Poverty Profile
Islamic Republic of Pakistan
Executive Summary

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1-1 Comparison of Pakistan with neighboring countries

The socio-economic indicators of Pakistan are compared with those of some of the neighboring countries; Bangladesh, India, Nepal and Sri Lanka, and then characteristics of Pakistani poverty problem are examined. From 1975 to 2003, the population growth rate of Pakistan is reported as 2.9% per year on average, which is quite high rate. With regard to the poverty and income gap, Pakistan seems a median in the region, being the third among the five south Asian countries.

Infant and child mortality rates of Pakistan are very high in comparison with its neighboring countries. With regard to education indicators, Pakistani school enrollment rate, particularly that of girls, is considerably low. The low enrollment rate could be one of the factors for the low labor force participation ratio of women. The female employment rate of Pakistan is far below the global or even the regional averages. The poor level of education, moreover, should affect the international competitiveness of the Pakistani industry. Majority of the Pakistani exports are classified as low-tech products, and the share of these products in the exports expanded in the last few years. In order to sustain the current high economic growth, Pakistan needs to transfer its industrial structure toward more high-tech and high-value added manufacturing. It is, however, not easy for the country to realize this transformation. Unless the school enrollment rates, that of girls in particular, as well as the female employment rates improved, the country continues to face difficulty to achieve sustainable economic growth and to help the population get out of poverty by sharing the benefit of economic growth.

1-2 Macroeconomic growth and millennium development goals

Pakistan has achieved high economic growth since the beginning of 2000s. The annual GDP growth rate reached 7.0% in 2006. The average annual GDP growth rate in the last five years is about 7.0% as well. Due to this high economic growth rate, Pakistan is regarded as one of fast growing countries together with India, China and Vietnam. Per capita income of Pakistan
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has also increased significantly, which reached US$925 by 2006 from around US$500 in the last six years. The factors behind this high economic growth would be the sound macroeconomic policy, the progress of structural reform in the economy and the favorable international economic environment. Due to high economic growth, the indicators in social sector, such as those of education and healthcare, have improved. Although the country still has structural difficulties such as regional gap, gender gap and ethnic conflict, the government has made utmost effort to alleviate poverty by setting specific socio development goals. The Pakistan Millennium Goals presented in 2000 is one of major examples of such goals.

1-3 Poverty rate and income gap

According to the household income survey implemented by the statistical department of the government, the poverty rate in 2000-01 was 34.5%. This rate was reduced significantly to 23.9% in 2004-05. The poverty rate in rural area is higher than that in urban area, but the rates in both areas were reduced to a large extent. In fact, the poverty rate in rural area was cut down by 11 points from 39.3% to 28.1% in the period. With regard to income gap, the survey result shows that income gaps in both rural and urban area have narrowed. The income gap of the country has remained modest, so relatively few numbers of households face severe poverty. In other words, many of the households are in the vicinity of the poverty line. If these households suffer major economical or social external shocks, they could immediately fall into the poor group in the society. Among the four provinces, the Sindh Province realized the biggest reduction of poverty rate from 35.3% in 2001-01 to 16.7% in 2004-05. NWFP also brought down the rate by 14.6 points from 41.5% in the four years. The Balochistan Province, on the other hand, did not make a significant reduction of poverty rate, where nearly 30% of the households were still under the poverty line in 2004-05.

1-4 Education

Net primary enrollment rate of Pakistan improved from 42% in 2001-02 to 52% in 2004-05. The targeted rate in the Pakistan Millennium Goals is, however, 100%. It is not realistic to increase the net primary enrollment rate from 52% to 100% in 10 years from 2005 to 2010. The net enrollment rate in urban area was 67%, while that in rural area was 47% in 2004-05. Both areas made substantial improvement from 2000-01 to 2004-05, but huge regional disparities still
exist. The gender gap is also significant. The gross primary enrollment rate of boys in 2004 was 88%, while that of girls was only 70%.

1-5 Healthcare

Infant mortality rate decreased from 86 in 1996 to 77 in 2005. The rural area made a large reduction from 94 to 81, but the rate in urban area slightly increased from 64 to 67. Due to the Pakistan Millennium Development Goals, the country intends to reduce its infant mortality rate to 40 by 2015. It is not easy to achieve this target, unless infant healthcare is substantially expanded in both urban and rural area. Concerning the immunization’, the rate of fully immunized children aged 12 – 33 months was 80% in 2004-05 in the whole country. This rate was considerably increased in the last three years in both urban and rural areas. The maternal mortality ratio was also decreased significantly in the last few years. The ratio was 500 per 100,000 births in 2000, but cut down to 350-400 in 2005. According to the Pakistan Millennium Development Goals, the maternal mortality ratio should be decreased to 140 by 2015. The country need to make utmost effort to achieve this target.

1-6 Employment

Labour Force Survey in 2004 presents that the labor force participation rate was 39% in urban area, 46% in rural area and 44% in both areas. Female participation rate was extremely low in the country, which was only 16%, while the male rate reached 71%. Concerning the provincial differences on gender disparity, the female labor force participation rate in the Punjab Province was the highest of all, reaching 22%. Tendency of the unemployment is also examined by age group; Unemployed 10s accounted for 30% of all unemployed in 2005-06. Twenty seven percent of the 20s were out of work. Nearly 60% of the unemployed Pakistani was in 10s and 20s.
Chapter 2  Government Policy and Actions for Poverty Reduction

The poverty reduction policy and strategy of the Pakistani government are described in the following four documents.

1) Vision 2030 and its Approach Paper
2) Pakistan Millennium Development Goals
3) Mid Term Development Framework (MTDF)
4) Poverty Reduction Strategy Paper (PRSP)

Vision 2030 and its Approach Paper set a vision of the country from a long term perspective. They delineate a picture of the future of the country from 2005 to 2030. The Pakistan Millennium Development Goals also shows long term views. These goals were originally set at the UN Millennium Summit in 2000, and as one of the signatory countries, Pakistan is responsible for achieving these goals. MTDF 2005-10 is the medium term plan to achieve the objectives of Vision 2030 as well as Pakistan Millennium Development Goals. On the other hand, PRSP is regarded as the strategy to realize this medium plan.

2-1  Vision 2030

Vision 2030 is the development vision of the country, which was approved by National Economic Council in May 2005. Vision 2030 is a very short message. The Planning Commission presented “Approach Paper Strategic Directions to Achieve Vision 2030” in February 2006 to supplement the message of Vision 2030. This Approach Paper is composed of ten chapters, and presents development visions up to 2030 from various viewpoints including economic growth, natural resources management, macroeconomic management, urbanization. The chapter 7, in particular, describes the strategy toward poverty reduction, focusing on income distribution, employment generation and poverty alleviation.

2-2  Pakistan Millennium Development Goals

The government formulated the Pakistan Millennium Development Goals, by adjusting UN Millennium Development Goals to the Pakistani socio-economic environment with some
modifications. The following practical indicators are shown as the targets by 2015.

- Reduction of the share of population living under the poverty line to 13% (Target 1)
- Increase in net primary school enrollment rate up to 100% (Target 3)
- Rise in adult literacy rate (15 to 24 years old) up to 88% (Target 3)
- Decrease in child mortality rate (under 5 years old) to 52 (Target 5)
- Decrease in infant mortality rate (under 12 months old) to 40 (Target 5)
- Reduction of maternal mortality ratio to 140 per 100,000 births (Target 6)

2-3 MTDF (Medium Term Development Framework 2005-10)

MTDF illustrates the policies to achieve the targets of Vision 2030 and Pakistan Millennium Development Goals by sector and by issue. The government’s engagement to poverty reduction, in particular, is based on four guiding principles, including ‘high pro-poor growth’, ‘social development’, ‘good governance’, and ‘protection of vulnerable groups’. The Planning Commission, which is in charge of MTDF, is also responsible for making Public Sector Development Programme (PSDP). In other words, the Planning Commission formulates PSDP to achieve development targets of MTDF, and allocates development budget to the federal and provincial governments based on PSDP. According to MTDF 2005-10, over 46.6% of the development budget should be allocated to areas related to ‘social sector’ and ‘balanced development’. It is expected that this allocation should contribute to significant acceleration of poverty reduction in the country.

2-4 PRSP (Poverty Reduction Strategy Paper)

Pakistan made the Interim PRSP (I-PRSP) in 2001, and the first PRSP in 2003. The draft summary of the second PRSP was published in August 2007. The second PRSP is expected to be made available to the public by the end of 2007. According to the first PRSP, the poverty reduction strategy of the government shall be composed of four pillars. Pillar I focuses on ‘accelerating economic growth’ and refers to such issues as budgetary reform, development of capital market, trade liberalization, promotion of investment, deregulation, development of infrastructure, agricultural development and so on. Pillar II brings up the issues of ‘improving governance and devolution’, and presents the government’s undertakings related to decentralization, improvement of judiciary access and civil service reform, etc. Pillar III is
concerned with ‘investing in human capital’, and specific targets are presented regarding education, health, water supply, sanitation, nutrition, population welfare and environment. Finally, Pillar IV ‘targeting the poor and the vulnerable’ presents the relief measures for socially vulnerable population, who suffer from external shocks such as natural disaster.

2-5 Remarks about the government’s poverty strategy papers

MTDF and PRSP are the main policy documents that describe the government commitment to poverty reduction. Various comments or opinions have been expressed by Pakistani practitioners and academicians about the contents of MTDF and PRSP. The remarks are classified into positive and negative ones, and summarized as follows.

Positive Remarks
・ Importance of education is properly emphasized.
・ Employment creation is regarded as an important instrument for poverty reduction.
・ The strategy is in line with the Millennium Development Goals.

Negative Remarks
・ Effect of economic growth on poverty reduction seems overly emphasized.
・ Issues related to income gap and inequality are not sufficiently addressed.
・ Problems of non-agricultural poor households in rural area are not fully addressed.
・ Provincial differences are not necessarily reflected.

2-6 Monitoring framework and trend of public expenditure

CPRIRD under the Planning Commission is in charge of monitoring outcome indicators of the Pakistani Millennium Development Goals based on the data from the statistical department and others. On the other hand, the PRSP secretariat of Ministry of Finance is monitoring the trend of public expenditure on poverty reduction. The report of the PRSP secretariat presents the composition and change of public expenditure on poverty reduction from 2001 to 2006. According to their report, it is shown that the largest amount of budget was expended for ‘education’ sector in 2006, whose share reached 42% of the total expenditure on poverty reduction. ‘Healthcares’ sector also received 12% of the total budgetary expenditure on poverty reduction. The budgetary expenditure on ‘education’ and ‘healthcares’ increased by around 10% every year from 2002 to 2006. This suggests that the government has made a strong
commitment to poverty reduction by expanding education and healthcare services.

**Chapter 3  Partnerships for Poverty Reduction**

3-1  Trend of donors’ support

Based on the OECD-DAC data, the trend and sector composition of donors’ assistance to Pakistan are examined. The net ODA disbursement to the country increased from US$ 1.06 billion in 2003 to US$ 1.67 billion in 2005. As a result, the ratio of the net ODA receipts to the national income went up from 1.3% to 1.5%, and per capita amount of net ODA receipt also increased from US$ 7 to US$ 11 during the same period. The main donors in 2004-05 include the World Bank (US$ 700 million), ADB (US$ 250 million) and the US (US$ 220 million). The Japanese ODA amounted to US$ 120 million in 2004-05, which was the fifth largest among all donors. Concerning the sector composition of ODA to Pakistan, “emergency assistance” had the largest share receiving one third of all in 2004-05, possibly due to the disaster of the earth quake in the northern region in October 2005. ‘Social sector’, including ‘education’, ‘healthcare and family planning’ and ‘other social sector’ received the second largest amount of ODA in the year.

3-2  World Bank

Country Assistance Strategy (CAS) shows the outline of the World Bank’s assistance to Pakistan. The latest strategy, CAS 2006-09, was announced in April 2006. This CAS presents us three strategically important areas for the assistance.

- Pillar I ‘Sustained growth and improved competitiveness’
- Pillar II ‘Strengthened governance and service delivery’
- Pillar III ‘Improved lives and protection of the vulnerable’

Pillar I ‘Sustained growth and improved competitiveness’ refers to public expenditure management for macroeconomic stabilization, improvement of infrastructure in transport and energy sectors as well as agricultural development including irrigation as the main issues. In
addition to sectoral and regional project assistance, Poverty Reduction Support Credit (PRSC) is regarded as the main instrument to indirectly support public sector reform. Pillar II ‘Strengthened governance and service delivery’ focuses on financial management in provincial governments, capacity building of provincial governments and improvement of education. Pillar III, ‘Improved lives and protection of the vulnerable’, targets the poor directly. Improvement of service delivery of healthcare and education as well as upgrading of safety net for the poor are among the main tasks. Moreover, following the disaster of the earthquake in the northern region in October 2005, measures for natural hazard are highlighted as a new issue.

3-3 Asian Development Bank

Country Strategy and Program (CSP) published in May 2002 presents the assistance strategy of the Asian Development Bank. This CSP was updated in May 2005 and called “Country Strategy and Program Update 2006-08”. This updated strategy is divided into four sub strategies, which are ‘good governance’, ‘agriculture and rural development’, ‘infrastructure sector’, and ‘inclusive social development’. Under the first sub strategy of ‘good governance’, it was expected to help the government improve its governance structure, following the adoption of “Local Government Ordinance (LGO)” in 2001. Moreover, technical assistance projects have been implemented to make the gender issue a main political agenda. Expansion of judicial access is another main issue. Second, ‘agriculture and rural development’ supports comprise of various projects in each province. Technical assistance projects to promote public-private partnership are also implemented in order to generate employment opportunities for non agricultural business in rural area. Under the sub strategy of ‘infrastructure sector’, capacity building of staff in the federal and provincial governments is highlighted so as to prepare for the highway and rural roads networking projects. With regard to energy sector, mobilization of private resources and privatization of Karachi Electricity Supply Corporation (KESC) are emphasized. Finally, ‘inclusive social development’ is mainly concerned with decentralization of social service. It was also expected that social services such as healthcare and education services should receive sufficient funds.

3-4 UNDP

UNDP attaches importance to the following four areas, ‘governance’, ‘environment’, ‘disaster
reconstruction' and 'poverty reduction and gender'. UNDP’s strategy for poverty reduction is summarized in “Country Programme Action Plan 2004-2008”. The strategy is divided into two groups, which are ‘institutional capacity development’ and ‘community development with asset building for the poor’. Under the ‘institutional capacity development’ strategy, UNDP intends to promote monitoring of the Millennium Development Goals based on a participatory approach. Moreover, the strategy includes such issues as promotion of gender fairness, enhancement of decentralization, strengthening the public auditing and regulating system, promotion of judiciary access, management of natural disaster and environmental consideration. With the second strategy of ‘community development with asset building for the poor’, it is expected to support participation of the poor to the policy making process or water resource management through community development. Besides, such issues as measures to solve urban slam problems, promotion of participation to charity and volunteer activities, enhancement of vocational training for the youth, etc. are taken up in this strategy.

3-5 UK Department for International Development

Assistance strategy of UK Department for International Development (DFID) is presented in its “Country Assistance Plan 2005-2007”. According to this plan, DFID’s activities are divided into three groups, which are ‘increased incomes for the poor’, ‘improved service delivery of education, health and population services to the poor’, and ‘greater accountability of the state to its citizens’. The first group of activities, ‘increased incomes for the poor’, intends to diversify and increase income sources of poor peoples by supporting their wealth holding and by promoting their access to markets. The second group, ‘improved service delivery of education, health and population services to the poor’, pays attention to role of decentralized local government and private sector in service delivery. In Pakistan, service delivery for the women is not often sufficient, so it is expected to improve the service delivery for the poor women by utilizing civil society and community organizations. The third group, ‘greater accountability of the state to its citizens’ intends to encourage the poor, the female poor in particular to participate decision making process of the government, and consequently to strengthen monitoring system of the administration. Therefore, the promotion of public sector reform is one of the main issues in order to strengthen role of members of the parliament, to enhance judiciary access, to promote participation of the civil society including the media.
3-6 Canadian International Development Agency

The assistance strategy of the Canadian International Development Agency (CIDA) is illustrated in the “CIDA's Country Programme Framework for Pakistan 2001-2006”. This strategy presents the following three targets.

i) To promote democratic local governance through support to devolution and effective citizen participation, specially that of women

ii) To improve the quality and delivery of social services, especially for the female population, and to increase access to those services by the poor

iii) To contribute to the improvement of women’s human rights, health and education, and economic empowerment.

3-7 European Commission

The main focus of the European Commission in supporting Pakistan is “achievement of sustainable social and economic development”. It is particularly highlighted to promote human resource development, poverty alleviation, improvement of socially handicapped people such as women and children, and environmental consideration. Currently, the Commission has paid much attention to introduce gender aspects in its assistance and to promote participation of local communities in projects. Typical projects implemented by the Commission in the country include ‘social action programme’, ‘rural social development programme’, ‘environmental rehabilitation project in NWFP and Punjab”.

3-8 Donor coordination

Donor Working Group has been organized in Pakistan since 2003 for information-sharing and programme/project coordination. The formulation of PRSP by the government stimulated the donors to create this group, so initially this group mainly discussed the contents of draft I-PRSP document. However, the government of Pakistan does not officially participate in this group. Informal Poverty Reduction Working Group is regarded as one of sub groups of this working group. This sub group is a framework of coordinating donors’ projects for poverty reduction. The members are mostly practitioners, and meetings are held four times a year. ADB hosts the secretariat, and UNDP, CIDA, EC and ADB hold the rotating head of this sub group.
Monitoring of PRSP progress and the government budget for poverty reduction are among the main issues discussed in this sub group.

3-9 Collaboration with private sector

NGOs have also played an important role in poverty reduction in Pakistan. Main activities include micro credit, development of small scale infrastructure, human resource development. Those NGOs, which receive sufficient financial support from the government or donors, are generally able to expand their operation country wide. These nationally active NGOs include “National Rural Support Programme (NRSP)”, “Pakistan Poverty Alleviation Fund (PPAF)”, and “Khushali Bank”, which is in charge of micro finance.

3-10 Suggestion to effective support for poverty reduction

The government of Pakistan attaches importance to the poverty reduction strategy by accelerating economic growth. ‘Promotion of economic growth’ seems to be a backbone of the poverty reduction strategy in PRSP and MTDF. Although a majority of the Pakistani industry is low-tech and low value added manufacturing, the average wage level of labors in the country is higher than neighboring low income countries, which negatively affects the international competitiveness of Pakistani made products. In order to keep the economic growth rate high, it is urgently needed to increase the international competitiveness of domestic products. Therefore, the country should transfer its industrial structure toward high tech and high valued manufacturing. Moreover, in order to reduce the relatively high wage level in the region, it is necessary to mobilize more people, particularly the poor, as labor forces in formal sector. To achieve these objectives, it is extremely important to enhance educational enrollment at all levels, including the education for the poor. It is also essential to upgrade the level of female education, and utilize more poor female workers in formal sector. If poor people, particularly poor women, are sufficiently educated, and then mobilized as labor forces in formal sector, economic growth of the country should be much accelerated. This type of economic growth would be considered as ‘pro-poor’, because a greater number of poor people participate in the process.

Many of the households in Pakistan are distributed somewhere around the poverty line. These households are very vulnerable to external shocks, such as natural disaster, disease of family
members, business depression and so on. If these households are affected by external shocks, they can easily fall into the situation of poverty or extreme poverty, and they are not able to get out of such situation easily. In order to reduce poverty in an effective way, it seems appropriate to target those households distributed somewhere around the poverty line, and to help them strengthen capacity to cope with external shocks that threaten their livelihood. This capacity would be obtained by either having job opportunities in formal sector or diversifying sources of household income.