

EMBASSY OF PAKISTAN
ECONOMIC DIVISION

PRO-POOR SPENDING
FISCAL YEAR 2010-11
JULY 1, 2010

- **Poverty line in Pakistan** is calorie-based. Expenditure on calorie intake of 2350 calories per adult equivalent per day, along with **consumption** expenditure on non-food items, is aggregated to construct a poverty line. This poverty line is adjusted at the time of the poverty estimation after accounting for the inflationary impact in intervening years.

- **Pakistan Poverty Line in Historical Perspective** is:

| <u>Year</u> | | <u>Poverty Line</u> |
|-------------|----|---------------------|
| 1998-99 | Rs | 673.40 |
| 2000-01 | Rs | 723.40 |
| 2004-05 | Rs | 878.64 |
| 2005-06 | Rs | 948.47 |

- **Poverty after decline** during 2000-01 to 2004-05 from 34.5% to 23.9% seems to have increased in the recent years due to slow economic growth, high rate of inflation, scarcity of power and the war on terror resulting in diversion of public expenditure from development to security

- **Poverty Reduction policy** thrusts include:

- Provision of **productive assets** to the poor
- Enhancement of **capacity of the people** through human development and gender mainstreaming programs
- Provision of **safety net** to protect the extreme poor and vulnerable.

- Provision of adequate resources for **financing** the poverty reduction programs
- Reforming and **strengthening institutions** for better **delivery of public services.**

➤ **Poverty reduction between 1990 and mid-2000s is as follows:**

| Country | Period | Headcount poverty rates (%) | | Number of Poor (Million) | | | % age share of each country in the total poverty reduction |
|----------------------------------|-----------|-----------------------------|-------|--------------------------|-------|-------------------|--|
| | | Initial | Final | Initial | Final | Poverty reduction | |
| Bangladesh | 1992-2005 | 66.8 | 9.6 | 80.4 | 76.0 | 4.4 | 0.7 |
| Cambodia | 1994-2004 | 48.6 | 40.2 | 5.4 | 5.5 | -0.1 | 0.0 |
| China (rural) | 1990-2005 | 74.1 | 26.1 | 614.2 | 204.2 | 409.9 | 68.8 |
| China (urban) | 1990-2005 | 23.4 | 1.7 | 73.2 | 9.1 | 64.1 | 10.8 |
| India (rural) | 1988-2005 | 55.6 | 43.8 | 344.5 | 353.3 | -8.9 | -1.5 |
| India (urban) | 1988-2005 | 47.5 | 36.2 | 98.1 | 117.3 | -19.2 | -3.2 |
| Indonesia (rural) | 1987-2005 | 70.5 | 24.0 | 85.7 | 27.3 | 58.3 | 9.8 |
| Indonesia (urban) | 1987-2005 | 62.0 | 18.7 | 29.0 | 19.7 | 9.3 | 1.6 |
| Iran (Islamic Republic of) | 1990-2005 | 3.9 | 1.5 | 2.2 | 1.0 | 1.2 | 0.2 |
| Kazakhstan | 1996-2005 | 5.0 | 3.1 | 0.8 | 0.5 | 0.3 | 0.1 |
| Lao People's Democratic Republic | 1992-2002 | 55.7 | 44.0 | 2.5 | 2.5 | 0.0 | 0.0 |
| Pakistan | 1991-2005 | 64.7 | 22.6 | 76.5 | 37.5 | 39.2 | 6.6 |
| Philippines | 1988-2006 | 30.5 | 22.6 | 18.1 | 19.7 | -1.6 | -0.3 |
| Russian Federation | 1993-2005 | 2.8 | 0.2 | 4.2 | 0.2 | 4.0 | 0.7 |
| Sri Lanka | 1985-2002 | 20.0 | 14.0 | 3.2 | 2.7 | 0.6 | 0.1 |
| Thailand | 1988-2004 | 17.2 | 0.4 | 9.5 | 0.3 | 9.2 | 1.5 |
| Turkey | 1987-2005 | 1.3 | 2.7 | 0.7 | 1.9 | -1.2 | -0.2 |
| Viet Nam | 1993-2006 | 63.7 | 21.5 | 44.7 | 18.2 | 26.5 | 4.4 |
| Median | | 48.0 | 22.0 | | | | |
| Total (15 countries) | | | | 1492.9 | 896.9 | 596.0 | 100.0 |

Source: Economic and Social Survey of Asia and the Pacific 2010. ESCAP, UN

- **PRSP pro-poor expenditures** are reported regularly under five broad categories i.e. i) Market Access and Community Services; ii) Human Development; iii) Rural Development; iv) Safety Nets; and v) Governance. These five categories cover 17 pro-poor sectors for tracking of budgetary expenditures
- **Pro-Poor spending is significantly** rising over recent years; from 3.77 percent of GDP in FY 2001-02 to 7.46 percent of GDP in FY 2008-09 which remained well above the projected expenditure of Rs.760billion for the year
- **Headcount index declined** in almost all countries with data on income poverty, with the exception of Bangladesh, where the

estimated proportion of people living below the \$1.25 a day poverty line increased from 44 percent in 1981 to 51 percent in 2005. In India alone, the poverty headcount fell by 18 percentage points, from 60 percent in 1981 to 42 percent in 2005. Pakistan also experienced a decline in the headcount index from 73 to 23 percent during the same period.

- **Proportion of the population** living on less than \$1.25 a day in countries of South Asia, 1981, 1990 and 2005, and the change needed to reach the 2015 target (percentage) is given below:

| Country | Proportion living on less than \$1.25 a day | | | 2015 Target | Annual rate of change (1990-2005) | Change needed to achieve the target (2005-2015) | Annual rate of change needed to achieve the target (2005-2015) |
|--------------------|---|------|------|-------------|-----------------------------------|---|--|
| | 1981 | 1990 | 2005 | | | | |
| Nepal | - | 77 | 54.7 | 38.5 | -2.3 | -16.2 | -3.5 |
| Bangladesh | 44.2 | 49.9 | 50.5 | 24.9 | 0.1 | -25.6 | -7.1 |
| India | 59.8 | 51.3 | 41.6 | 25.7 | -1.4 | -15.9 | -4.8 |
| Bhutan | 47.4 | 51 | 26.8 | 25.5 | -4.3 | -1.3 | -0.5 |
| Pakistan | 72.9 | 58.5 | 22.6 | 29.3 | -6.3 | a | a |
| Sri Lanka | 31 | 15 | 10.3 | 7.5 | -2.5 | -2.8 | -3.2 |
| Total (South Asia) | 59.4 | 51.7 | 40.3 | 25.9 | -1.6 | -14.5 | -4.4 |

Source: World Bank, Development Research Group (2009)

a: By 2005-06, the country had achieved the 2015 target of halving poverty, using 1990 as the baseline.

- **Micro Finance:** Micro-credit has proved to be a powerful instrument to help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks.
- Micro finance network comprises a host of institutions such as Pakistan Poverty Alleviation Fund, Rural Support Programs, Khushhali Bank, First Women Bank, First Microfinance Bank, SME Bank, Kashf Foundation, etc. Table 10.1 below shows disbursements and number of beneficiaries of microfinance during 2008-09, 2009-10 and targets for 2010-11.

| Microfinance Year | Disbursements (Rs Billion) | No. of Beneficiaries (000) |
|----------------------------|----------------------------|----------------------------|
| 2008-09 (Actual) | 28.7 | 1,913 |
| 2009-10 (Estimates) | 31.0 | 1,996 |
| 2010-11 (Targets) | 36.0 | 2,250 |

Social Protection Strategy

- Social Protection includes straight and conditional transfers and social insurance for the poor to manage risk and vulnerability.

Benazir Income Support Program (BISP)

- To overcome the severity of poverty, the Benazir Income Support Program (BISP) was launched in 2008-09 to protect the poor.
- The program envisages cash grants of Rs 1,000 every month to the females of each qualifying household having a monthly income of less than Rs 6,000 through banks/post offices.
- Allocation for the year 2009-10 is Rs 70 billion to cover five million families, 15% of the entire population.
- Next year's expected allocation is Rs 90 billion with target coverage of 6.5 million families. BISP is being implemented in all four provinces including Federally Administered Tribal Areas (FATA), Gilgit-Baltistan, Azad Jammu and Kashmir (AJK) and Islamabad Capital Territory (ICT)
- As an exit strategy, Waseela-e-Haq has been started as one of the BISP initiatives.
- This is a targeted scheme to provide interest free loans up to Rs 300,000 to the randomly selected beneficiary families currently receiving the cash transfers under BISP to be validated through the programme eligibility criteria.
- Waseela-e-Haq is purely meant to promote self-employment among women beneficiaries or their nominees to improve their livelihood. The target for 2010-11 is 18,000 females.
- To make best use of healthcare services the Government of Pakistan also proposes a "Benazir Health Card" that will target 2.5 million underserved group of Pakistani population.
- Vocational Training Product has also been planned for BISP beneficiaries or their nominee to enable them to earn sustainable income. Government Vocational Organizations and Institutions will provide market demand skills.

Pakistan Bait-Ul-Mal

- Pakistan Bait-Ul-Mal provides financial assistance to the destitute, widows, orphans and invalids, educational assistance to the outstanding non-affording students for higher professional education, free medical treatment for indigent sick people, and financial aid to charitable institutions including educational and vocational setups.
- A budgetary allocation of Rs 7.03 billion was made for Pakistan Bait-Ul-Mal for 2009-10. Allocations for the next fiscal year is expected to be Rs 3.5 billion, which is lower than the current year's allocation due to exclusion of Food Support Program from Pakistan Bait-ul-Mal's activities, being looked after by the Benazir Income Support Program

Other safety nets

- Other safety nets include, Zakat disbursements, Employees Old-age Benefit Institution (EOBI), Employees Social Security Institutions, etc.
- Zakat disbursements during July-March, 2009-10 amounted to more than Rs 3 billion to around 523 thousand beneficiaries.
- The EOBI is paying pension to around 352 thousand persons including old aged workers, survivors of the expired workers and invalid workers.
- The Punjab and Sindh Employees Security Institutions have estimated disbursement of more than Rs 4 billion to more than 4 million workers during 2009-10 on account of medical care, cash benefits and advances. The amount and the number of beneficiaries will be increased during the next fiscal year.

Financing Poverty Reduction

- According to the Fiscal Responsibility and Debt Limitation Act (FRDLA), 2005 social and poverty related expenditures are not to be reduced below 4.5 percent of GDP in any given year.
- Pro-poor expenditures include both current and development expenditure and cover 17 related heads under market access & community services, human development, rural development, safety nets, and governance.
- **The pro-poor expenditures during 2009-10** are estimated at Rs 860 billion which will be increased to Rs 1049 billion in 2010-11.

Rs in billion

| Sectors | 01/02 Actual | 02/03 Actual | 03/04 Actual | 04/05 Actual | 05/06 Actual | 06/07 Actual | 07/08 Actual | 08/09 Actual | 08-09 (Jul- Mar) Actual | 09/10 (Jul- Mar) Actual | 09/10 Projected |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------------------|----------------------------------|--------------------|
| I. Market Access and Community Services | 11 | 16.6 | 28.5 | 41.7 | 63.6 | 76.6 | 104.5 | 121.8 | 60 | 51.7 | 70.2 |
| i. Roads, Highways & Bridges | 6.3 | 13.1 | 22.7 | 35.2 | 53.2 | 60 | 85 | 99.6 | 48.6 | 38.8 | 59.2 |
| ii. Water Supply & Sanitation/Environment | 4.6 | 3.4 | 5.8 | 6.5 | 10.3 | 16.6 | 19.5 | 22.2 | 11.4 | 12.9 | 11.0 |
| II. Human Development | 86.8 | 103.9 | 129.4 | 152.9 | 191.1 | 222.3 | 256.8 | 329.4 | 200.5 | 234.6 | 327.2 |
| iii. Education | 66.3 | 78.4 | 97.7 | 116.9 | 141.7 | 162.1 | 187.7 | 240.4 | 153.6 | 175.3 | 260.6 |
| iv. Health | 19.2 | 22.4 | 27 | 31.4 | 39.2 | 53.2 | 62.4 | 83.7 | 43.1 | 55.0 | 62.1 |
| v. Population Planning | 1.3 | 3.1 | 4.7 | 4.6 | 10.2 | 7 | 6.7 | 5.3 | 3.8 | 4.3 | 4.5 |
| III. Rural Development | 24.3 | 34.2 | 44.6 | 59.7 | 78.5 | 101.8 | 151.5 | 136 | 82.1 | 94 | 140.5 |
| vi. Agriculture* | 10.1 | 15.5 | 22.5 | 37.9 | 59.8 | 74.8 | 122.9 | 88.9 | 49.3 | 53.5 | 109.6 |
| vii. Land Reclamation | 1.9 | 1.8 | 2 | 2.1 | 2.7 | 2.3 | 3.1 | 2.7 | 1.5 | 1.3 | 3.2 |
| viii. Rural Development | 12.3 | 16.9 | 18.6 | 15.4 | 15 | 22.2 | 22.8 | 16.4 | 6.3 | 10.7 | 11.3 |
| ix. Peoples Works Programme-II** | 0 | 0 | 1.4 | 4.4 | 1 | 2.5 | 2.7 | 28 | 25 | 28.5 | 16,418 |
| IV. Safety Nets | 11 | 15.4 | 17 | 11.4 | 36.1 | 18.8 | 435.2 | 276.1 | 203.5 | 166.3 | 271.6 |
| x. Subsidies*** | 4.3 | 10.9 | 8.5 | 5.4 | 6 | 5.5 | 398.5 | 220.6 | 175.8 | 128.4 | 178.3 |
| xi. Social Security & Welfare | 3.7 | 1.3 | 4.1 | 2 | 7.6 | 4.5 | 22.5 | 29.1 | 17.3 | 27.1 | 73.5 |
| xii. Food Support Programme | 2 | 2 | 2.8 | 2.7 | 3.1 | 3.5 | 4.3 | 12.4 | 3.5 | 0 | 11.8 |
| xiii. Peoples Works Programme-I**** | 0.8 | 0.8 | 0.6 | 0.08 | 0 | 0.02 | 1.9 | 3.3 | 1.7 | 2.5 | 2.9 |
| xiv. Natural Calamities & Disasters | 0.2 | 0.4 | 0.5 | 0.9 | 19.1 | 5 | 7.4 | 10 | 4.9 | 7.5 | 3.5 |
| xv. Low Cost Housing | 0 | 0.01 | 0.4 | 0.3 | 0.3 | 0.3 | 0.6 | 0.6 | 0.3 | 0.77 | 1.5 |
| V. Governance | 33 | 39 | 41.8 | 50.5 | 6.8 | 7.2 | 94 | 113.9 | 71.9 | 104.7 | 50.5 |
| xvi. Law & Order | 31 | 36.7 | 39.4 | 47.4 | 1.1 | 2.1 | 88 | 104.7 | 66 | 97.6 | 43.7 |
| xvii. Justice Administration | 2 | 2.2 | 2.4 | 3.1 | 5.6 | 5.1 | 6 | 9.2 | 5.9 | 7.1 | 6.8 |
| Total | 166.1 | 209 | 261.3 | 316.2 | 376.1 | 426.7 | 1042 | 977.2 | 618 | 651.2 | 860.0 |
| As % of GDP | 3.77 | 4.33 | 4.63 | 4.81 | 4.93 | 4.89 | 9.7 | 7.46 | 5.7 | 4.3 | 6.01 |

* Agriculture sector has been included for tracking PRSP expenditures instead of irrigation with effect from FY 2008/09

** Village electrification has been replaced with People Works Programme-II in FY 2008/09

*** Food subsidy has been renamed as subsidy with effect from FY 2008/09

**** Khushal Pakistan Fund has been renamed as People Works Programme-I from FY 2008/09

Source: Finance Division.

**Sectors Share in Pro-Poor Expenditures
(in Percent)**

| Sectors | Actual | | % share | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2008/09 (July-March) | 2009/10 (July-March) | 2008/09 (July-March) | 2009/10 (July-March) |
| I. Market Access and Community Services | 60.0 | 51.8 | 9.71 | 7.94 |
| II. Human Development | 200.5 | 235.7 | 32.44 | 36.02 |
| III. Rural Development | 82.1 | 94 | 13.28 | 14.43 |
| IV. Safety Nets | 203.5 | 158.37 | 32.93 | 25.53 |
| V. Governance | 71.9 | 104.7 | 11.63 | 16.08 |
| Total | 618.0 | 644.57 | 100 | 100 |

Source: Finance Division