also declined significantly. The latter is related to auction rates of similar maturity of Pakistan Investment Bonds.

iii) The main components of financial sector reforms are:

- Liberalization measures that include interest rates, elimination of selective credit controls, lower cash reserve ratios;
- Development of financial markets including inter-bank market, treasury bill market, capital markets;
- Increased competition amongst banks, privatization of financial institutions, foreign firms;
- Strengthening prudential regulation and supervision.
- Enforcement of Anti-Money Laundering law in FY04 envisaged for extra-territorial jurisdiction and establishment of Financial Intelligence Unit.

iv) As part of the financial sector reforms, SBP has been restructured separating its core central banking functions (monetary policy and supervision) from its non-core functions (currency circulation, securities issue, treasury) and transferring them to a subsidiary under the SBP Banking Services Corporation Ordinance, 2001. SBP has been given autonomy protected by constitutional cover and its role in supervising the banking sector has been strengthened. The thrust of regulatory framework will be focusing on increasing the ability of banking system to weather financial shocks, strengthening their capacity to extend credit at lower cost, reducing the direct role of the government and fostering good governance. Amendment in Banking Ordinance to enforce capital adequacy ratio (Rs 1 billion or \$ 17 million), risk weighted capital adequacy ratio (in excess of 8 percent) and strict enforcement of Prudential Regulations have led to re-capitalization and consequent improvement in the health of banking system. The government has restructured the nationalized commercial banks (NCBs) by inducting professional management and independent boards. To resolve the challenge of high proportion of non-performing loans (NPLs) in the portfolio of NCBs, Corporate and Industrial Restructuring Corporation (CIRC) is functioning to clean up banks' balance sheets.

v) Ministry of Privatization has completed 24 transactions during October 1999 to October 2002. The United Bank Limited, Muslim Commercial Bank, Al-Falah Bank, Investment Corporation of Pakistan and mutual funds have already been privatized. Off-loading of 10% shares of National Bank of Pakistan through stock exchanges has been completed. The Zarai Taraquati Bank has been corporatized and restructuring of Industrial Development Bank of Pakistan (IDBP) is under process. The Development Finance Institutions have been reduced from 12 to 6. A new law Financial Institutions (Recovery of Finances) Ordinance 2001 has been promulgated which will facilitate the

process of mortgage foreclosures and expeditious settlement of banking disputes. The law is expected to transform dispute resolution mechanism in the financial sector. In addition, Protection of Foreign Currency Accounts law has been enforced to prevent repetition of foreign currency accounts. The Chartered Accountant Act is also being amended to ensure effective regulation of professional conduct of Accountants.

vi) Major reforms have been carried out to improve the capital markets and corporate governance. The Securities and Exchange Commission (SECP) has been made the sole regulator for non-bank finance companies. As a result of reforms, the market capitalization of Karachi Stock Exchange (KSE) has surged from Rs 296.1 billion in 2001 to Rs 651.9 billion in May 2003, a rise of 120 percent during the period. These reforms have strengthened market integrity and efficiency and restoring investor confidence. The government will encourage the capital markets to take measures in the following areas over the next two years:

- Development of mutual funds and pension funds to support the market
- Underwriting capacity of stock market and intermediaries, and
- Enlarging the base of retail investors
- Introduction of Electronic Communication Networks (ECN) and Alternate Trading Systems (ATSS) for more efficient and less costly trade execution
- Gradual phasing out of COT financing and its eventual replacement with margin financing and future markets in line with international best practice
- Encouraging companies to raise capital through fresh equity offerings

vii) Insurance sector is undergoing substantial restructuring. The Insurance Act of 1938 has been replaced by the Insurance Ordinance, 2000 that allows easier access to markets, requires a level playing field between public and private sector insurance companies, affords greater flexibility for portfolio management and encourages an active and involved regulatory oversight by SECP.

3.3 Trade Liberalization and Export Promotion

i) The Government is committed to liberalize and de-regulate Pakistan's trade regime to reduce cost of doing business in Pakistan and widen the export base through revival of industrial activity and strong institutional supply side measures. The trade policy endeavors to continue focusing on value addition for sustainable growth in export earnings. The policy is guided by demand led strategy to secure higher world market share for traditional and non-traditional export items. Simultaneously, continued efforts are afoot to increase market access for Pakistani products. The policy measures already taken to liberalize trade are in conformity with World Trade Organization (WTO) agreements. Pakistan has also liberalized its trade policy in respect of Afghanistan with a view to participating in its reconstruction and rebuilding needs. There are now no restrictions on exports of any commodity in Pakistani rupees to Afghanistan except the prohibited items under the Export Policy.

ii) To enhance exporters' profitability, the Government policy aims for the enforcement of Duty and Tax Remission for Export Rules, revival of the Common Bonded Warehouse scheme and monetary awards for exporters showing better performance. In addition, the policy aims to rationalize the export finance scheme, shifting its focus towards pre-shipment financing, value-added exports and targeting

SMEs. A new 'hand-holding' scheme has been introduced to induct a large number of new and emerging exporters that includes:

- Capacity building of identified SMEs for covering product development, quality up-gradation, cost reduction measures and sale promotional efforts through private sector professionals. For this purpose, the Export Development Fund has been specifically used.
 - Sponsoring of SMEs delegations to explore market prospects and trade fairs
 - Export Development Surcharge (EDS) has been abolished on all exports
- Launching a scheme of "Warehousing Pakistani Products Abroad" to counter buyer perception about unreliability of Pakistan supplier in terms of 'quality' and 'in-time delivery'
- Launching a scheme to be funded from Export Development Fund to help exporters to acquire SA 8000 certification to ensure higher social, environmental and labor standards.

iii) Pakistan is in conformity with the WTO Agreements except where it has been granted extension or a transition period. The country has enacted the Anti-dumping Countervailing and Safeguard law to protect domestic industry from unfair trade practices. Pakistan has modified Intellectual Property Rights (IPR) laws to ensure compliance with the WTO-TRIPS (Trade Related Aspects of Intellectual Property Rights) requirements. The Patent, Copyright, Trade Mark, Industrial design, Layout designs of Integrated Circuits are in conformance with the TRIPS Agreements. IP legislation follows TRIPS standards providing for civil as well as criminal remedies. To improve the administrative and enforcement mechanism, the Government will establish an umbrella organization called "Pakistan Intellectual Property Rights Organization (PIPPO)". This organization will fill the gaps in the areas of IPR policy articulation, legal and enforcement issues, research and development, up-gradation of outdated systems and procedures, coordination and human resource development.

3.4 Investment Policy and Privatization

i) Sustained pro-poor economic growth based on robust private sector activity is the critical element of Pakistan's poverty-reduction strategy. Investment, both domestic and foreign, is vital in this context. Therefore, all sectors of the economy have been opened up for foreign and domestic investment with particular emphasis on agriculture, manufacturing, specially small and medium enterprises, information and communication technology, oil and gas and other infrastructure sectors. The policy for deregulation of telecom sector is in final stages.

ii) Privatization is an important vehicle to attract FDI and to cut fiscal deficit by off-loading loss-incurring State Owned Enterprises (SOEs). The privatization process is under implementation through public offerings to stock exchanges, sales to strategic investors and open public auction. The major privatization in pipeline includes Habib Bank Limited, Pakistan Telecommunication Company Limited, Pakistan State Oil, Karachi electric supply corporation, Faisalabad electricity Supply Corporation and Jamshero Generation Company respectively. The Privatization Law also provides that 90 of the privatization proceeds will be provided to the Federal Government for debt retirement and 10 percent for poverty alleviation programs.

4. Supportive Infrastructure

The supportive infrastructure (aviation, ports, railways, and roads) is a catalyst for generating economic activity, employment and growth. There is huge development backlog requiring attention of the Government to enable the country to possess adequate road infrastructure catering for the present and future needs.

4.1 Communications: The National Highways network is being augmented and integrated on a nationwide basis to move goods and people efficiently. The strategy is to broaden highway system, modernize its maintenance, and establishment of highway maintenance fund. Pakistan Railways development program is one of the fastest moving comprehensive programs to restructure its management, finances, and make up for deterioration brought by failed attempts at its privatization and ignorance of investment needs. The strategy is to revitalize railways with optimal utilization of inherent capacity. Government has injected sufficient funds and professional management has turned around the loss incurring corporation into a profit making entity. The Gwadar Deep Seaport is the single most important strategic driver of growth in Baluchistan. The area will be declared as duty free zone with investments for SME warehousing envisaging regional reach and industrial development. The project spanning over 18,000 acres, will bring a change in the life of the people and make them more demanding in terms of education, social empowerment and will allow faster human development in the province. First phase of the project is expected to be completed by December 2004.

4.2 Power Sector: The current power generation capacity of Pakistan is 17,710 MW with hydel-thermal ratio of 28:72. The country will require additional 9040 MW of power by 2011. The Government is fully committed towards encouraging the use of hydel, coal and gas reserves for power production. The strategy in this sector is to develop hydropower resources with a hydel-thermal mix of 39:61 and create competitive power sector. The government is executing or about to execute different hydro-power projects to meet the growing demand of electricity in future years. In addition, the Government has allowed the Provincial Governments to develop power projects upto 50 MW. The production of low cost hydel-power and power from coal and gas will provide relief in overall tariff to the consumers and will generate employment opportunities. The restructuring of Water and Power Development Authority (WAPDA) and Karachi Electric Corporation (KESC) is already underway. The Government has undertaken to corporatize the power wing of WAPDA into a number of commercially managed entities, unbundling WAPDA into generation companies, transmission company, a National Transmission and Dispatch Company (NTDC), and distribution companies that are well governed and will be mandated to focus on the delivery of higher standards of service to customers at least cost. The process of transferring assets and liabilities is underway and the unbundled entities are filing petitions before National Electric Power Regulatory Authority for determination of tariffs and finalizing power purchase agreements. Government will, however, maintain a lifeline tariff to ensure that a basic allotment of electricity is available to the poor. Gradually, the unbundled entities will be offered for privatization. Nevertheless, given the global downturn in the power sector, it is likely to take sometime for getting a viable bid. The alternate options including the contracting out management is also under consideration for KESC if the privatization gets delayed because of global environment. The process of creation of competitive markets with new power system operating rules that include differentiated tariff regime will be implemented once the fully corporatized system of WAPDA is operational by end-June 2004.

4.3 Oil and Gas: The oil and gas sector has attained high priority because of its role it can play in the country development by providing dependable source of energy which at present is met at a high foreign exchange cost. The strategy for this sector is to privatize government share of existing fields, replacement of furnace oil by gas in power plants, infrastructure development for new gas discoveries and maximization of coal utilization in the power and other industrial sectors. Natural gas contributes 41.5 percent of the total commercial energy supply in the country. The reform initiatives in this sector are focused towards deregulation, liberalization, privatization and greater utilization of indigenous resources; attracting foreign investment and collaboration with international oil and gas companies. Major emphasis has now shifted towards reorientation of the energy sector from thermal and furnace oil to hydel, coal and gas.

i) The Government will continue to encourage the use of Compressed Natural Gas (CNG) as an alternate economical fuel for automobiles to reduce environment degradation, save foreign exchange and generate employment. The government has also adopted a transparent gas pricing framework. The prescribed price is based on wellhead (producer) gas price, which are linked with international prices of crude oil and furnace oil, excise duty on wellhead, transmission and distribution cost. The subsidy on domestic sector will be gradually phased out in three years except for the life line consumers (upto 100 mcf). The subsidy to feedstock fertilizer industry is also proposed to be eliminated in five years.

ii) The oil prices have been completely deregulated to allow automatic price adjustment for consumer prices of petroleum products that have been linked with international market prices. This mechanism has relieved the budget from major burden as changes in the international prices are transferred to the public. A new investment policy for off-shore oil and gas exploration has been implemented. The Government plans to continue attracting foreign investment both in the upstream and downstream sectors.

iii) The Government is also focusing on optimum utilization of indigenous coal reserves in the country. Thar coal will provide for power generation of 3000 MW, in phases, during the next five to seven years. The project is expected to bring an investment of US \$ 1.2 billion during next five years. This will transform the poverty stricken Thar area generating employment opportunities and minimize the sufferings of women.

iv) The Government is also making efforts to conserve energy and promote its efficient use and reduce environmental pollution through a number of initiatives including Fuel Efficiency in the Road Transport Sector Project and Energy Efficiency Project, Environmental Management Sector Development Program and Establishment of Energy Conservation Fund. In addition, a number of projects focusing on promotion of renewable energy technologies such as wind and solar energy are either operational or in the pipeline.

v) Pakistan has been endowed with sufficient mineral wealth. The commercial exploitation of minerals plays an important role in the economic growth. Being labor intensive and located in the mountainous areas of northern and southern Pakistan, mineral projects can be effectively used for poverty alleviation. The Government has now formulated mineral development policy to exploit country's mineral potential.

However, inadequate infrastructure, non-availability of skilled labor, lack of marketing strategy and lack of finances are the major challenges confronting this sector

4.4 Telecommunication: Pakistan has one of the lowest tele-densities in the world and therefore Information Technology (IT) usage has been very low. Since the telecommunication sector acts as a vehicle for growth of the Internet and other IT applications, it is important to lay maximum stress on the development and expansion of the telecommunications infrastructure in the country. In the recent past, Pakistan has made rapid strides in keeping pace with the global Internet revolution. In addition, 98 percent of PTCL has been digitalized. The cellular sector has also shown impressive growth since the introduction of calling party pay (CPP) increasing the subscriber from 350,000 in December 2000 to 1.7 million in December 2002. A number of E-Government projects have been launched to facilitate the services to citizens and improve the government's efficiency.

i) The Pakistan Software Export Board (PSEB) has been entrusted with a number of projects to facilitate the growth of local IT companies with special focus on foreign exchange earnings and local employment generation. Other key initiatives undertaken by the government include (a) gross reduction in PTCL bandwidth charges (b) launching of Software Technology Park in Islamabad, Lahore, and Peshawar (c) free Internet connections to public sector universities. The Government will move to deregulate telecommunications to keep pace with global telecom trends for which draft policy has been formulated and after due consultative process with all the stakeholders, it will be approved.

5. Regulatory Framework: The Government believes that it is not its business to be in business. This belief has been the major driving force behind the ambitious privatization program. The Government has restricted its role to policy formulation, regulation and facilitation, to enable the private sector to make investment decisions and to inculcate efficiency and competitiveness. In this backdrop, the Government has established various regulatory authorities such as National Electric Power Regulatory Authority (NEPRA), Oil and Gas Regulatory Authority (OGRA), Pakistan Electronic Media Regulatory Authority (PEMRA), Pakistan Telecommunication Authority (PTA) and Pakistan Procurements Regulatory Authority to regulate procurements. The Securities Exchange Commission of Pakistan is now responsible for regulating non-banking financial institutions discussed above. The regulatory framework ensures certainty and transparency in the decision making process and provides comfort level to the potential investors. It has improved governance. The Government will strengthen the regulators and deepen the reforms in this area over the next three years by building their capacity.

b) Investing in Human Capital

6. Most social development indicators for Pakistan compare poorly with those of other developing countries at similar levels of per capita income. A weak social profile is detrimental to growth as human development is essential for attracting investment and generating capacity for sustainable growth. Pakistan's long term sustainable growth and poverty reduction prospects are critically contingent on investment in human development which is constrained by financial resources. As the demand for social services rises, the Government will need to increasingly target human resource investment to the poor and will need to work more closely with the private sector, non-

governmental and community based organizations as well as donors to ensure provisions to the people.

7. The main responsibility and role of improving social services lies with the provincial and district governments. Both tiers of government have extensive programs to improve service delivery in education, health, and other social services. The governments of the NWFP and Sindh embarked on extensive health, education and social sector programs supported by Structural Adjustment Credit from the World Bank in FY 03. The Government of Punjab is also in the process of seeking support from the World Bank and the Asian Development Bank for its social development program and Baluchistan is likely to follow as well. All provincial governments have transmitted their priorities to improve service delivery in these sectors to the district governments through the Provincial Finance awards. However the Federal Government also has a responsibility since education and health are on the Concurrent Legislative List in the Constitution of Pakistan. The Federal Government has transmitted its priorities in these sectors through federally funded conditional transfers to the provinces and further to the district governments.

7.1 Education

i) Literacy in Pakistan is estimated at 49 percent with considerable gaps across genders, provinces and the rural-urban divide. Male literacy was 61 percent and female literacy 36.8 percent in 2000-01. Pakistan is facing the challenges of coverage and quality in education. While the gender gap has narrowed slightly this is partly due to decline in male enrollment at secondary level in public sector schools who have shifted into private options. There are also significant differences across provinces with decline in enrollment in Sindh and Baluchistan in public sector education. Government has a policy framework in place to advance gender equality in education. Diverse programs including compensatory programs (stipends, free textbooks, school nutritional support) and initiatives through public private partnerships (school upgradation) is resulting in higher coverage for girls. Furthermore, all development allocations are being provided at least 50% if not more to girls schools.

ii) Problems to ensure quality are widespread. These are acknowledged at all levels and encompass teacher shortage and absenteeism, minimal supervision, poor infrastructure and shortage of teaching materials. The Social Action Program (SAP) launched in 1992-93 succeeded in increasing the number of schools, inadequate attention was given to quality attributes including teacher availability and teachers' accountability. This rendered many schools non-functional. The growth in private schooling estimated at 30% of total provision, especially in rural areas, suggests that there is considerable demand for quality education.

iii) While improving basic education is the most urgent priority, sustained economic growth requires sector-wide growth for sub-sectoral balance to sustain education improvement and good governance. Learning from SAP, the government's strategy continues to be strengthening service delivery, and increase in funding on account of debt re-profiling, improvements in revenue collection, stronger economic growth and assistance from donors. The linchpin of this effort is Education Sector Reforms (ESR) Action Plan 2001-2005, embedded in PRSP. The Government is also in dialogue with development partners for Education for All Fast Track Initiative (FTI) to enhance quality and coverage in education. The ESR is based on long-term framework linked to EFA

goals by 2015. The main features include (a) sector-wide approach for reinforcement of linkages between sub-sectors (primary, elementary, secondary, technical, higher education, non-formal literacy, madrassah education) to eliminate gender and access gaps and ensure optimum utilization of facilities; (b) macro-level reforms in planning and procedures; (c) institutional reforms at all tiers of the government engaged in planning and service delivery; (d) commencement of vocational/technical education stream at secondary level; (e) quality assurance; (f) public and private partnerships. The ESR is fully integrated with relevant Millennium Development Goals (MDGs). It aims at achieving the sub-sector targets by 2005: Literacy from 49.5 to 60 percent, Net primary enrolment rate from 66 to 76 percent, Middle School Gross enrolment rate from 40 to 53 percent, Secondary school enrolment from 29.5 to 40 percent; and Higher education enrolment from 2 to 5 percent.

- iv) In the long term perspective, the ESR aims to attain the following targets:
 - **100 percent literacy through** Universal Primary Education (UPE) both formal and non-formal systems, and Adult Literacy Movement (15 years and above)
 - **Quality for sustaining 100 percent literacy through** Upgrading one school as a center of excellence in each sub-district, Professional development of teachers and managers, Continuous curriculum reform, and Exam reform and assessment systems
 - **Technical/Vocational education in all districts of Pakistan through** Area specific skill programs in existing secondary schools, Setting up of one polytechnic at Tehsil level, Second shift in existing polytechnics, especially for women
 - **Mainstreaming of Madaris through** balancing the curriculum with mainstream subjects including IT, Providing diversified employment opportunities to madaris graduates
 - **Education For All (EFA):** A major component of ESR encompasses six goals of EFA. These goals to be met by 2015, include expanding early childhood care and education, free and compulsory primary education and completion, reducing illiteracy by 50 percent addressing the gender gap, eliminating gender disparities in primary and secondary education by 2005 and achieving gender equality in education by 2015, life skills and learning opportunities for youth and adults, and ensuring excellence of all to secure recognized and measurable learning outcomes. In addition, two Millennium Development Goals also reinforce the EFA targets. The targeted groups for EFA are disadvantaged and vulnerable communities.
- v) Recognizing a close nexus between poverty and illiteracy, extending entitlements through ESR is a major challenge. The Ordinance for compulsory primary education has already been promulgated in all provinces except in Baluchistan and federal territory, to highlight the mutual social responsibility of state and society. An incentive package has been developed to meet the educational needs of poor students such as free text books, uniforms, stipends, fee waivers and nutrition. Stipends for students are being provided through Zakat as well as formal budgetary allocations.
- vi) EFA units have been established at national and provincial levels while work for the establishment of similar units at the district level is in progress. District EFA planning has begun in all districts of the country. The Ministry of Education launched the National

Action Plan for EFA on April 9, 2003 for achieving universal primary education, early childhood education and adult literacy by 2015. The gender disparities are being narrowed through mixed primary schools, compensatory programs and appointment of female teachers. The annual targets of ESR are to increase gross participation rate by 4 percent, primary completion rate by 5 percent, while reducing gender disparity by 10 percent.

vii) It is proposed to establish 270,000 Adult Literacy Centers to increase literacy in the country. The Government is soliciting support of the National Commission for Human Development, Allama Iqbal Open University, NGOs, Citizens Community Boards, Girl Guides and Boy Scouts to address this gap. There are 8,000 Non-formal Basic Education schools and 6,500 Adult Literacy Centers currently in operation.

viii) Technical Stream: To provide job opportunities to youth, an innovative element of ESR is the introduction of technical education stream in 1,100 secondary schools, 10 in each districts preferably five male and five female. The plan aims at introducing a skill development stream in the ninth and tenth grades, as the third option to the existing science and art groups. Training will be imparted in trades selected in consultation with the local industry, thereby creating local employment linkages. The program will be supplemented through the provision of micro-credit. To make the output more compatible with the market, 34 new emerging technologies have been introduced alongwith appropriate Teaching Learning Materials. Strengthening of science education in secondary schools is also a strong element of the sub-program. To date 535 science laboratories and 352 mathematics resource centers have been made functional. The program envisages construction of science laboratories in 1,000 schools.

ix) A program for reinvigorating polytechnics at tehsil level and initiating second shift in the existing polytechnics is being implemented with a focus on opportunities for women. At least one polytechnic will be set up at the district level. The government will establish 99 district level/tehsil polytechnics/monotechnics through Saudi Fund and Islamic Development Bank.

x) Teachers Resource Centers (TRCs) are being set up at the district and tehsil levels for providing decentralized information and capacity building opportunities to teachers, managers and communities. To date 300 TRCs have been established, but they need strengthening through annual targets, activities and predictable budgets.

xi) The Government is in the final stages of approval of National Education Assessment System (NEAS). The focus is to evaluate and assess learning achievements of students at primary (Class IV) and elementary (Class VIII) levels. NEAS will set up minimum standards for performance to provide feedback for enhancing quality of education through improvement/revision of curricula, textbooks, teacher education, training and examinations. The full fledged implementation is to begin in August 2003.

xii) The objective is the uniformity of curriculum through mainstreaming subjects in madaris, helping link graduates to employment opportunities. The Government will mainstream 8,000 madaris through introduction of general education subjects such as English, General Math, General Science, Social Studies at the primary and secondary level; English, Economics, Computer Science and Pakistan Studies at higher secondary level through a three year grant package for registered madaris.

xiii) Recognizing immense contribution of the private sector and NGOs in the social sectors, the ESR is anchored in development of partnerships between the private sector, civil society organizations and the public sector. Public-Private Partnerships are critical to reaching the goals of access and quality at all levels of education creating possibilities for both voice and choice and improved service delivery. The Governments at the national and provincial level have developed incentive packages for the private sector to provide enabling environment that include reduction in utilities from commercial to lowest tariffs; access to loans and grants from PPAF, Khushali Bank and restructured education foundations; land on long leases or subsidies as well lease for under-utilized or defunct buildings. Several creative programs have been initiated by public sector. These are (a) adopt a school or school improvement program (b) non-elite private sector schools in abandoned or underutilized public sector institutions (c) community participation project for school upgradation in afternoon shifts from primary to middle and from middle to secondary and higher secondary levels (d) introduction of IT in schools and colleges through the private sector and (e) access to public funds at district level to be utilized by Citizen Community Boards and Parents-Teachers Associations.

xiv) **Fast Track Initiative (FTI):** EFA-FTI is a global partnership initiated by G-8 through multi-lateral and bi-laterals to accelerate progress towards the goal of universal primary completion (UPC) for boys and girls alike by 2015. The initiatives combine stronger national policies, improved capacity, incremental and effective external support. The FTI focuses on UPC as one of the six goals of Dakar Declaration and also influences two other MDG goals, gender equity and adult literacy. UPC would be an outcome/output indicator to ensure alignment to international indicators, once baseline and projections are established. The Ministry of Education alongwith the provincial governments has formally entered the FTI process with donors linking it to coherent donor coordination, PRSP, Sector Reforms and the National Plan of Action for EFA. A full PRSP and harmonized policies, data and costing are the key criteria for support for which vigorous efforts are underway. These efforts are already being rewarded through enhanced donor support to education in Pakistan.

xv) Future challenges to implement ambitious ESR package comprise administrative decentralization, capacity building at provincial, district and national levels to develop skills in planning, budgeting, implementing and supervision, working with teachers, communities and district level managers, increased public spending on education and development of strong institutions of higher education and quality research.

xvi) **Special Education (Disability):** The National Census 1998 indicates that 2.49 percent of the population suffers different types of disabilities. Special Education centers established in the public and private sectors do not provide proper equipment, trained teachers and transport facilities. The strengthening, upgradation and revitalization of these centers will be accorded high priority over the medium term. Vocational training centers including sheltered workshops are also planned for disabled persons. Women and children are a special focus. The National Institute of Special Education will further strengthen its program of teachers training and research for improved service delivery. The program will also promote the use of computers for education and training of persons with disabilities in the federal and provincial special education centers. The private sector will also be engaged in this system. Efforts are also being made to revamp National Trust for Disabled and to develop a National Plan and Strategy for disability management.

7.2 Health

i) The current health status of the nation is characterized by a high population growth rate, high incidence of low birth-weight babies and maternal mortality. While communicable, infectious, and parasitic diseases remain a severe burden, malaria and tuberculosis (TB) continue to be potential threats. Although, consolidated public health expenditure rose between 1995-96 to 2000-01, it represents 0.50 percent of the GDP. Additionally, a major share of these expenditures is focused towards tertiary health care facility with the result that primary and secondary tiers especially in rural areas have been neglected. In addition, serious institutional and governance deficiencies mar the health sector.

ii) Pakistan, being a signatory to MDGs, needs to improve the performance of the health sector significantly to ensure good progress towards reaching MDGs. With this in view, the medium term health strategy is focused towards raising public sector health expenditures through a focus on prevention and control of diseases, reproductive health, child health, and nutrient deficiencies. The thrust of public expenditures is geared towards primary and secondary tiers. This approach provides a clear shift from curative to preventive health care and focuses on disadvantaged, weaker sections of society especially those belonging to rural areas. It aims at promoting gender equity through targeted interventions like increase of Lady Health Workers (LHW) and improvements in maternal health care. The LHW program is expected to reach 100,000 by 2005 and will meet the need of 100 million people. LHWs are covering the unserved population at the primary level to ensure family planning and primary health care at the doorstep through an integrated community based approach. Additional programs include Directly Observed Treatment Schedule (DOTS) strategy against TB; Roll Back Malaria (RBM) approach in combating malaria, measures for preventing the spread of Hepatitis B, elimination of neonatal tetanus and polio, HIV and Aids through immunization and public health campaigns and institutional federal-provincial partnership in the war against disease.

iii) The short-term measures, in this respect, in the health sector include the reorganization of district health offices to make them locally managed health care network in rural areas, improvement in hospital administration and their financial management and the proper regulation of the private sector. Long term interventions include redefining the role of federal and provincial government by giving more responsibility to the district government and inculcating an element of cost recovery for services rendered while focusing subsidies only to the poor through Zakat.

iv) The other steps to improve health outcomes over the medium term include strengthening of primary health care, training and re-training of medical staff, provision of emergency obstetric care facilities, instituting public-private partnerships, granting administrative and financial autonomy to teaching hospitals, and establishing health boards and village health committees.

v) Preventive and promotive health programs are being implemented or will be implemented during the next three to five years as part of the National Health Policy with clearly defined federal and provincial spheres of responsibilities. These include National Program for Primary Health Care with the aim to provide preventive, promotive and curative health services at the doorstep of community mainly in rural areas and urban slum areas by a workforce of female community based health workers, LHWs; National

Expanded Program of Immunization (EPI) is under execution to immunize children against six communicable diseases and has been expanded through introduction of Hepatitis B vaccine and is focusing on increasing routine EPI coverage; and Maternal and Neonatal tetanus-Special Immunization Activities.

vi) The provincial governments have taken a number of steps to ensure that public health delivery mechanisms work efficiently at the district level and below. Adequate administrative and financial powers are being given to the district health office under the devolution plan. The Provinces will undertake improvement of district/tehsil hospitals in a phased program. A minimum of six specialties (Medicine, Surgery, Pediatrics, Gynecology, ENT and Eye) will be made available at these facilities. More autonomy will be given to tertiary and teaching hospitals/institutions. The provincial governments will implement district and tehsil hospitals upgradation plans. Adequately functioning facilities will be strengthened by filling up of staff positions and allocation of resources based on performance. A model referral system in selected districts of each province will be developed. Posting policy will ensure presence of doctors at primary and secondary levels in a district. The provincial governments have also identified districts that have been performing poorly in terms of EPI coverage. These districts will be provided technical assistance for increasing immunization coverage. In order to promote the inclusion of private sector and NGOs in the delivery of health services, the Provinces are also prioritizing a list of non-functional health facilities that will be operationalized by NGOs, CBOs, public-private partnerships and department themselves.

vii) Malnutrition and other nutritional deficiencies affect a large number of women and children in Pakistan. A nutrition program has been launched implementing interventions to address the issues of low birth weight babies, maternal and child malnutrition, deficiency of micro-nutrients and promotion of breast feeding. The National Nutrition Program has been strengthened especially its components of breast feeding, fortification, and provision of vitamin A, iron and iodine. Besides inclusion of proper nutrition, training in primary health care has been initiated with a view to improving the nutritional status of the poor. ESR also proposes to initiate childhood education with a multi-sectoral approach aimed at improving health and nutritional outcomes in country.

viii) The Tawana Pakistan Program is being implemented as a nutrition package for school-girls (5-9 years) in 26 high poverty districts all over the country. The Project will be implemented through the Bait-ul-Mal. It is likely to improve nutritional status of girls in primary schools, increase enrolment and sustain attendance of girls.

7.3 Population Welfare

i) Pakistan's population of 145 million, growing at 2.1 percent per annum presents a challenge to economic development and poverty reduction. It generates a huge demand on limited resources. It is estimated that the population of Pakistan will reach 217 million by the year 2020. Based on recent low economic growth rates, it is projected that the economy will not be able to sustain the growing population. Thus the present trend in population growth is a matter of deep concern and a central issue in overall planning as well as in the formulation of a poverty reduction strategy. In response, the Government formulated a Population Policy in 2002 that has been approved by the Cabinet. It calls for a sustained political commitment and the need for mobilizing broad support from various stakeholders in pursuance of its objectives. It addresses core problems such as the high population growth rate, low status of women and striking

gender inequalities, high level of poverty and lack of access to quality social services while keeping in view the demographic structure. The Population Policy aims for a demographic transition which through decreasing fertility will achieve population stabilization by 2020. An Interim Population Sector Perspective Plan (2012) has also been prepared. The main objectives of the Program and Plan are: (a) decrease the population growth rate from 2.2 percent to 1.87 percent in 2006 and 1.6 percent by 2012; (b) achieve a replacement level of fertility (2.1) by the year 2020; (c) increase contraceptive prevalence rate (CPR) to 42 percent in 2006 and to 57 percent in 2012; (d) increase LHW program coverage to 76 percent in 2004 and to 100 percent by 2010. The Perspective Plan will pursue the following strategy:

- Implement population stabilization agenda in collaboration with the relevant government organizations, private sector agencies and civil society including NGOs;
- Implement a comprehensive Reproductive Health Package
- Advocate the crucial need to stabilize population growth and sensitize all stakeholders to recognize population growth as a national concern and cross-cutting issue which needs priority attention
- Develop linkage between poverty, family security and life span 'health care' to improve status of women
- Encourage males as partners in the Reproductive Health Programs, motivate them for responsible reproductive behavior in relation to women's health and promote responsible fatherhood
- Ensure availability of wide range of safe, effective, affordable family planning methods with adequate information on their safe practices
- Create a client centered environment through better understanding of the perspective in the prevailing social, cultural and behavioral context
- Involve all service outlets of health departments to offer family planning services
- Support social marketing of contraceptives

ii) The interventions to be undertaken during the Plan period are (a) up-grading Family Welfare Centers (FWC) to include socio-economic activities for women's uplift and promoting voluntary family planning ; (b) provision of contraceptive surgical services and complete range of Reproductive Health and Family Planning services through Reproductive Health Services Centers; (c) reinforcing outreach services through Mobile Service Units; (d) establishing a cadre of male population welfare community workers at the Union Council level; (e) non-formal family life education programs and inclusion of population development in the school curriculum;(f) male involvement in the family planning through NGOs; (g) Targeting groups through orientation and sensitization for senior and midlevel management, labor unions leaders, trainers, medical staff; (h) Organization's health infrastructure will provide family planning and reproductive health services; (I) distribution of printed material, rapid presentation, sensitization sessions, involvement of labor unions, shopkeepers in housing colonies, school teachers to engage male workforce. The service delivery will be provided through Community Based Workers, Family Welfare Centers, Reproductive Health Service Centers, Mobile Service Units, Target Group Institutions, Outlets of Provincial Health Departments, and Private Sector Registered Medical Practitioners, Hakims and Homeopaths.

iii) The Government plans to transfer the program to the provinces administratively and make adequate fiscal transfers. The provinces will devolve the program to the

districts and below for community ownership in decision-making and improved monitoring and accountability.

8.0 National Commission for Human Development:

i) A statutory National Commission for Human Development (NCHD) has been established to supplement the efforts of federal line ministries and provincial departments. The NCHD proposes plans to improve efforts at the district level in primary education, literacy, income generation activities and provisions of basic health care facilities and to propose plans for capacity building, training, and enhancement of competency of government functionaries working in the social sectors. NCHD has piloted its work at Mardan (NWFP) and Narowal (Punjab) extending six more districts. The Commission will soon start its work in 12 other districts. The Commission will also establish the Pakistan Human Development Fund with seed money of Rs 1 billion and will mobilize resources globally. The Fund will be a three-way partnership between Government of Pakistan, Private Sector and International donor community.

c) Targeted Interventions

9. The government is making targeted interventions to address poverty and generate income and employment through public works (Khushal Pakistan Program and Drought Emergency Relief Assistance) and micro-credit to improve life in the rural areas, and facilitating development of small and medium enterprises. The policy of targeted interventions will continue as one of the fundamental pillars of the growth and poverty reduction strategy. A major new feature of this pillar of the strategy is a focused strategy for rural development.

9.1 Small and Medium Enterprises

i) This sector has a great potential for generating employment in Pakistan, especially for the low-income groups. SMEs are considered an important vehicle for poverty reduction. The Small and Medium Enterprises Development Authority (SMEDA) is actively developing programs for managerial skill development, technical and informative support to SMEs. SMEDA has developed strategies for a large number of sectors and facilitates SMEs in documentation for financial institutions, providing free technical, managerial and marketing advice.

ii) The Government has established SME Bank by merging Small Business Finance Corporation and Regional Development Finance Corporation with a mandate to provide financial assistance and business support services to SME. The bank will promote indigenous raw material and enterprises that are export oriented and that can absorb local labor thus creating sustainable income generating possibilities for country's population for economic empowerment. The bank has also undertaken a customized financing scheme for country's women entrepreneurs titled "Women Entrepreneur Development Program". A law has been promulgated for micro-finance services to the private sector under a new legal framework that will regulate the establishment, business and operations of Micro-finance Institutions.

9.2 Micro Finance (MF) Facilities

i) In line with PRSP objectives, the Micro-Finance Sector Development Program (MSDP) has been launched to broaden and deepen the micro-finance market in order to reduce poverty. It represents a major initiative to create a pro-poor financial architecture in the country and the program's objective is to provide a stable sectoral environment for the promotion of MF institutions and creating institutional capacity to retail MF services to the poor, especially to women.

ii) The Government has initiated a number of policy actions for the development of the MF sector. These include (i) developing an enabling policy framework conducive to MF growth (ii) establishment of Khushali Bank (KB) (iii) development of a legislative and regulatory framework to encourage establishment of licensed private sector MF Institutions.

iii) Pakistan Poverty Alleviation Fund (PPAF) represents an innovative model of public-private partnership sponsored by the Government with an endowment of US \$ 100 million financed by the World Bank. It has three windows through which financial assistance is provided (i) line of credit for expansion of poverty targeted micro-credit programs through Credit and Enterprise Development (CED) unit (ii) grants and loans for community physical infrastructure on cost sharing basis, mostly for clean drinking water and irrigation purposes that are community identified, locally managed and local run through Community and Physical Infrastructure (CPI) unit and (iii) grants to strengthen and build the institutional capacity of partner organizations and communities through Human and Institutional (HID) unit.

iv) In addition, Zarai Tarqati Bank Limited (ZTBL), First Women Bank (FWB), Khyber Bank, and the Rural Support Programs having offices in all the four provinces are involved in credit allocation to small enterprises. Agha Khan Rural Support Program (AKRSP) and Agha Khan Fund for Economic Development (AKFED) have also established First Micro Finance Bank which will operate with the underlying long-term principles of outreach and sustainability. Pakistan will extend MF to one million households by the year 2005 through (i) the lead MF Institutions (ii) new private sector MFIs (iii) commercial banks and ZTBL (iv) semiformal institutions and NGOs.

9.3 Khushal Pakistan Program/Tameer-e-Pakistan Program/DERA

i) The Government launched Khushal Pakistan Program as a social intervention aimed at generating economic activity through public works and temporary employment covering 17 sectors including farm-to-market roads, water supply, sanitation, water courses, spurs, repair and operationalization of schools, soil conservation, schools, gas supply, etc. The major thrust has been in the rural areas. The Government has so far provided Rs 31.5 billion since March 2000 to finance 34,812 schemes selected through community participation. The KPP schemes are being implemented through District Governments. This program has generated 0.9 million temporary employment and is providing essential infrastructure in rural and low-income urban areas.

ii) To augment this social intervention, the Government is launching Tameer-e-Pakistan Program under which each member of the National Assembly will be provided Rs 5 million during FY03 and Rs 10 million during FY04 to undertake schemes relating to federal functions such as rural electrification, gas supply, etc. Similarly, the Provincial

Governments will be allocating funds for development for members of the Provincial Assemblies.

iii) The Government is implementing Drought Emergency Relief Assistance (DERA) with the assistance of donors to mitigate the effects of the drought and assess requirements and needs of the regions to avert large-scale human sufferings to provide systematic thrust to rehabilitate drought stricken areas through short, medium and long term schemes. This program is being implemented through District Nazims. So far Rs 4.6 billion have been released to the affected districts.

10.0 Rural Development Strategy

i) Nearly two-thirds of Pakistan's population lives in rural areas. The vast majority of the rural poor derive their living from agriculture and off-farm employment. The agriculture sector accounts for 25 percent of GDP, contributes 74 percent to total export earnings and employs around 45 percent of the labor force. Poverty in Pakistan has a significant rural dimension and revitalization of rural development will provide a sound foundation for broad-based accelerated economic growth.

ii) Agriculture: In achieving pro-poor growth through agriculture, Government is aiming to improve rural and agricultural infrastructure and supporting agricultural programs that generate sustainable growth. It includes development of high yielding varieties of improved and hybrid seed, balanced application of fertilizer, integrated pest management and improved agronomic management, dissemination of information through electronic media and agriculture extension system, Commodity Boards, Corporate Farming and Integrated Pest Management Project. Initiatives to address the issues of land degradation, soil erosion, desertification and excessive use of pesticides/weedicides are also underway. The government is freeing up agricultural prices by removing market imperfections to safeguard farmers' interests.

iii) As part of the strategy to promote agriculture, the government has abolished restrictions on the import and export of all agricultural commodities including wheat. The private sector has been allowed a greater role in the procurement and sale of wheat to ensure better prices for the farmers. Nevertheless, it is important to protect farmers against market volatility. Therefore, the government will continue to follow the policy of announcing support price for wheat and indicative prices for other crops like sugarcane, cotton, and rice. Similarly, as part of overall policy of deregulation, the government has encouraged the private sector to import DAP and other fertilizers. Government plans to launch the Crop Maximization Project to support poor farmers. Under the program, the farmers will be given support in the shape of agriculture inputs on delayed payment in kind with a package of technology.

iv) The most critical challenge facing the agriculture sector is the shortage of water. The Government has embarked upon an ambitious water storage and management program to enhance water availability and bring more lands under cultivation in poor areas that will be implemented during the next three to five years and help reducing poverty and provide job opportunities to the poor. A medium term agricultural plan (Rs. 116.2 billion) has projects that will enhance the existing storage capacity of the country by 5.6 MAF of water, and will bring millions of acres of land under cultivation and thousands of jobs will be created during construction of these schemes. For this purpose the Government will construct reservoirs, new irrigation canals and rehabilitate existing

irrigation systems. In addition, proposals for implementation of water related projects like Sabakzai Dam, Basha Diamer Dam, and Sehwan Barrage Complex is also on the anvil. The objectives of these projects are the development of land and water resources to increase agricultural production. A Telemetry Water Flow Monitoring Project is under implementation for ensuring transparency in water distribution among provinces. In addition to augmenting the water resources, water conservation will remain the priority area. For this , the implementation of On Farm Water Management Program will be accelerated in Punjab, Sindh, and NWFP as part of poverty reduction strategy.

v) The land in Indus Basin Irrigation System (IBIS) is being severely affected due to the accumulation of salts. The government will implement the National Drainage Strategy including preparation of a Master Plan to identify various spines for disposal of drainage effluent and conclude a Drainage Accord amongst the provinces. The rehabilitation of Left Bank Out fall Drain and construction of a new Right Bank Out fall Drain, both into the sea, are major initiatives planned for completion by 2004-05.

vi) The Government will launch a rural electrification program. Under this program 9,000 villages will be electrified during 2003-04 to 2005-06. It will facilitate (a) the establishment of agro-based and cottage industries which will help in economic uplift, poverty alleviation and job opportunities; (b) improving living standard of rural population utilizing electric appliances and access to T.V. (c) pumpage of sub-soil water for domestic and agricultural purposes that will enhance productivity (d) providing support to rural women in terms of labor (e) reducing rural/urban inequities and may slow down the urban migration of rural population.

vii) Livestock farming provides 25-30 percent of the income of small farmers and landless livestock producers. The sub-sector's share of agriculture value added is 37.6 percent and 9.7 percent of GDP. This sub-sector has tremendous scope for pro-poor growth. Therefore, efforts are underway to increase flow of funds to this sub-sector. The strategy in this sector will be to focus on genetic improvement of breeds of livestock; Increase development of feed and fodder resources; establishment of feed mills; eradication of diseases of economic and trade importance; state of the art slaughter houses; establishing chilling and milk powder units; and improvement in marketing of livestock and livestock products.

vii) The Provincial Governments have initiated their own programs to promote livestock breeding as a tool to reduce rural poverty. NWFP is implementing various area development projects such as Malakand Rural Development Project, Barani Area Development Project, FATA-Area Development Project, Dir Area Development Project, etc. Each of these projects have very strong component to extend credit to women for livestock development to help rural poor to increase their income and providing self-employment. Similarly, Sindh will implement the Sindh Rural Development Project. The Government is also encouraging poultry development in rural areas.

vii) Fisheries are another important sub-sector that plays significant role in the national economy and food security of the country. It contributes 1.0 percent of GDP and considered as one of the most important economic activity along the coastline of Sindh and Baluchistan where the poorest communities of fishermen live. The Government has revised Deep Sea Fishing Policy to improve export of fish and fishery products and to uplift the socio-economic condition of fishermen. The marine fishing program includes aquaculture development; upgradation of marine fisheries, installing global positioning

system (GPS) in fishing boats, survey of the fish stocks, improving post-harvest facilities (chilling, refrigeration, hygienic conditions), upgradation of fisheries quality control laboratories, and European Union accredited processing units. Freshwater fish farming is gaining momentum and by now 40,000 hectares have been brought under fresh water fish farms in the provinces of Punjab, Sindh, and NWFP. Trout culture is being developed in the northern areas of the country by establishing private hatcheries and farms.

viii) Access to cultivable land assets has a positive impact on the food and nutritional requirements of poor households. Pakistan's poverty reduction strategy proposes to address the issue of rural poverty through the accelerated distribution of state owned land to small farmers. The distribution of land will be fully supported with the provision of infrastructure, availability of agricultural machinery and other inputs. Micro-credit window will be available to them through Khushali Bank, Zarai Tarqati Bank Limited and other institutions. Women will be given priority so that they can equally benefit from distribution of state land and support package. The Provincial Governments have undertaken major projects constructing Farm to Market Roads in rural areas to facilitate the rural population to access to services and markets for the agricultural produce.

11.0 Housing Finance

i) Housing is one of the fundamental needs. According to 1998 Census, the total number of housing units in the country was 19.3 million of which 67.7 percent houses were in rural areas and 32.3 percent in urban areas. The housing backlog is estimated to be about 4.30 million units. Shortage of finance constitutes a major constraint in housing production and maintenance. It has affected different income groups differently. A rapid growth in housing finance will significantly contribute to the economy in the form of additional employment and support to a variety of allied industries. Given the shortfall of 270,000 units per year, the potential market for housing finance is about Rs. 60-70 billion against the current annual lending of Rs. 2 billion to housing sector which is less than 1 percent of total formal lending. In view of this, the Government has declared "Housing and Construction" as a priority industry.

ii) The government has formulated a National Housing Policy that envisages accelerating housing activity by facilitating provision of housing inputs including land, finance, building materials, institutional and legal framework. One of the corner stones of the Policy is to ensure development of housing for the poor and needy and housing for the majority of rural population. Housing and construction sector has a major impetus on employment generation. The financial sector is being encouraged to provide market based mortgage loans for housing purposes. The SBP will also explore the possibility of housing refinance. The annual disbursement of House Building Finance Corporation will be enhanced to Rs 7 billion over the next three years. It has also announced "Ghar Aasan" scheme extending housing credit from Rs 0.5 to Rs 2 million. The appropriate legal framework is in place to ensure effective recovery and advances from defaulters, simplify procedures for land transactions and standardization of mortgages documentation. The condition of maximum ceiling on loan amount for housing sector of Rs.600, 000 has been withdrawn and the maximum ceiling of mark-up waiver has been raised to Rs.100,000. The Provincial Governments and the concerned Federal Ministries have started implementing the National Housing Policy and are launching a number of housing schemes in different cities for the low income groups.

iii) To promote rural housing, the Provincial Governments will consider granting proprietary rights to individuals and families residing in houses constructed on “Shamlat deh” and state land. The Provincial Governments will also take steps to regularize Katchi Abadis and develop packages for their upgradation or relocation. The Government, to reduce population pressure on the big cities, will develop satellite, intermediate, secondary, and industrial towns as employment centers of the future, especially for the rural population.

d) Social Safety Nets

i) The social safety nets for the vulnerable currently available in Pakistan include Workers Welfare Fund (WWF), Food Support Program, Social Security, Employees Old Age Benefit (EOBI), Pakistan Bait-ul-Mal (PBM) and Zakat Fund. The Poverty Reduction Strategy aims to strengthen the existing mechanism of cash transfers through Zakat, and the social protection system of EOBI and Employees Social Security Institutions (ESSI). In addition, the Government has launched a special saving scheme for the pensioners through Directorate of National Savings. The SECP will be working on establishing Pension Fund for the private sector.

ii) Zakat Rehabilitation Grant: A key instrument for social rehabilitation and reducing vulnerability to exogenous shocks is the revamped system of Zakat for providing financial assistance (Guzara Allowance), educational stipends, health care, social welfare, and marriage assistance. The rate of Guzara allowance has been raised from Rs 300 to Rs 500 per month per mustahiq. About 2 million beneficiaries receive zakat and an additional 1.5 million beneficiaries will be added. Zakat Disbursement Procedures have been revised to make them simple, transparent and better targeted. Monitoring and control methods have been further strengthened and an independent measurement of zakat's impact being made. The revitalized Zakat System provides funds to the beneficiaries not only to fulfill basic needs but also to rehabilitate permanently.

iii) Aiming at the creation of job opportunities for the skilled or semi-skilled poor persons, a new program “Education Stipends (Technical)” has been introduced with a budget of Rs 1 billion. Another initiative “Permanent Rehabilitation” has been undertaken where men and women are given money to enable them to get out of the mustahiqeen-e-zakat net. The amount of stipends for education has been increased. Besides, higher stipends have been introduced for students of Deeni Madaris to encourage them to adopt more balanced curriculum prescribed by Pakistan Madrassah Education Board. The entire system is supervised by Central and Provincial Zakat Councils, Government Coordination and Review Committees, District Rehabilitation Monitoring Committees, District Zakat and Ushr Committees and Local Zakat and Ushr Committees.

iv) The Food Support Program is designed to mitigate the impact of increase in wheat prices. Initially, the coverage extended to 1.2 million poorest households with monthly income upto Rs 2,000. A cash support of Rs 2.5 billion has been allocated for disbursement on biannual basis.

v) The PRSP supports institutional reforms and strengthening of social assistance schemes by strengthening legal framework, organizational structure, operational systems, work process and financial position of these institutions to improve their performance. A new proposal in pension provision suggests changing to a system which

has a universal coverage and privately managed with defined contribution and financed on an advance-funded basis.

vi) The Government has launched a new scheme titled “Pensioners’ Benefit Account” for pensioners to protect them from declining interest rate on saving schemes.

vii) The not-for-profit voluntary sector in Pakistan has emerged as a significant force in promoting social and human development. It complements government in many ways. A study of indigenous philanthropy finds that Pakistanis give Rs 70.5 billion in charity in cash and kind. The Pakistan Center for Philanthropy (PCP) has been established since August 2001 to lead philanthropy promotion in Pakistan with the objectives of raising broad based societal understanding of philanthropy, and creating a more enabling policy, regulatory and fiscal environment for philanthropy development.

viii) The Government appreciates the contribution that the NGO sector can make in social development providing help to the vulnerable. This is reflected in the institutional support to NGOs through a range of government ministries including the Ministry of Women Development, Social Welfare and Special Education that is the focal point for NGOs and various projects under execution in different provinces. It also provides financial support through the National Council for Social Welfare and the National Zakat Foundation and similar bodies in Provincial Governments. The poverty reduction strategy recognizes the significant role that NGOs can play in social service delivery, advocacy, and empowerment. However, the arrangements do not exist to identify credible Not-for-Profit Organizations (NPOs) that can be trusted for contributions from corporate philanthropists towards social investment. Certification of NPOs will help bridge that gap.

ix) Based on the consultations findings of PCP, the Government would consider promulgation of a new law, Nonprofit Public Benefit Organizations (Governance and Support) Law, and repeal the Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961 while limiting the application of Societies Registration Act 1860. The aim would be to provide a positive alternative for citizens establishing and operating nonprofit organizations for public benefit. The Government is also considering the establishment of a statutory autonomous and representative regulatory body for public benefit organizations at the federal and provincial level.

e) Improving Governance and Devolution

i) It has long been recognized that deficient economic, social, and cultural environments create poverty and poverty is highly conditioned by governance factors as well. In Pakistan, addressing the governance component of the poverty reduction strategy has required major transformation of governance structures and systems, as well as of political and organizational culture, especially at the local level. This was essential due to an accumulated governance deficit that has led to institutional decay and breakdown. Despite the enormity of such an undertaking and the level and continuity of the political will required, Pakistan is now committed to overcome its governance crisis and lay the foundation for a successful poverty reduction strategy. This commitment consists of a series of fundamental transformations, including devolution of power to the grass roots level and decentralization of administrative and financial authority, improved access to justice at the local level, and civil service reform. This represents an historic opportunity to overcome the governance crisis and create the

conditions necessary for the successful application of a poverty reduction strategy through empowerment, dignity and improved access to rights and services.

ii) The Government recognizes that judicial reforms are essential to establish rule of law and enforcement of contracts that will stimulate economic growth and encourage private investment—both local and foreign. The basic problems of judicial administration in Pakistan relate to case management and delay reduction, automation of courts, development of human resources, infrastructure inadequacy, and redressal of small causes. The Government in collaboration with the Judiciary and the Provincial Governments is implementing Access to Justice Program (AJP) to address the vulnerability of the poor by (i) alleviating the vulnerability arising from everyday harassment, under-performance, exclusion, and denial of basic rights by public officials; (ii) easing the vulnerability of informal sector activities to rent-seeking activities of officials responsible for licensing and regulating people's access to economic and environmental assets; and (iii) improving the accountability of public officials and improving the accessibility and affordability of public goods and services in which the poor rely disproportionately.

iii) Civil service reform is necessary for the full realization of both devolution and poverty reduction, as well as to achieve a more focused, results and performance oriented, demand driven, transparent and accountable public administration that is more responsive to the citizenry. A flatter structure of civil service; merit based recruitment and promotion criteria; performance based compensation; incentives to improve innovation (i.e. encourage prudent risk taking), and to increase the demand for professional skills (i.e. for training and education) are integral components of reforms.

iv) The National Accountability Bureau (NAB) has effectively arrested the widespread corruption in society during the last three years. To sustain this momentum and eliminate the corruption, the Government has recently approved National Anti-Corruption Strategy (NACS). NACS implementation tools are (a) legislation for access to information by general citizens; (b) integrity pledges publicly by government ministers whereby any failure to perform the promise entails resignation; (c) code of conduct to which institutions will adhere to eliminate corruption; (d) provision of conflict of interest prohibiting participation in decision making whenever private interests may be present in the performance of public duties; (e) declaration of assets by all prominent public office holders and their effective monitoring; (f) integrity pact by groups of related stakeholders; (g) provisions for whistleblower and their protection; (h) establishing vigilance units; (j) random integrity testing on those in vulnerable position; (k) citizen charters; and (l) service delivery surveys and report cards.

v) The promulgation of Freedom of Information Ordinance 2002 is GOPs recognition of the role that a free media can play in informing the public thereby encouraging accountability of public actions. Today all economic decision making is disclosed to the public. The Letters of Development Policy, loan agreements with the donors (PRGF, SACs), quarterly budgetary reports, quarterly pro-poor expenditures, economic policies and performance, privatization program, gas pricing framework, Public Sector Development Program, to cite few, are available on the web and open to scrutiny. This openness has improved the governance framework has added transparency in the use of public funds, certainty and predictability in the economic policies and for these reasons there is stability and buoyancy in the market.

vi) Government is seeking institutional renewal with a bottom-up approach to restructuring by giving first priority to devolution of power to the grass roots level. This process has consisted of devolution of power, decentralization of administrative authority, deconcentration of management functions, diffusion of the power-authority nexus and distribution of resources to the district level. Devolution of political power has taken place through the direct election of union councilors and union nazims and naib nazims. Indirect elections have also taken place of rural tehsil, urban town, and district nazims and naib nazims. The councils have vertical linkages as union nazims and naib nazims represent their unions in the district and tehsil councils, respectively. All of these officials assumed their positions on 14th August 2001.

vii) Women have at least 33% seats in local councils at the union, tehsil, and district levels. This provides a nation-wide array of women's leaders that can improve the situation of women in the country and also improve the situation of the poor. Reserved minority and peasant and workers seats on each local council guarantee the representation of vulnerable and poor groups.

viii) Decentralization of authority has restructured the administrative setups at the district, tehsil, town (in a city district) and union levels. Administrative structures at the district level now function under the Zila Nazim. The District Coordination Officer (DCO) is responsible for coordinating the activities of eleven groups of offices each headed by an Executive District Officer (EDO). Municipal services have been reorganized under the tehsil/town Nazim. The Tehsil/Town Municipal Officer (TMO) and Tehsil/Town Officers function under the Tehsil/Town Nazims. At the union level the union administration operates under the Union Nazim. Through the institution of Local Government Commission a supervisory and dispute resolution mechanism has been established.

ix) Deconcentration of functions in the revenue and police hierarchies has taken place. Now coordination, revenue and magisterial functions are not concentrated in one post. Likewise police investigation has been separated from watch and ward. The provinces have policy and standard setting functions in the areas decentralized to the districts. The Tehsil/Town Municipal Administrations have been assigned the responsibility for planning and delivering municipal services (local roads, water supply, street lighting, markets, urban amenities, etc.). The union administrations plan and execute small community development projects in addition to their major role of monitoring the services and facilities.

x) Distribution of resources is being undertaken through the design of mechanisms that facilitate equitable, transparent and predictable transfers to local governments. Besides, it encourages local administrations to improve revenue mobilization at the local level. These mechanisms are described in a subsequent sub-section titled "fiscal decentralization".

xi) The diffusion of the power has consisted of strengthening representation and participation at all levels of government through the creation of empowered, elected local governments and a system of check and balance. The divisional level where there were administrative structures and no corresponding political dispensation has been abolished. The district has been consolidated as a unit for planning, decision-making, and service delivery through a reorganized district administration working under a political leadership. Monitoring by local councils serve as another check and balance mechanism. The executive magistracy has been abolished. It combined executive and

judicial functions at the local level but was not accountable to the people at the local level. This strengthens the good governance percept of independence of the judiciary and provides greater protection for citizen's rights.

xii) An enabling environment for community participation has been created through the legal framework for village and neighborhood councils and Citizens Community Boards (CCBs). Village and neighborhood councils are directly elected bodies that can undertake community development activities on the basis of voluntary contributions. They can also be delegated and contracted to deliver services for local councils as long as financing is provided. Citizen Community Boards are non-elected voluntary associations of civic minded citizens. They can strengthen the capacity of union council monitoring committees and can participate in the bottom-up, demand-driven planning process contemplated in devolution.

xiii) With regard to access to justice, district ombudsmen and Musalihat Anjumans will be created to redress citizen's grievances related to district offices and to amicably resolve local disputes, respectively. A police reform has been approved that seeks to transform the police from being an instrument of government coercion to the concept of a service delivery organization that protects people's rights. District Public Safety Commissions will establish local control over police within a system of check and balance in which the province also has authority. They will be composed of half members from the Zila Council and half selected through an independent selection process. A Police Complaints Authority will also expedite investigations into allegations of excesses and neglect by Police. These measures, as well as all of the decentralized offices will provide the poor and the illiterate more effective recourse to redress grievances and more open access to justice in their own communities, an important element for empowerment, dignity, and rights.

xiv) The full implementation of both the local government system and improved access to justice require civil service reform. This is necessary to adapt the public administration at the union, tehsil, district, provincial, and federal levels to the new reality of devolution, as well as to achieve a public administration that is more focused, transparent, accountable, demand driven and responsive to citizen demands.

12.0 Fiscal Decentralization

i) Fiscal decentralization entails providing local governments with significant locally generated resources, in addition to a reliable and predictable transfer of funds from the government. When combined with effective accounting and auditing, local council monitoring, and community participation, fiscal decentralization can ensure judicious and efficient use of resources. It can also improve service delivery as local governments can better assess spending priorities and utilize their resources in a cost-effective manner.

ii) Under the Local Government Ordinances 2001 local governments have the authority to plan and spend the funds according to local priorities in accordance with the budget approved by the respective council. It is expected that social expenditures will increase in decentralized as compared to under the centralized government structure. This is because of greater proximity to the real needs of the people and their greater participation in prioritization. This can facilitate implementation of poverty reduction strategies.

iii) A new set of laws and guidelines for fiscal decentralization are being formulated and implemented. In this respect budget rules, accounts rules and CCB rules have already been finalized and are in the process of being notified. To ensure consolidation of accounts, under the new local government finance system the same chart of classification will be used at all levels of federal, provincial, and local governments. The PIFRA project of the World Bank is focusing on computerization of budget and accounts. It is envisioned that eventually all levels of governments will switch over to the PIFRA system. To ensure proper implementation of these rules requires extensive capacity building of the accounts offices and officials. Capacity building relating to financial management will be catered to by the Asian Development Bank's Decentralization Support Program and the World Bank supported PIFRA II project.

iv) Presently the local governments depend primarily upon fiscal transfers from provincial governments for meeting their expenditure requirements. Local revenue mobilization is an important activity for the sustainability of local governments. Future strategy will look at further devolution of taxes to the local levels, widening of tax base, rationalization of local taxes and improvement of collection and recovery mechanisms.

v) Provincial Finance Commissions (PFCs) have been constituted in each province. The main function of the PFC is to ensure equitable and transparent distribution of resources. A formula based mechanism for fiscal transfers directly to local governments has been put in place. Under the Local Government Ordinances 2001 the recommendations of the Provincial Finance Commission shall be notified for a period of three years by the Governor. Interim awards have already been notified for FY 2002-2003. At present the PFCs are in the process of finalizing the awards which shall be valid for a period of three years starting FY 2003-2004.

vi) Local Government Ordinances 2001 specify that fund transfers shall be directly to local governments. The timely availability of funds is critical for ensuring adequate service delivery. At present the systems for direct transfers are not fully in place. This issue is going to be the focus of attention over coming months. To enable direct fiscal transfers to take place smoothly requires notification of the Fiscal Transfer Rules, currently in development. There is a need to develop a proper management information system to monitor releases to local governments and the budgets and expenditure of local governments.

vii) Since the functions of accounts and audit have been separated, special structures are being created to implement these measures and ensure that complete fiscal decentralization takes place. The Local Government Ordinances 2001 provide the institutional framework under which local accounting and auditing will be conducted. An important area that needs further improvement is procurement and contracting systems. It is envisaged that procurement and contracting systems will be reviewed and new rules notified that are in line with the local government system. Under the Local Government Ordinances 2001 the Nazim is required to appoint an internal auditor and establish the necessary systems to ensure compliance with rules and regulations and judicious utilization of public money.

Fiscal decentralization activities will benefit from a consultative process involving the provinces, local governments, Ministry of Finance, Controller General of Accounts and the Auditor General of Pakistan. The fiscal decentralization effort will require important support from donors to overcome financial constraints.

FIVE

ADDRESSING IPRSP GAPS

New Issues in PRSP: Employment, Gender and Environment

1. One of the noteworthy additions to the Poverty Reduction Strategy in the full PRSP is the focus on some economy-wide issues like gender mainstreaming, employment and environment. These issues cut across many sectors and policy regimes and have been addressed above at those levels. This section highlights those aspects of the new issues which have not been dealt with earlier while avoiding repetition of policies and measures described earlier.

5.1 Gender Equality and Empowerment of Women

2. One of the findings of the Participatory Poverty Assessment carried out recently shows that women are among the poorest and most vulnerable communities in the country. Pakistan is amongst the highest in the world for maternal mortality rates in the world. Women's access and control over productive resources are limited. Lack of skills, limited opportunities in the job market and social and cultural restrictions limit women's chances to compete for resources in the public. However, the nature and degree of women's vulnerability vary across classes, region and the rural/urban divide.

3. The Government of Pakistan firmly believes that any poverty reduction effort must address the gender dimension in order to address poverty meaningfully. Gender is a cross cutting theme therefore it is integrated in all sectors, interventions and policies. Gender mainstreaming is a policy of the Government, committed to the Beijing Platform for Action. Mainstreaming gender issues into policies, development plans and programs is the key strategy to promote gender equality in Pakistan. In the longer term, the government will support the use of gender sensitive budgeting (GSB) in analyzing the federal and provincial government budgets to determine the extent to which resources are allocated to address gender inequality. This will not only improve women's status but will also contribute to national, social and economic development of the country.

4. Women participation rate in the governance structure of Pakistan has improved sharply. Following the amendments in the Constitution and promulgation of Local Government Ordinance, 2001, at least 33 percent of seats in each tier of local government are women. In the National Assembly, more than 60 seats are held by women out of 332 seats while over 128 seats are held by women out of 728 seats in the provincial assemblies. Similarly, there are 17 women in the Senate out of 100 members. While most of these women have been elected on reserved seats, some have won on general seats. Women participation in politics as voters, candidates and political activists is increasing. Representation by women is better than in most countries of the world, including the largest democracies of the world. This provides a good opportunity to address the gender gap in the social, economic and health sectors.

5. The Gender Equality table shows the goals, targets and instruments that will reduce gender disparity in the country and contribute to improving the status of women

in Pakistan. Monitoring indicators including input, output and impact on gender equality are also shown in Table 7.3.

Key Instruments	Indicators	Baseline 2000-01	Target 2005-06
Gender Equality Through Sustainable Socio Economic and Political Empowerment of Women			
Gender Sensitive Macro Economic Policy Reforms	<ul style="list-style-type: none"> Poverty head count by gender % of govt. budget allocated to readdress gender inequalities 		
Improving Economic efficiency of women	<ul style="list-style-type: none"> Rate of economically active women % Proportion of women working outside agriculture Employment rate of women in the formal sector % Female unemployment rate <p>Agriculture</p> <ul style="list-style-type: none"> No of men and women with land use rights No of women and men with micro credit facility 	13.7% 9% 21.4%	
Improving Women Participation in leadership and decision making	No of women holding positions of <ul style="list-style-type: none"> Ministers Managers Professionals & Technical No of seats held by women in <ul style="list-style-type: none"> Parliament, Senate Local government Civil services by grade Judiciary 		
Providing better social services to women	<p>Education</p> Literacy rate by gender <ul style="list-style-type: none"> Male Female Ratio of girls to boys enrolled in <ul style="list-style-type: none"> Primary Middle Drop out rate by gender from <ul style="list-style-type: none"> Primary <ul style="list-style-type: none"> Male Female <p>Health</p> <ul style="list-style-type: none"> Prevalence of Anemia among women Urban (NHSP-199-94) Rural (NHSP-199-94) Life expectancy of women at birth Births attended by skilled health personnel Maternal mortality (Deaths per 100,000 live births) Access to reproductive health services by gender <p>Water</p>	48% 32% 0.72 0.68 30% 38%	

	<ul style="list-style-type: none"> • Avg distance to water points by community 		
	Population	4.31	
	<ul style="list-style-type: none"> • Women's fertility rate 	2.21	
	<ul style="list-style-type: none"> • Rate of population growth 	35	
	<ul style="list-style-type: none"> • Contraceptive prevalence rate 		

Note: In the absence of gender disaggregated data strong need is felt to first conduct survey for the establishment of benchmarks and then set targets for achieving the goal of gender equality. Ministry of Women Development is working on development of an MIS.

6. To address gender inequality concerns, the Government approved the National Policy for Development and Empowerment of Women in 2002. The policy focuses on (a) social empowerment of women (education, health, law and access to justice, women in the family and community); (b) economic empowerment of women (poverty, access to credit, remunerated work, women in rural economy, sustainable development); and (c) political empowerment of women (power and decision making. The government is also proposing to enforce Code of Conduct for Gender Justice at Workplace to deal with sexual harassment.

7. Though women are an essential part of the country's economy, their share in economic benefits, opportunities and access to resources is not proportionate to their share in the population. The government is taking a number of policy measures to enhance their share in economic benefits. First, the government is making efforts to provide easy access to micro-credit especially through available windows such as Pakistan Poverty Alleviation Fund (PPAF); Rural Support Programs (RSPs); First Women Bank (FWB); Agricultural Development Bank (ADB) and Khushali Bank. Second, the government will ensure that women in general and female headed households in particular, women bread earners, and women with disability in particular, have priority in accessing credit on soft terms from FWB and the Khushali Bank and other financial institutions for setting up their business, for buying properties, and for house building. Third, it will increase women's capacity to earn by improving access to sources of livelihood, particularly in agriculture and livestock production. Fourth, it will provide equal opportunities for women in remunerated employment, which also accommodate women-oriented work patterns. Fifth, it has taken measures to improving the facilities for the education, training and skills development for women, to enter and re-enter the labor force, including special arrangements, as specified in the Labor Policy for women relative of workers. The training centers set up in different sectors impart training in, rug-making, embroidery, knitting and garment-making, field assistants, livestock assistants and agricultural extension works, nurses and medical technicians, skill training in computer, telex, radio, television, social forestry, vegetable gardening, livestock farming, food processing, fruit preservation and teachers training etc. In addition, government is also promoting female labor-based industries such as ready-made garments, electronics, pharmaceutical etc. A quota of 5 percent for women's employment in government is provided for in the rules. There is a need to ensure that this quota is filled and fully enforced.

5.2 Employment Strategy to Reduce Poverty

8. The generation of productive employment is an important policy goal in any meaningful program of poverty reduction. The IPRSP had recognized the centrality of employment generation for poverty reduction. The rate of unemployment adjusted for

underemployment exceeds 10 percent in Pakistan. The participation rate for females is lower than males even when allowance is made for self-employment and unpaid family work. Although no hard data for income levels of 'working poor' are available, it is generally accepted that their wages are low and have not risen much during the 1990s. The main contributory factor for the prevailing high unemployment rate has been the deceleration of economic growth during the last decade. Improvement in the growth prospects of Pakistan as described earlier augurs well for employment generation. The Government is planning to boost growth in sectors which have a large impact on employment. Three types of sectoral priorities are being considered. First, boost the construction and housing sector. Second, labor-intensive exports especially high valued agriculture and garments will be increased through appropriate incentives. Third, increasing labor based content in public sector investment, especially in infrastructure like roads, irrigation and rural development.

9. Impact on labor demand can also be increased by greater integration between key components of the poverty reduction strategy—building up the physical asset base of the poor, social asset creation for the poor and social safety nets. Khushal Pakistan Program and Tameer-e-Pakistan combines the aims of increasing employment opportunities and providing essential infrastructure in rural and low-income urban areas. Micro-credit for the poor will be accompanied by a package of services to borrowers to reduce poverty. In social asset creation for the poor, the scope for employment creation is large. In the case of adult literacy program, the poor will be taught by teachers recruited from among the educated unemployed from the same areas.

10. Pakistan's public sector Technical Education and Vocational Training (TEVT) is still predominantly supply driven. Some efforts have been made to involve the private sector in the system, including the establishment of center management committees and skill development councils for training for higher productivity. Most workers still pick up their skills in the private sector, formal and informal and in private training institutions, particularly in information technology.

11. Child labor in Pakistan is a socio-economic phenomenon that exists because poor families are pushed by the economic necessities to force children to enter the labor market. A nationwide survey by ILO in 1996 estimated that there are about 3.3 million children economically active in the labor market. Although the government is committed to eliminate child labor, it is pursuing a policy of gradual elimination of all forms of child labor and immediate elimination of the hazardous and exploitative forms of child labor under ILO's International Program for Elimination of Child Labor. To achieve this objective, certain specified target programs have been initiated. One hundred and seventy five schools have been selected by setting up workshops to impart training to needy students and working children for two years. On completion of these courses, they are provided toolboxes which enables them to earn a livelihood through self-employment. In addition, Pakistan Baitul Mal is also setting up 50 schools for poor children to rehabilitate children working in hazardous occupation. Children are given monthly stipend of Rs.150 in addition to uniforms, shoes, other clothing and meals during school hours. On the other hand, parents are paid Rs.250 for each child they send to these schools. In collaboration with ILO, the European Union is also helping the government for setting up 18 Community Education and Action Centers for combating abusive child labor through prevention, withdrawal and rehabilitation of ex bonded child laborer. The Child Care Foundation has opened 283 non-formal education centers for imparting education to carpet weaving children from where the children are

mainstreamed into the formal education. The Government has established a Fund of Rs 100 million for education of working children and rehabilitation of bonded labor. The government has implemented a comprehensive legal framework to eliminate bonded labor from Pakistan.

12. The Government has also set out targets and activities in the National Policy and Plan of Action to Combat Child Labor (May 2000) and for abolition of Bonded Labor (2001). The objectives of the Plan are progressive elimination of child labor from all economic sectors, immediate withdrawal of children from worst form of child labor, preventing entry of under-aged children into the labor market through universal primary education and family empowerment, and rehabilitation of working children through non-formal education, pre-vocational training and skill development. The Federal Bureau of Statistics will launch a follow-up of 1996 survey on child labor to assess the impact of measures taken by the Government so far.

5.3 Environment Poverty Nexus

13. Environmental concerns like water, air, and land pollution, degrading agricultural lands, shrinking forests, diminishing supplies of clean water, dwindling fisheries and the threat of growing social and ecological vulnerability from climatic changes and the loss of biological diversity, have implications for long-term sustainable growth, and are adding to erosion of the already unsustainable livelihoods of the poor. This process in a way is creating un-abatable sources of poverty. To reduce poverty, it is vital to understand and address the linkages between poverty and environment. If we overlook these linkages, poverty reduction programs may fail or may add to the burden on the poor. The key linkages between poverty and the environment have been divided into three categories:

- Environment and Livelihoods: the poor depend heavily on a range of environmental 'goods' for their livelihoods including land, potable and irrigation water, fisheries and forest products. They suffer disproportionately when their access to these resources is denied or limited.
- Environment and Health: the poor suffer most when air and water are polluted. Women and children are particularly affected. Inadequate sanitation, poor hygiene practices and lack of access to safe drinking water are major causes of ill-health and death.
- Environment and Vulnerability: the poor are particularly vulnerable to environmental disasters, conflict and competition for scarce natural resources. In addition, their voices often go unheard. Recognizing these linkages helps to identify the opportunities for tackling the root causes of poverty. In this way, it provides a strategic focus for prioritizing practical solutions to poverty alleviation and sustainable development.

14. The Government is fully cognizant of the key poverty environment linkages in Pakistan. The poor have a limited access to cultivable lands (more than 50% of the rural population is landless while a small percentage of landowners control over 33% of agricultural lands while there is increasing incidence of waterlogging and salinity) and other natural resources such as forests, rangelands and water, insufficient access to safe drinking water and sanitation, and inadequate provisioning to solid waste management (and related impacts on health) and alternative energy supplies. The poor are also the most vulnerable to increasing incidence of environmental shocks such as floods and drought

15. In its efforts to respond to the environmental challenges facing the country, the Government during the last two decades has made significant progress towards creation of institutions and adoption of policy measures. The important initiatives taken in this regard include enactment of Environmental Protection Ordinance 1983, establishment of provincial and the federal Environmental Protection Agencies, constitution of Pakistan Environmental Protection Council, formulation of National Conservation Strategy, promulgation of National Environmental Quality Standards, enactment of Pakistan Environmental Protection Act-1997, formulation of Pakistan Forestry Sector and Biodiversity Action Plans, and adoption of National Environmental Action Plan (NEAP) with a focus on clean air; clean water; solid waste management; and eco-system management. NEAP support program proposes a wide range of technical, institutional, regulatory, social and economic interventions grouped under six major sub-programs i.e. (i) policy coordination and environmental governance; (ii) pollution control; (iii) eco-system management and natural resources conservation, (iv) energy conservation and renewables (v) dry land management and (vi) grass roots initiatives. Government is signatory to a number of major environmental management conventions and protocols.

16. The most significant achievements in recent years are the incorporation of environmental concerns in government policies and initiation of process of Environmental Impact Assessment (EIA) in the development schemes. National Environmental Action Plan (NEAP) was initiated to safeguard public health, promote sustainable livelihood and enhance the quality of life for the people of Pakistan. The main areas of concern are: clean air, clean water, management of solid waste, eco-system management, management of fresh water resource, marine pollution, toxic and hazardous substances, energy conservation and management, compliance with International Treaties and Protocols.

17. To address the poverty-environment nexus effectively, the Government will continue to implement projects and programs aimed at achieving the objectives of NEAP, Millennium Development Goals and targets set at the World Summit on Sustainable Development and framework on WEHAB (water, energy, health, agriculture and biodiversity) through a participatory approach. Special attention will also be given to policy reforms, promulgation and enforcement of environmental legislation, enhancing coordination and collaboration amongst stakeholders, capacity building, land use planning and zoning, introduction of green accounting, development of monitoring and evaluation systems, disaster management, promotion of appropriate environmental technologies, public awareness and education and building of partnerships at the regional and global level. A strong monitoring and evaluation mechanism is being developed to capture intermediate and final outcomes related to environment.

COSTING OF PRSP REFORMS

1. Allocation of adequate resources for PRSP programs is an imperative. But, in an environment where the main focus of macroeconomic stabilization program – the key to reviving growth – had been towards controlling the fiscal deficit, generating resources for poverty reduction is a formidable task. In recent years less than or about 4 percent of GDP has been allocated to poverty-focused sub-sectors. Allocations to human capital formation (education; health; population planning) have been less than 2.5 percent of GDP, allocation for key infrastructure sectors (agriculture; irrigation; water supply and sanitation) have also been less than 1 percent of GDP. Aggregate expenditures on what is characterized as, “Development” have been less than 3 percent of GDP. Therefore, starting with existing actual allocations, the strategy envisages an increase in allocations over the medium term so that the main targets of the plan are accomplished. However, detailed costing of proposed initiatives and a more involved assessment of expenditures is difficult as the process of provincial consultations in provincial PRSPs is still continuing. The Provincial PRSPs will then form the basis of Pakistan’s PRSP costing.
2. Given the on-going evolution of PRSP and the complexity of linking public expenditures with outcomes such as improved educational and health outcomes; acceptable nutritional status and reduced poverty incidence including reduced probability of falling into poverty through vulnerability to economic shocks (price increase; health condition; natural calamity; death of a bread earner) , it is difficult, if not impossible; to carry out detailed costing of PRSP Programs. Using illustrative simulations for estimating “the public expenditures needed to increase enrollment of specified target groups” is one possible way. But such a process can, at best, be indicative. An alternative process is to increase allocations to the (i) high probability of impact on poverty sub-sectors, (ii) Civil Service/Governance reforms and judicial reforms activities to improve the delivery of service and (iii) Monitoring systems which are recursively linked to policy revisions i.e. ability to modify policies and investments if “outcomes sought” are not being achieved.
3. This second option has been adopted for costing the evolving PRSP. Table 7.1 presents the recommended allocations for 2006-07 with the base year allocations being for 2000-01 increasing pro-poor budgetary expenditures at the rate of 0.2 percent of GDP per annum until a model is developed for costing of social sectors. A model to cost education and health programs is likely to be available by June 2003. It is pertinent to note that in 1992-93, Pakistan was (relatively, speaking) “adequately” allocating to the poverty-focused sectors – Education, Health, Irrigation, Agriculture. Those levels of allocation, had they been sustained through the 1990s, may have significantly improved Pakistan’s Social Indicators. But, even then the investments in civil service reform and governance were inadequate for improved service delivery and that lack did contribute to the adverse outcomes observed from the implementation of the Social Action Program (1992-2002). Beginning FY 04, allocations on civil service strengthening, access to justice and rural electrification would be included as integral part PRSP expenditures.
4. Notwithstanding an increase of 0.2 percent of GDP in pro-poor budgetary expenditures as recommended, Pakistan certainly needs concessional lending, budgetary grants and debt swaps to release resources for achieving desirable targets in social sectors and growth in economic sectors to reduce poverty substantially.

SEVEN

PRSP MONITORING AND EVALUATION MECHANISMS

1. Well targeted anti-poverty outlays and social transfers are essential ingredients of a comprehensive poverty reduction strategy. The real test of public expenditures lies in their impact. One of the central components of the PRSP is creation of a system to monitor the implementation and outcome of poverty reduction policies. The PRSP monitoring framework includes a set of indicators that track policy inputs, their outputs and progress towards intended policy outcomes. The setting up and implementation of a monitoring mechanism had been a demanding task involving selection of appropriate indicators that may provide the sought after information, identification of information sources for these indicators, highlighting gaps or weaknesses, and design and implementation of institutional mechanisms for collection, collation and dissemination of data to policy-makers and other stakeholders for evaluation and determining policy choices. PRSP monitoring therefore, provides the means for all stakeholders (government, civil society, donors etc.) to assess the success of the PRSP policies in attaining the desired outcomes, and provides a basis to review and modify these policies as necessary. It is therefore concerned with monitoring inputs (policy actions, particularly public spending), the immediate (intermediate) outputs of these policies, and the outcomes and final impacts they are designed to achieve. It is important that inputs and intermediate outputs of public actions are connected, in a logical, causal sequence, to outcomes in terms of an improved life for the poor.

2. The monitoring framework for the PRSP includes:
- Institutional arrangements that are needed to make this monitoring system work;
 - Framework of indicators to be monitored;
 - Process of identifying and implementing steps necessary to strengthen or develop existing information sources and
 - Arrangements that need to be put in place for interpreting the monitored indicators and feeding conclusions back into management and policy change.

3. PRSP input process (pro-poor expenditures) have been clearly defined in PRSP and a system to monitor these expenditures on a quarterly basis is in place. To monitor outcome and impact in human development, the government has established in conjunction with the provinces and line Ministries, a preliminary set of indicators that can be tracked on a short/medium term and long term basis, linking public expenditures with results on the ground been developed with participation of provincial governments. These expenditures are in line with the government's macroeconomic framework and have been protected and tracked over the medium term. The following tables give details of critical resources that would be realized for improving human development, implementing broad based governance reforms, protecting the vulnerable against shocks, and building institutional capacity for implementing reforms outlined earlier.

4. Although the government has institutionalized the Medium Term Budgetary Framework (MTBF) in its fiscal and budgetary regime, adhering to the macroeconomic targets as envisaged in the MTBF, however with regards to poverty outlays, the government is committed to raising its budgetary pro-poor expenditures minimum by over 0.2 percent of GDP per annum starting FY 2001-02. This has been taken as the

benchmark (baseline) year upon which the projections for the next four years have been forecasted. This reflects a significant shift from past budgetary performance when anti-poverty public expenditures declined by an average of 0.25 percent of GDP per annum, during 1995–2000. It is pertinent to mention that during FY 2002-03, PRSP expenditures are targeted at 4% of GDP as against the projections of 3.8% of GDP, earlier committed in IPRSP.

Table: 7.1: PRSP Budgetary Expenditures (2002-2006)

PRSP EXPENDITURES	BASELINE (Actuals)		PROJECTIONS (Based upon FY 2001-02 actual expenditures)							
	FY 2001-02		FY 2002-03		FY 2003-04		FY 2004-05		FY 2005-06	
	Rs. in Millions	% GDP	Rs. in Millions	% GDP	Rs. in Millions	% GDP	Rs. in Millions	% GDP	Rs. in Millions	% GDP
Development	36,836	0.99%	44,573	1.10%	53,366	1.20%	60,621	1.25%	68,965	1.29%
Current	96,659	2.59%	116,957	2.88%	134,267	3.02%	154,407	3.18%	177,568	3.33%
TOTAL	133,495	3.58%	161,529	3.98%	187,633	4.23%	215,028	4.42%	246,533	4.62%
MARKET ACCESS AND COMMUNITY SERVICES										
Roads, Highways & Bridges	6,340	0.17%	7,671	0.19	8,807	0.20%	10,128	0.21%	11,647	0.22%
Water Supply and Sanitation	4,644	0.12%	5,619	0.14	6,451	0.15%	7,419	0.15%	8,531	0.16%
HUMAN DEVELOPMENT INPUTS										
Education	66,290	1.78%	80,211	1.97	92,082	2.07%	105,894	2.18%	121,779	2.28%
Health	19,211	0.52%	23,245	0.57	26,686	0.60%	30,688	0.63%	35,292	0.66%
Population Planning	1,331	0.04%	1,611	0.04	1,849	0.04%	2,126	0.04%	2,445	0.05%
Social Security and Welfare	3,664	0.10%	4,433	0.11	5,090	0.11%	5,853	0.12%	6,731	0.13%
Natural Calamities & other Disasters	189	0.01%	229	0.01	263	0.01%	302	0.01%	347	0.01%
RURAL DEVELOPMENT EXPENDITURES										
Irrigation	10,133	0.27%	12,261	0.30	14,076	0.32%	16,187	0.33%	18,615	0.35%
Land Reclamation	1,838	0.05%	2,224	0.05	2,553	0.06%	2,936	0.06%	3,377	0.06%
Rural Development	12,325	0.33%	14,913	0.37	17,120	0.39%	19,688	0.40%	22,642	0.42%
Food Subsidies	5,513	0.15%	6,671	0.16	7,658	0.17%	8,807	0.18%	10,128	0.19%
Food Support Program	2,017	0.05%	2,441	0.06	5,000	0.11%	5,000	0.10%	5,000	0.09%
TOTAL	133,495	3.58%	161,529	3.98%	187,633	4.23%	215,028	4.42%	246,533	4.62%

SOURCE: Ministry of Finance Estimates

5. It needs to be appreciated that there is an implementation lag between expenditures incurred and outcomes achieved that make it difficult to assess policy performance immediately. For instance, even though public expenditures on primary schools may be increased, higher gross/ net primary enrolment rates will take place only after a time lag, and it will take even more time before higher literacy rates are achieved. The government has identified a set of intermediate indicators that will depict the effect of policy interventions over a relatively shorter period of time, on an annual basis. This expenditure tracking exercise has been linked with the achievement of certain key IPRSP (outcome) targets.

6. As a part of robust financial sector reforms undertaken by the Government, the Project for Improvement of Financial Reporting and Auditing (PIFRA I & II) aims to improve public sector accounting and financial system, thereby providing a basis for enhancing public sector accountability and improving institutional capacity for economic policy making and management. The new system is technology intensive and will replace the existing manual system for maintenance of accounts. A new chart of

accounts is being implemented and online accounting system through SAP at the sub-national levels is underway. This would ensure mechanisms for regular tracking of poverty related expenditures at the federal, provincial, and district levels through consolidated monthly and quarterly accounts, appropriation accounts, and monitoring on development expenditures. The system would also facilitate timely reconciliation. Data on district level expenditures will be possible once district level accounting systems and processes are in place by 2005. The government however expects to target district level expenditure monitoring from FY 2005. With full implementation of New Accounting Model (NAM), timely quarterly reporting of reconciled PRSP data on the federal, provincial, district and tehsil tiers will be ensured.

Table: 7.2: PRSP Non-Budgetary Expenditures (2002-2006)

PRSP EXPENDITURES	BASELINE (Actuals)		PROJECTIONS (Based upon FY 2001-02 actual expenditures)							
	FY 2001-02		FY 2002-03		FY 2003-04		FY 2004-05		FY 2005-06	
	Rs. Mill	% GDP	Rs. Mill	% GDP	Rs. Mill	% GDP	Rs. Mill	% GDP	Rs. Mill	% GDP
Zakat System	5,169	0.13%	9,545	0.23%	9,650	0.21%	9,258	0.19%	5,401	0.10%
Social Security (EOBI)	1,366	0.03%	1,489	0.03%	1,608	0.03%	1,753	0.03%	1,894	0.03%
Micro credit	1,588	0.04%	3,354	0.08%	5,823	0.13%	9,288	0.19%	13,858	0.26%
TOTAL	8123	0.21	14,389	0.22%	17,081	0.42%	20,299	0.48%	21,153	0.40%

SOURCE: Zakat: Ministry of Religious Affairs; Social Security: Employees Old Age Benefit Institution; Housing Finance: State Bank of Pakistan; Micro credit: Khushali Bank, PPAF, ZTBL

7.1 Development and Monitoring of Intermediate Indicators:

7. The PRSP is backed with a strong participatory monitoring program as well as capacity building at each level of Government. The Government in collaboration with its development partners organized four national level workshops beginning in March 2002 and culminating in February 2003, reaching a consensus on intermediate and final outcome indicators in Education, Health and Population Planning sectors. Each workshop was participated by key stakeholders from the federal and provincial governments, donors, NGOs and civil society.

8. Regular information on intermediate indicators is a valuable guide for evaluating the efficiency of public policies and the use of public funds. Nevertheless, information/data sources for intermediate indicators in Pakistan are not readily available and reporting systems are not tuned for quick reporting in some cases. However, as part of the government's anti-poverty efforts, information systems are being developed/strengthened to track intermediate indicators, their measurement methodologies, definitions, and sources for timely and accurate review of policy interventions through a comprehensive consultative process as detailed above. This process is being pushed further as the baseline information/ data on education and health sector intermediate indicators has been finalized. Core Welfare Indicators questionnaire (CWIQ) survey will be conducted for the first time to capture data at the district level for intermediate indicators in social sectors to determine baselines and it will then be updated on annual basis.

9. Indicators on Health and Population Welfare will be monitored from July 1, 2003 and a first set of results will be available at the latest by December 2003 for those indicators with quarterly frequency. The remaining will be reported in accordance with frequency reflected against each indicator. The available data will be compared with the

respective baselines (of the year 2000-01) and an analysis of the amelioration/deterioration will be reported in PRSP quarterly reports. National Health MIS has established more than 100 peripheral computer centers at the District level for the data entry and processing of information.

10. The government has decided that a CWIQ survey will be conducted to capture facility and household based district level data relating to all intermediate indicators. The PIHS questionnaire is also being reviewed to ensure capturing all information needed in relation to the outcome of the PRSP process. The intermediate indicators will be captured through CWIQ and the final outcome indicators would be monitored through the PIHS, which will be conducted every three years. CWIQ will be conducted on an annual basis except the year in which a PIHS is undertaken. CWIQ will provide quick results as well as third party validation to the HMIS and NEMIS data relating to above intermediate indicators. The Technical Committee constituted to adapt CWIQ has finalized the questionnaire format. PC-I allocating resources has been approved. The launching of survey awaits the arrangement of consultants to train the master trainers and to supervise the data processing for which request has already been made to the World Bank. We are expecting finalization of the report based on CWIQ survey by March 2004.

11. While the monitoring framework can help identify efficiency of the policies, additional work will be needed to understand *why* policies could not yield the desired output. Making these judgements will typically necessitate more in-depth studies, focused on specific questions and using a different approach (such as detailed analysis at district level particularly when primary health care is now the responsibility of the district governments).

7.2 Institutional Roles in PRSP Monitoring:

12. Federal PRSP Secretariat in the Ministry of Finance is the Government's co-ordinating interface since the work on IPRSP was initiated in early 2001. After the finalization and approval of IPRSP by the Joint Staff Assessment of the World Bank and the IMF and subsequent extension of Poverty Reduction and Growth Facility by the IMF, the PRSP Secretariat has been preparing quarterly reports on pro-poor expenditures. In terms of evaluating progress on the PRSP indicators, provinces have identified focal points within their respective Planning and Development Departments. After approval of the provincial PRSPs, these monitoring units will track progress, in close coordination with district governments, on intermediate and outcome indicators and report quarterly progress to the Federal PRSP Secretariat; which will evaluate all information relating to inputs (expenditures), output/ intermediate and outcome indicators from the provincial monitoring units, FBS, and other concerned departments. The Federal PRSP Secretariat will produce analytical progress reports on the PRSP indicators on periodic basis. To ensure the success of this system, the Federal PRSP Secretariat has to be strengthened and streamlined. In this regard, an IDF grant for the capacity building of PRSP Secretariat is under process of realization for creating these capacities through temporary recruitment, procurement of office equipment, provision of advisory services and hiring of consultants to undertake special studies.

13. Evidently, instituting a comprehensive mechanism for preparation and monitoring of PRSP calls for creation of significant capacities at various government levels and in different departments. Four key areas where this need is particularly pressing are PRSP

preparation (dialogue with civil society, poverty assessment), monitoring (data collection, impact assessment), statistics (covering all PRSP indicators) and special studies and surveys (deeper and continuous analysis of poverty profile in selected areas). These needs cut across all governments, federal, provincial and district.

14. Over time, it is expected that the PRSP Secretariat needs to be well linked to and coordinated with existing monitoring and evaluation capacities in social service delivery departments at federal, provincial and district levels, which need to be further strengthened to enable them to assess outcomes of policies and programs and make adjustments as needed.

TABLE 7.3: PRSP MONITORING TARGETS

A. MACROECONOMIC TARGETS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Real GDP Growth	3.6%	4.5%	5.2%	5.5%	5.8%
Inflation	3.5%	4.0%	4.0%	4.0%	4.05
Nominal GDP (Rs in bn)	3,727	4,063	4,440	4,862	5,338
Total Revenue (Rs in bn)	617.0	693.5	760.2	829.1	914.9
Dev Expenditure (Rs in bn)	128.0	130.0	155.4	180.4	207.0
Total Expenditures (Rs bn)	806.1	885.6	930.1	993.6	1,078.8
PRSP Expenditure (Rs bn)	133,495	161,529	187,633	215,028	246,533
PRSP Expenditure (% of GDP)	3.58%	3.98%	4.23%	4.42%	4.62

Source: Ministry of Finance. Frequency: Annual

B. EDUCATION SECTOR INTERMEDIATE TARGETS

Indicator	Baseline Year	Projections for FY 2001-02 to FY 2005-06				
	FY 2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
No. of functional schools	145,004	146,454	147,919	149,398	150,891	152,400
Primary	132,531	133,856	135,195	136,547	137,912	139,291
Middle	12,473	12,598	12,724	12,851	12,979	13,109
% of trained teachers	97.8%	98.0%	98.1%	98.3%	98.5%	98.6%
Primary	97.6%	97.8%	98%	98.2%	98.3%	98.5%
Male	98%	98.1%	98.2%	98.3%	98.5%	98.7%
Female	97%	97%	97.1%	97.2%	97.4%	97.5%
Middle	98.5%	98.6%	98.6%	98.7%	98.8%	98.9%
Male	99.0%	99.0%	99.0%	99.1%	99.2%	99.2%
Female	98.0%	98.1%	98.1%	98.1%	98.1%	98.3%
Teacher Absenteeism	To be developed through Core Welfare Indicators Questionnaire (CWIQ)					
% of sanctioned staff strength filled	Date Awaited from Ministry of Education					
% of Schools with basic facilities						
Water	51.0%	52.0%	53.0%	54.0%	55.0%	56.0%
Primary	50.0%	51.0%	52.0%	53.0%	54.0%	55.0%
Middle	59.0%	61.0%	62.0%	63.0%	64.0%	66.0%
Electricity	21.0%	22.0%	22.0%	23.0%	23.0%	23.0%
Primary	19.0%	19.0%	20.0%	20.0%	21.0%	21.0%
Middle	44.0%	45.0%	46.0%	47.0%	47.0%	48.0%
Sanitary	36.0%	38.0%	39.0%	39.0%	40.0%	41.0%
Primary	36.0%	37.0%	38.0%	39.0%	39.0%	40.0%
Middle	46.0%	46.0%	47.0%	48.0%	49.0%	50.0%
Boundary Wall	41.0%	42.0%	43.0%	44.0%	45.0%	46.0%
Primary	41.0%	42.0%	43.0%	43.0%	44.0%	45.0%
Middle	47.0%	48.0%	49.0%	50.0%	51.0%	52.0%

Source: Ministry of Education. Frequency: Annual, except Teacher Absenteeism which is periodic

EDUCATION SECTOR FINAL OUTCOME TARGETS

Indicator	Baseline Year	Projections for FY 2001-02 to FY 2005-06				
	FY 2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Gross Primary Enrolment Rate	83	87	92	96	100	104
Male	94	99	103	108	111	114
Female	68	75	81	84	89	94
Gross Middle Enrolment Rate^Æ	40	41	43	46	49.5	53
Male	48	45	47	50	53	56
Female	32	35	39	42	46	50
Literacy Rate[™]	49	50.5	51.6	53.5	56	59.5
Male	61.3	63	64	65	67	70
Female	36.8	38	39.2	42	45	49
Student dropout rates (Primary) ^Ä	34	31.38	29	27	24	21
Male	30	28	25.5	23	20.5	18
Female	38	35	32.5	30	27.5	24

Source: Ministry of Education. Frequency: Annual

- ^Æ Gross Middle Enrolment Projections made on the basis of PIHS data Round 3 & 4.
- [™] Literacy Rates based on Economic Survey-2001-02 and over-all literacy rate compares with the rate referred in PIHS 2000-2000, ESR Action Plan-2001-2005 and EFA National Plan of Action 2001-2015
- ^Ä Dropout rate for the year 2001-02 has been arrived at by taking average of 2001-2002 PIHS Dropout Rates of all the five quintiles/ income groups, for the Cohort Aged 15-19 years (which reflects over-all picture of both public and private sectors).

C. HEALTH & POPULATION SECTOR INTERMEDIATE TARGETS

Indicator	Baseline Year	Projections for FY 2001-02 to FY 2005-06				
	FY 2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Utilization Rate of First Level Care Facilities/ Day (Curative only)	34	37	36	40	44	48
Proportion of the population covered by Lady Health Workers.	30%	44%	55%	65%	75%	85%
Immunization coverage of children/ Pregnant Mothers	DPT-III: 76%	80%	79%	79%	79%	79%
	TT-II: 51%	60%	55%	54%	54%	53%
Percentage of births attended by skilled birth attendants.	13%	12%	16%	18%	19%	21%
Number of skilled female birth attendants. (MCH) (WMO, LHV, FMT, FHT, Mid-Wife)	96,254	101,823	110,376	117,500	124,000	131,000
The percentage of FLCFs not experiencing stock -outs of any one of five key supplies during the past month.	26%	30%	28%	26%	25%	23%
Number of FLCFs	30%	34%	38%	42%	45%	50%

meeting staffing norms. MO, WMO, LHV/ FMT/ FHT						
Availability of contraceptives from FLCFs	68%	70%	72%	72%	72%	72%
Contraceptives Prevalence Rate (CPR)			34.9%	37.2%	39.4%	41.7%

Source: Ministry of Health. Frequency: Annual

HEALTH & POPULATION SECTOR FINAL OUTCOME TARGETS

Indicator	Baseline Year	Projections for FY 2001-02 to FY 2005-06				
	FY 2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Population Growth Rate	2.22%	2.16%	2.07%	2.0%	1.93%	1.87%
Infant Mortality Rate (per 1,000 births)	85	82	75	70		
Child Mortality Rate (per 1,000)	20	19	18	17	16	15

Source: Ministry of Health. Frequency: Annual

D. WATER SUPPLY AND SANITATION INTERMEDIATE INDICATORS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Population with access to clean drinking water	86%	87%	88%	89%	90%
Urban	95%	95%	96%	96%	97%
Rural	80%	81%	82%	83%	84%
Population with access to sanitation	51%	52%	53%	54%	55%
Urban	90%	91%	92%	93%	94%
Rural	34%	35%	36%	37%	38%

Source: Pakistan Integrated Household Survey (PIHS)

E. HOUSING SECTOR INDICATORS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Number of Katchi Abadis (Slum Settlements) Regularized	28				
Number of houses within Katchi Abadis regularized	9,293				

Source: Ministry of Rural Development

F. RURAL DEVELOPMENT INDICATORS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Temporary employment (KPP/ Tameer-e-Pakistan)	270,333				
DERA beneficiaries					
Farm to Market Roads*	2,000	2,000	2,000	2,000	2,000
Acres of State lands made available for distribution	53,803				

Source: Ministry of Rural Development. Federal Land Commission. *Planning Commission

G. ENVIRONMENT INDICATORS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
% of land reclaimed from SCARP and NDP					
Percentage of land area covered by forests		4.80%	5%	5%	5%

Source: Ministry of Environment, Provincial Forest departments

H. GENDER INDICATORS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Micro credit by gender					
% of Zakat funds to women					
No of women in civil service	9,818				

Source: Ministry of Religious Affairs, PPAF, Khushali Bank, ZTBL, Establishment Division

I. EMPLOYMENT INDICATORS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Rate of Unemployment	7.80%	7.82%	7.75%	7.31%	6.69%
Total Employment (Mill)			39.09	41.15	42.34

Source: Ministry of Labor. Planning Division. Frequency: Annual

J. FOOD SUPPORT PROGRAM

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Punjab beneficiaries	1,089,736	1,089,736	1,237,922	1,237,922	1,237,922
Sindh beneficiaries	478,495	478,495	543,475	543,475	543,475
NWFP beneficiaries	425,918	425,918	483,758	483,758	483,758
Balochistan beneficiaries	90,670	90,670	102,983	102,983	102,983
ICT/NA/AJK beneficiaries	116,097	116,097	131,863	131,863	131,863
TOTAL	2,200,916	2,200,916	2,500,000	2,500,000	2,500,000

Source: Pakistan Bait-ul-Maal, Frequency Quarterly

K. GOVERNANCE INDICATORS

Indicator	Baseline Year	Projections for FY 2002-03 to FY 2005-06			
	FY 2001-02	2002-03	2003-04	2004-05	2005-06
Legal cases pending					
Supreme Court					
High Courts					
Sub-ordinate judiciary					

Source: Ministry of Law. Frequency: Annual

Note: Work on development of baselines and indicators that have not been quantified in the above table, is in progress and will be reflected in full PRSP.