

POVERTY REDUCTION STRATEGY PAPER:

**1ST QUARTERLY PROGRESS REPORT
FY 2008/09**

**PRSP Secretariat - Finance Division
Government of Pakistan**

List of Acronyms

AJ&K	Azad Jammu & Kashmir	MFI	Microfinance Institutions
BISP	Benazir Income Support Programme	MFP	Microfinance Providers
CCT	Conditional Cash Transfers	MSP	Macroeconomic Stabilization Programme
CDA	Capital Development Authority	NCRCL	National Centre for Rehabilitation of Child Labour
CDWA	Clean Drinking Water for All	NEMIS	National Education Management Information System
CDWI	Clean Drinking Water Initiative	NFNE	Non-Food Non-Energy
CFI	Commercial Financial Institution	NGO	Non-Governmental Organization
CPI	Consumer Price Index	NWFP	North Western Frontier Province
CSW	Civil Society Wing	PBM	Pakistan Bait-ul-Mal
DAP	Di-Ammonium Phosphate	PFSS	Punjab Food Support Scheme
EOBI	Employees' Old Age Benefit Institution	PMN	Pakistan Microfinance Network
FANA	Federally Administered Northern Areas	PPAF	Pakistan Poverty Alleviation Fund
FATA	Federally Administered Tribal Areas	PPPs	Public Private Partnerships
FDI	Foreign Direct Investment	PRSP	Poverty Reduction Strategy Paper
FRDLA	Fiscal Responsibility and Debt Limitation Act	PSDP	Public Sector Development Programme
FSP	Food Support Programme	PSLM	Pakistan Social and Living Standards Measurement Survey
FY	Fiscal Year	PWP	Peoples' Works Programme
GDP	Gross Domestic Product	RSPs	Rural Support Programmes
ICT	Islamabad Capital Territory	SBP	State Bank of Pakistan
IFA	Individual Finance Assistance	SPI	Sensitive Price Indicator
KPP	Khushal Pakistan Programme	TT-1	Tetanus Toxoid-1
LFS	Labour Force Survey	TT-2+	Tetanus Toxoid-2+
LHWs	Lady Health Workers	WPI	Wholesale Price Index
LSM	Large Scale Manufacturing		
MDGs	Millennium Development Goals		
MF	Microfinance		
MFB	Microfinance Banks		

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1 Introduction

1.1 This Poverty Reduction Strategy Paper (PRSP) quarterly progress report for Q1 of FY 2008/09 is the 17th report, since the monitoring of pro-poor budgetary and non-budgetary expenditures began in 2001. This report is also first of the quarterly reports since the PRSP-II was finalized in FY 2008/09. The PRSP-II covers the three-year period FY 2008/09 – FY 2010/11. The PRSP-I has been a successful strategy, as sound progress has been made in all pro-poor sectors during the last seven years. During 2003 onwards, the Strategy focused on four pillars, i.e. (i) Accelerating Economic Growth; (ii) Improving Governance; (iii) Investing in Human Capital; and (iv) Targeting the Poor and the Vulnerable. Taking into account recent socio-economic developments, both domestic and international, the PRSP-II has been built upon the government's nine-point economic reform-poverty reduction agenda encompassing the following nine pillars, i.e. (i) Macroeconomic Stability and Real Sector Growth; (ii) Protecting the Poor and the Vulnerable; (iii) Increasing Productivity and Value Addition in Agriculture; (iv) Integrated Energy Development Programme; (v) Making Industry Internationally Competitive; (vi) Human Development for the 21st Century; (vii) Removing Infrastructure Bottlenecks through Public Private Partnerships (PPPs); (viii) Capital and Finance for Development; and (ix) Governance for a Just and Fair System.

1.2 The economic crisis felt worldwide gripped Pakistan's economy as well during initial months of FY 2008/09. The unsteady and unsustainable balance of payment position and heavy reliance of the government on borrowings from State Bank of Pakistan (SBP) remained the major sources of macroeconomic instability in Quarter 1 of FY 2008/09. On the external front, high international commodity prices, global financial crisis, and slowing economic growth worldwide aggravated Pakistan's economic vulnerability. On the domestic front, economic growth slowed down due to a combination of factors e.g. energy shortages, high fuel prices, and unsatisfactory crop harvests.

1.3 This Quarterly Progress Report covers the status of tracking poverty reduction efforts during first quarter of FY 2008/09 (July – September). Section 1 of the report briefly introduces the PRSP-II and its nine pillars. Section 2 gives an overview of Pakistan's economy along with a brief discussion on key economic indicators. This section also compares the economic progress of Quarter 1 FY 2008/09 with Quarter 1 of FY 2007/08. Section 3 portrays an analysis of the budgetary expenditures against allocations for 17 pro-poor sectors in general and education and health sectors in particular. While section 4 highlights both budgetary and non-budgetary strategies and methods that directly provide social protection to the poor, and also illustrates expenditure tracking of the non-budgetary programmes, section 5 briefly discusses monitoring of PRSP output (intermediate) indicators.

Box 1.1: Nine Pillars of PRSP-II

The Poverty Reduction Strategy Paper (PRSP)-II is built upon the following nine pillars:

Pillar I: Macroeconomic Stability and Real Sector Growth: First and foremost, the government's top priority is regaining macroeconomic stability, which will act as an umbrella over all other government policies. It is on the basis of the macroeconomic framework that assumptions and targets of all policies will be set.

Pillar 2: Protecting the Poor and the Vulnerable: Social safety nets that provide minimal safeguard for the poor and the vulnerable which must form an essential element of any poverty reduction strategy. The chapter comprises a range of programmes and policies such as social insurance and assistance; income transfers to the very poor; support to vulnerable households to manage risks; and investment in human capital and physical assets to strengthen their resilience.

Pillar III: Increasing Productivity and Value Addition in Agriculture: Agriculture contributes one of the largest shares in the country's Gross Domestic Product (GDP). Agriculture will receive high priority in the PRSP-II as bulk of the poor are concentrated in rural areas.

Pillar IV: Integrated Energy Development Programme: Ensuring energy security and energy efficiency will be amongst the government's top priorities in order to tackle the current energy crisis and enable sufficient supply of energy for domestic as well as commercial use.

Pillar V: Making Industry Internationally Competitive: The government realizes the need to improve the general business environment to provide a conducive platform for efficient economic activity.

Pillar VI: Human Development for the 21st Century: Human development is a prerequisite for improving all aspects of the quality of life of citizens. The government is aware that improvement in social indicators needs to be expedited and has, therefore, adopted human resource development as a priority area particularly in the areas of (i) education; (ii) health; (iii) safe water and sanitation; (iv) population planning; and (v) gender equality.

Pillar VII: Removing Infrastructure Bottlenecks through Public Private Partnerships (PPPs): The government's vision for economic growth and poverty reduction sets ambitious targets, which will require massive investment in quality and affordable infrastructure (roads and highways, dams, energy, transport) to sustain high rates of private sector led growth, enhance economic competitiveness and optimize Pakistan's locational advantage. This will be a primary objective during the PRSP-II period and beyond.

Pillar VIII: Capital and Finance for Development: Financial institutions allocate resources to the most efficient utilization ensuing rapid accumulation of physical and human capital and technological progress, which in turn leads to higher economic growth - a prerequisite for poverty alleviation. The pillar highlights the financial development path of Pakistan.

Pillar IX: Governance for a Just and Fair System: Governance is the manner in which public institutions and officials acquire and exercise authority to shape public policy and provide public goods and services. It is a critical pillar of Pakistan's Poverty Reduction Strategy, because it is the poor that especially suffer from lack of security, empowerment and opportunities.

Source: Poverty Reduction Strategy Paper (PRSP)-II, FY 2008/09 - FY 2011/11, Finance Division, Government of Pakistan.

2 Trends in Macroeconomic Indicators

2.1 During Q1 FY2008/09, there is some progress on containing fiscal imbalances, with the government moving bravely to reduce subsidies, containing growth in unnecessary spending, and focusing on increasing revenues. The result of these efforts has been encouraging improvements in some fiscal indicators, including a sharp fall in the fiscal deficit from 1.6 percent of Gross Domestic Product (GDP) during Q1 FY 2007/08 to 1 percent of GDP in Q1 FY 2008/09 (see Table 2.1). This figure appears consistent with the target set in the Macroeconomic Stabilization Programme (MSP) of the government. The supply side improvements have been reinforced by the reasonably better performance of crops during *Kharif* season FY 2008/09 cropping season and growth in services sector. This has improved prospects for low inflation; while inflation is still very high, there is an expectation that it will decelerate sharply in the subsequent quarters of the fiscal year. While the country's macroeconomic conditions are not worsening further, the disparities in key economic indicators are nonetheless very large and resolving them will require disciplined efforts over an extended timeframe. This challenge is all the greater because of the difficult international economic environment; it has restricted the country's ability to tap international capital markets and carries risks for other external receipts (exports, remittances, Foreign Direct Investment/FDI, etc.).

2.1 Agriculture

2.2 The initial months' review of agriculture sector's performance in FY 2008/09, suggests that agricultural growth in the current fiscal year could be significantly better as compared to FY2007/08. This expectation is based on a record rice harvest of 6.5 million tones, and a small improvement in cotton production during *Kharif* season. Some important policy measures announced in the FY 2008/09 budget (and later) to encourage farmers may have played a role. These include an increase in subsidy on Di-Ammonium Phosphate (DAP) fertilizer (to promote a balanced mix of fertilizers) and exemption of fertilizers and pesticides from excise (see Box 2.1 for the agriculture package in Federal Budget FY 2008/09).¹ If fully implemented, the package would encourage mixed use of fertilizers, increased use of pesticides to cope with fast spreading disease, enhanced farmer confidence to earn and save more, improved water availability in farms and increased agricultural production.

2.3 Rice crop primarily benefited from increases in farming along with record high rice prices at sowing time. Cotton harvest, which had declined during the last three years, rose by 3.5 percent to 12.1 million bales during FY 2008/09.² Sugarcane crop suffered because of disappointment among farmers in the preceding season. Not only realized prices were lower than the anticipated prices (as per announced procurement prices), delays in the beginning of crushing season and payments also placed them at a disadvantage. As a result, for the FY 2008/09 cropping season growers switched from sugarcane to other crops. Consequently, the area allotted to sugarcane fell by 16.0 percent. The wheat production target had been fixed at 25.0 million

¹ Agriculture-Package was announced in Federal Budget FY 2008/09.

² This section comprise of excerpts from SBP First Quarterly Report FY 2008/09.

tonnes for FY 2008/09 season. By mid November 2008, wheat plantation registered 9.3 percent rise over the same period last year.

Box 2.1: Agriculture-package in Federal Budget FY 2008/09

Agriculture package in the Federal Budget aims at reducing cost of production, increasing output, enhancing water availability and raising income of the farming sector. The package includes following measures:

1. Higher subsidy for farming sector of Rs 32 billion compared with Rs 25 billion in FY 2007/08.
2. Subsidy on DAP raised by 113.0 percent or by Rs 530 to Rs 1,000/50kg bag which would reduce the price of DAP and encourage balanced use of fertilizers which in turn will lead to higher crop yields.
3. Allocation of Rs 75 billion for building new dams.
4. Exemption of general sales tax on fertilizers and pesticides.
5. Elimination of 5 percent excise duty on crop insurance to encourage crop insurance scheme.
6. Withdrawal of 10 percent customs duty on import of rice seed to enhance plantation of better seeds for higher rice yield.
7. Allow duty free import of bulldozers/laser land leveling technology to help improve water efficiency.
8. Under White Revolution Programme Rs 1.5 billion to be spent on dairy development.

2.2 Industry

2.4 Growth of Large Scale Manufacturing (LSM) continued to decline during Quarter 1 FY 2008/09. It registered a negative growth of 6.2 percent in Quarter 1 FY2008/09 as against a high growth of 7.3 percent in Q1 FY 2007/08, see table 2.1 below. This disappointing outcome was a result of a number of factors including: severe energy shortages, deterioration in domestic law & order situation, impact of pass through of international oil prices, rupee depreciation, and most importantly, weak external demand on the back of global recession and slowdown in domestic demand.

2.5 Within the non-agricultural based industries section, consumer durables (cars and jeeps, motorcycles, refrigerators, deep freezers, TV sets) registered a decline of 31.2 percent in production during Q1 FY 2008/09. On the contrary during Q1 FY 2008/09, fertilizers, engineering, wood and chemicals sub sectors registered positive growth in their production. In order to achieve and sustain a high growth route, it is increasingly important for the sector to focus on removing structural constraints that hinder its path to high growth in the longer term. Indeed, government's immediate measures to tackle the ongoing energy crisis remain vital in this regard.

2.3 Services

2.6 The services sector has exhibited resilience to fluctuations in economic activity in recent years. Key indicators of wholesale and retail indicate a clear fall in trading activities during Quarter 1 FY 2008/09, mainly due to significant decline in manufacturing activities and relative softening demand for imported consumer goods. A slowdown also reflects the impact of substantial depreciation of the rupee, as well as the substitution effect as people prioritize their consumption of essential goods given high inflation in the economy. In contrast to a number of adverse developments, an improvement in agriculture growth will support increases in value

addition in the trade sub sector. The major impetus to growth in finance and insurance is from an expected rise in SBP profits, which is expected to be supplemented by improved performance of the insurance sector, strong FDI inflow, as well as reasonable commercial bank profits resulting from recent government measures to ease liquidity constraints in the banking system.

Table 2.1 Growth in Key Macroeconomic Indicators			
Period	Selected Economic Indicators	Quarter 1 FY 2007/08	Quarter 1 FY 2008/09
Growth Rate			
July-Sep	Large Scale Manufacturing	7.3	- 6.2
Jul-Nov	Exports	6.5	12.7
Jul-Nov	Imports	18.4	16.5
Nov.	Inflation (CPI)*	7.6	19.1
As Percentage of GDP			
July-Sep	Fiscal Deficit	1.6	1.0
Jul-Nov.	Trade Deficit	4.6	4.9
Jul-Nov.	Current A/c Deficit	2.8	3.9

Source: State Bank of Pakistan Quarterly Reports 1 FY 2007/08 and FY 2008/09.

* CPI: Consumer Price Index.

2.4 Inflation

2.6 Inflationary pressures remained strong in the economy during the first quarter of FY 2008/09. In particular, Consumer Price Index (CPI) and the Sensitive Price Indicator (SPI) have seen strong increases throughout FY 2008/09. On average, CPI inflation during Q1 FY 2008/09 was in the range of 19-20 percent compared with 7.6 percent during Q1 FY 2007/08. However, after recording strong growth during the first two months of FY 2008/09, a significant decline in Wholesale Price Index (WPI) inflation has been observed during the later months. Similar to CPI inflation, both measures of core inflation, Non-Food Non-Energy (NFNE), continued to accelerate. Strength in core inflation is indicating the persistence of inflationary pressures. As a result of the tight monetary stance by SBP, inflationary pressures are likely to ease from second quarter of FY 2008/09. The persistence of inflationary pressures also requires sustained macroeconomic discipline in the subsequent quarters.

2.5 Fiscal Balance

2.7 The large fiscal deficit in FY2007/08 and the adverse economic consequences of its financing placed fiscal consolidation at the top of government's Macroeconomic Stabilization Programme for FY2008/09. The fiscal consolidation programme of the government for FY 2008/09 is based on a two-pronged strategy and includes:

- Substantial reduction in overall budget deficit, as a percentage of GDP, through a mix of cut in expenditures (as a share of GDP) and a rise in tax revenues (as a share of GDP); and
- A gradual elimination of government budgetary borrowings from SBP.

2.8 As a result, the fiscal performance in Q1 FY 2008/09 improved consequent to the policy shift, with the overall fiscal deficit estimated to have dropped to 1 percent of annual GDP, which is also consistent with the annual fiscal deficit target set under the MSP.

2.6 Trade Balance

2.9 The strong import growth of 21.6 percent outstripped a healthy 11.9 percent rise in exports during Q1 FY 2008/09. As a result, trade deficit expanded to 4.9 percent of GDP during Quarter 1 FY 2008/09 compared with 4.6 percent in the same Quarter last fiscal year. During Jul-Nov this fiscal year, strong growth in imports, mainly due to higher import prices, outpaced the otherwise substantial improvement in export growth causing the trade deficit for the period to widen by US\$ 1.4 billion.

2.7 Current Account Balance

2.10 Pakistan's external account remained under stress through Jul-Nov FY2008/09, as acceleration in the growth of the current account deficit, coupled with sharply reduced financial & capital account inflows drew the country's foreign currency reserves to perilously low levels. Pakistan's current account deficit increased considerably to 3.9 percent during Q1 FY 2008/09 compared to 2.8 percent during the same period i.e. Q1 FY 2007/08. As in the later half of FY 2007/08, the expansion in current account deficit during Jul-Nov FY 2008/09 was mainly driven by a substantial acceleration in import growth.

2.11 The above discussion of key economic indicators suggests that in FY 2008/09, economy needs effective policies and implementation of reforms to regain macroeconomic stability in the midst of a challenging year. Moreover, lowering inflation and limiting the twin deficits, in particular, would be crucial for a transition from a stabilization framework to one focused on reviving growth. The recent trends in key macroeconomic variables are, therefore, quite encouraging. Amongst the biggest challenges for the government for acceleration in growth in the following quarters may require further adherence to fiscal discipline, and a significant shift in taxation and expenditures with a supportive increase in development spending, as well as a targeted increase in spending on social safety nets.

3 Pro-Poor Budgetary Expenditures

3.1 This section reviews the pro-poor budgetary expenditures during Q1 FY 2008/09. The PRSP actual expenditures incurred in 17 pro-poor sectors during Q1 FY 2008/09, and projected allocations for overall FY 2008/09 are reported in Table 3.1. As notified in last year's Annual Progress Report the 17 pro-poor sectors have been revisited for the PRSP-II period and beyond. Table 3.1 reflects PRSP budgetary expenditure tracking under the new sectors. Changes are not drastic; additional sub sectors have been incorporated in selected sectors mainly, subsidies; Food Support Programme; agriculture; health; and education (see footnote in Table 3.1). In accordance with the promulgation of the Fiscal Responsibility Debt and Limitation Act (2005) the Government of Pakistan is committed to spend not less than 4.5 percent of annual GDP on these social and poverty related sectors. The analysis of PRSP expenditures with reference to GDP would be more useful in subsequent quarters.

Table 3.1 : PRSP Budgetary Allocations and Expenditures Q1 FY 2008/09			
Sectors	Allocations and Expenditures (Rs million)		Percentage expenditures incurred
	Allocations FY 2008/09	Expenditures Q 1	
Roads, Highways & Bridges	46,705	11,036	23.6
Water Supply & Sanitation	9,074	3,009	33.2
Education	195,602	46,237	23.6
Health	43,935	13,383	30.5
Population Planning	4,084	1,297	31.8
Social Security & Welfare [^]	37,040	2,282	6.2
Natural Calamities	3,172	372	11.3
Agriculture*	91,231	9,876	10.8
Land Reclamation	2,618	458	17.5
Rural Development	9,553	828	8.7
Law & Order ^{^^}	46,603	21,244	45.9
Low Cost Housing	1,327	46	3.5
Justice Administration ^{^^^}	5,890	2,084	35.4
Subsidies ^{**}	231,112	59,197	25.6
Food Support Programme (FSP) ^{^^^^}	15,250	1,100	7.2
People's Works Programme-I	2,612	0	0
People's Works Programme-II ^{***}	14,184	3,020	21.3
Total	759,992	175,433	23.08

Source: Civil Accounts provided by Accountant General Offices.

Quarterly expenditures

* Includes irrigation, fisheries, forestry, and livestock.

** Includes subsidies on financial and fiscal affairs, commercial affairs and food.

*** Includes schemes in the area of electricity, gas, water supply & sanitation and roads.

Annual allocations

[^] Benazir Income Support Programme is included in Social Security and Welfare in the federal budgetary allocations. However, no releases were made in Q1. Expenditure in Pakistan Bait-ul-Mal (excluding FSP) is also included.

^{^^} Law & order includes both current and development allocations.

^{^^^} Justice Administration includes higher and subordinate judiciary.

^{^^^^} Punjab Food Support Scheme is included under Punjab budgetary allocations. However, no releases were incurred in Q1.

3.2 During Q1 FY 2008/09, a sum of Rs 175,428 million was incurred in 17 pro-poor sectors reflecting 23.08 percent of the total annual allocation of Rs 759,992 million for the year. Whereas maximum expenditure incurred during the quarter was in the sectors of subsidies; education; law and order; and health, however, maximum expenditure relative to the respective allocations for the entire FY 2008/09 was incurred in law & order (45.9 percent); justice administration (35.4 percent); and water supply & sanitation (33.2 percent).³

3.3 During Q1 FY 2008/09, out of 17 pro-poor sectors, in 5 sectors, the expenditures were less than 10 percent of the full year's allocations. In 8 sectors during the subject quarter, the expenditures were between 10-30 percent of their respective allocations for the full year. A marginal sum of expenditures was incurred in three pro-poor sectors mainly low cost housing (3.5 percent); social security and welfare (6.2 percent); and rural development (8.7 percent) against their annual allocations. Almost 67.5 percent of Pakistan's population is living in rural areas. Poverty in Pakistan has been higher in rural areas as compared to urban areas. The Government of Pakistan realizes that to address poverty in rural areas, substantial and continuous investment is required in these areas.

3.4 During the same quarter, a reasonable sum of expenditures was incurred in roads, highways and bridges; population planning; and land reclamation. The Government's focus on population planning is evident from the fact that the pace of expenditures on population planning increased relatively during first quarter of FY 2008/09. Expenditure on roads, highways and bridges stood at more than 11 billion during Q1 FY 2008/09 against the yearly allocation of Rs 47 billion. The proportion of development expenditure on this sector is a key to the overall growth and development of the rural and urban areas. The proposed substantial investment in the subsequent quarters in infrastructure will enhance economic development in the short run as well as long run.

3.5 Availability of safe drinking water and sanitation has serious implications for improving the performance of the health sector. As mentioned above, expenditures on this sector recorded steady increase during Q1 FY 2008/09 in relation to the allocations made for FY 2008/09. To increase access to safe drinking water and sanitation rapidly, there is a need to increase the proportion of development expenditure. The Ministry of Environment initiated a major Clean Drinking Water Programme under two parallel phases (see Box 3.1) : (i) Clean Drinking Water Initiative (CDWI) project, whereby 409 plants were to be installed one in each *tehsil* across country; and (ii) Clean Drinking Water for All (CDWA) project, whereby 6035 filtration plants will be installed, one in each union council.

³ Detailed expenditure on education and health sectors has been discussed in their respective section.

Box 3.1: Clean Drinking Water for All (CDWA)

- The federal government launched a mega project, namely, Clean Drinking water Programme, at a cost of Rs 7,872 million in FY 2004/05, envisaging the installation of one water filtration plant in each union council.
- The Ministry of Science & Technology was assigned the responsibility for analyzing the water quality in these sites and recommending the type of plant to install. Almost all the sites have been surveyed, and reports on most of them have been received.
- The CDWA project was approved on April 16th, 2006 to install 6035 water filtration plants, one at each union council of the country.
- After thorough consultations and discussions with stakeholders and the experience of Phase-I of the programme (CDWI), the technology and implementation methodology of the CDWA Project was improved. The number of plants to be installed under the Project was also enhanced to 6585 by including leftover plants of CDWI Project in the total figure.

Source: Ministry of Industries, Production & Special Initiatives, Government of Pakistan, 2008.

3.1 PRSP Expenditures by Province and Sectors

3.6 PRSP expenditures by the federal and provincial governments during Q1 FY 2008/09 are shown in Table 3.2. The largest proportion of PRSP expenditures incurred by the federal and provincial governments, given in descending order are; subsidies (33 percent); education (26 percent); law and order (12 percent); health (8 percent); and roads, highways and bridges (6 percent). During the same quarter, no expenditures were incurred in People's works Programme-I by the Ministry of Local Government and Rural Development. The federal government spent a large sum of expenditures on subsidies because of the high inflationary pressures as national and international food prices compelled the government to provide subsidies on essential food items during the subject quarter.

**Table 3.2: PRSP Expenditures During Q 1 FY 2008/09
Sectors and Provinces (Rs million)**

Sectors	Federal	Punjab	Sindh	NWFP	Balochistan	Pakistan
Roads, highways & bridges	689	6,646	2,136	642	1,103	11,036 (6%)
Water supply & sanitation	34	1,501	848	363	263	3,009
Education	7,912	19,339	9,873	6,440	2,673	46,237 (26%)
Health	3,217	5,420	2,587	1,583	576	13,383(8%)
Population planning	900	271	13	80	33	1,297
Social security & welfare	421	236	1,534	36	55	2,282
Natural calamities and disasters	65	201	3	103	0	372
Agriculture	1,581	4,155	2,306	956	878	9,876 (6%)
Land reclamation	0	42	416	0	0	458
Rural development	34	401	39	219	135	828
Law & order	5,803	8,111	4,729	1,588	1,013	21,244 (12%)
Low cost housing	0	46	0	0	0	46
Justice administration	222	1,043	463	220	100	2,048
Subsidies	58,629	0	1	567	0	59,197 (34%)
Food Support Programme	1,100	-	-	-	-	1100
People's Works Programme-I	0	-	-	-	-	0
People's Works Programme-II	3,020	-	-	-	-	3020
Total	83,627	47,412	24,948	12,617	6,829	175,433

Source: Civil Accounts provided by Accountant General Offices.

3.7 During the subject quarter, large proportion of expenditures relative to total expenditure in that particular province were incurred in the Sindh province in the sectors of education; law & order; and health during Q1 FY 2008/09 (40, 19 and 10 percent, respectively). No expenditure took place in low cost housing in Sindh during the same quarter. Substantial increases in expenditures took place in the Punjab province in education; law and order; and roads, highways and bridges (41, 17 and 14 percent, respectively), followed by 11 percent in the health sector. Largest proportion of spending in Balochistan incurred in education (39 percent); roads highways & bridges (16 percent); and law & order (15 percent) during Q1 FY 2008/09, while expenditure on 4 pro-poor sectors during the subject quarter remained untapped. During the same period, the Government of North Western Frontier Province (NWFP) spent a major proportion of expenditures on education (51 percent); law and order (13 percent); and health (13 percent) while no expenditure was incurred in land reclamation; and low cost housing.

Table 3.3: Total Current and Development PRSP Expenditure Q1 FY 2008/09		
PRSP Expenditures (Rs million)		
Current	Development	Total
146,707	28,726	175,433

Source: Civil Accounts provided by Accountant General's office.

3.8 Table 3.3 depicts that total development expenditure incurred during Q1 FY 2008/09 totaled Rs 28,726 million (16.37 percent of total expenditure). On the other hand, current expenditure equaled Rs 146,707 million, i.e. 83.63 percent of total expenditure. Increasingly high expenditure in subsidies; education; health; and law & order can be accounted for the large proportion of current expenditure in this period.

3.2 PRSP Expenditures on the Sub Sector of Education

3.9 A large proportion (26 percent) of the total PRSP expenditure was incurred in the education sector by federal and provincial governments during the first quarter in FY 2008/09. Table 3.4 gives data on proportionate expenditures incurred in various sectors in education during Q1 FY 2008/09. Of the total expenditure incurred in all sub sectors of education, a substantive amount, i.e. Rs 18, 216 million (39 percent) of the total expenditures were spent on primary education, followed by Rs 12,421 million and Rs 7,991 million i.e. 27 and 17 percent, incurred in secondary; and university/college education, respectively.

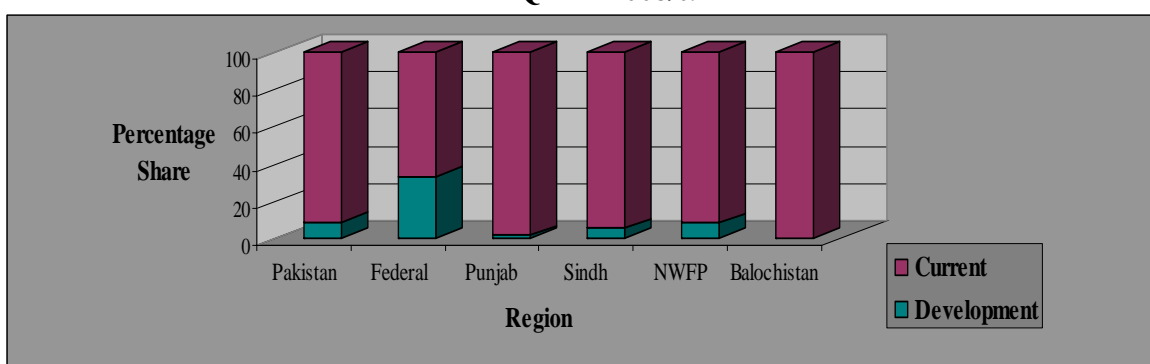
3.10 Table 3.4 also shows that a minimal amount of expenditure (1 percent), i.e. Rs 553 million was incurred in teacher and vocational training during the subject quarter. Small proportions of expenditure were spent on professional/technical universities; and on other educational institutions, i.e. 5 and 10 percent, respectively in the first quarter in FY 2008/09.

Table 3.4: Education Expenditures Q1 FY 2008/09						
(Rs million)						
Province/region	Federal	Punjab	Sindh	NWFP	Balochistan	Pakistan
Primary Education	681	9,374	4,528	2,764	869	18,216 (39%)
Secondary Education	849	4,829	3,205	2,623	915	12,421 (27%)
University/College Education	4,831	1,475	1,120	433	132	7,991(17%)
Professional/Technical Universities	961	430	514	440	91	2,436 (5%)
Teacher and Vocational Training	11	455	53	1	33	553 (1%)
Other Educational Expenditures	579	2,776	453	179	633	4,620 (10%)
All Sectors of Education	7,912	19,336	9,873	6,440	2,673	46,237

Source: Civil Accounts provided by Accountant General Offices.

3.11 Share of development expenditure as a percentage of total expenditure incurred in education during Q1 FY 2008/09 was highest at the federal level (33.28 percent). Compared to development expenditure, the overall share of current expenditure in education was much higher (91.49 percent) amounting to Rs 42,303 million of the total education expenditure, i.e. Rs 46,237 million. The NWFP province incurred the highest share of development expenditure (8.13 percent) relative to current; whereas Balochistan incurred the highest share of current expenditure (99.93 percent) amongst the provinces.

Figure 3.1 Share of Development and Current Expenditures in Education Q1 FY 2008/09



Source: PRSP Secretariat, Finance Division, Government of Pakistan.

3.12 Under the overall PRSP education expenditures, maximum expenditure was incurred in the primary education sector i.e. 39 percent of total expenditure in education during Q1 FY 2008/09. Overall expenditure incurred in secondary education and university/college education in Pakistan totalled 27 and 17 percent, respectively (Table 3.5). Only 1 percent of total expenditures were, however, incurred in teacher and vocational training during the quarter. The federal government spent a maximum of more than 73 percent expenditure on higher education (general, as well as, professional colleges and universities) and lowest, i.e. less than 1 percent on teacher

and vocational training. Maximum expenditures were incurred in primary followed by secondary education at the provincial level with the exception of Balochistan where the order was reverse. At the federal level, a small amount, i.e. 9 and 11 percent was spent on these sectors, respectively having spent the largest proportion on higher education i.e. university college education (61 percent). Expenditure on professional/technical universities and other educational expenses was 12 and 7 percent, respectively during Q1 FY 2008/09.

Table 3.5 : Percentage Distribution of Education Expenditures in Q1 FY 2008/09 by Provinces and Sectors of Education

Province/ region	All Sectors of Education	Primary Education	Secondary Education	University/ College Education	Professional/ Technical Universities	Teacher and Vocational Training	Other Educational Expenditures
Federal	100.00	9	11	61	12	0	7
Punjab	100.00	48	25	8	2	2	14
Sindh	100.00	46	32	11	5	1	5
NWFP	100.00	43	41	6	7	0.02	3
Balochistan	100.00	33	34	5	3	1	24
Pakistan	100.00	39	27	17	5	1	10

Source: Civil Accounts provided by Accountant General Offices.

3.13 As for the provinces, Punjab spent the highest percentage of expenditures on primary education, i.e. 48 percent and lowest on profession/technical universities (2 percent); and teacher and vocational training each (2 percent). Sindh province spent the highest percentage of expenditures on primary education (46 percent) and lowest on teacher and vocational training (1 percent). The NWFP province spent the highest percentage of expenditures on primary education i.e. 43 percent and lowest on teacher and vocational training, i.e. less than 1 percent. Lastly, Balochistan province spent the highest percentage of expenditures on secondary education (34 percent) and lowest on teacher and vocational training (1 percent). Large amounts of expenditure on primary education by the provinces reflect their high commitment to achieve the primary educational targets set out in the Millennium Development Goals (MDGs). The NWFP has focused almost equally on primary and secondary education by spending 43 and 41 percent of the province's total expenditure, respectively.

3.3 PRSP Expenditures on the Sub Sector of Health

3.14 Table 3.6 gives data on the proportionate expenditures incurred in various sectors in health during Q1 FY 2008/09. A reasonable proportion (7.63 percent) i.e. Rs 13,383 million of the total PRSP expenditures was incurred in the health sector by federal and provincial governments during Q1 FY 2008/09. Out of the overall total expenditure incurred in all sub sectors of health in Pakistan (Rs 13,383 million), a substantive amount of Rs 9,146 million or 68 percent was spent on general hospitals and clinics. A total of Rs 2,635 million and Rs 1,520 million, i.e. 20 and 11 percent were incurred in health facilities and preventive measures; and other health expenses, respectively.

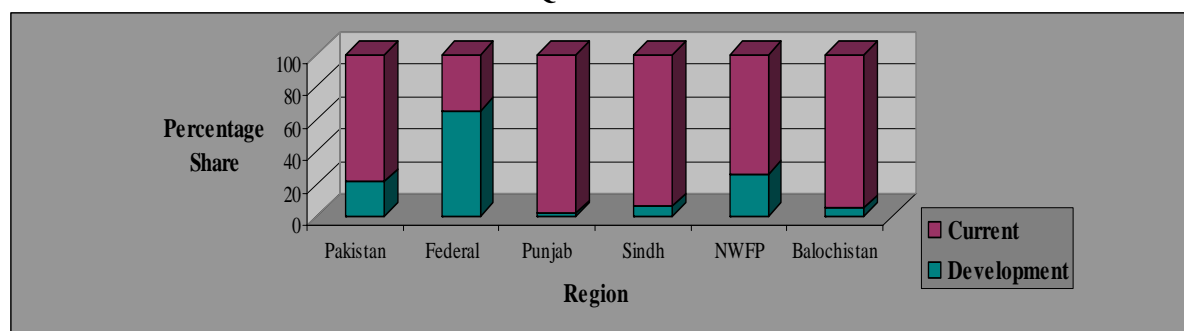
3.15 Table 3.6 also shows that a minimal amount of expenditures, i.e. Rs 82 million were incurred on mother and child healthcare, which is not in line with the targets set in MDGs. Balochistan, followed by Punjab spent the highest amounts in this sub sector of health. Sindh province did not spend any money on mother and child healthcare while a small amount, i.e. Rs 4 million was spent by NWFP province.

Province/ region	Total Health	General Hospital and Clinics	Mother & Child	Health Facilities and Preventive Measures	Other Health Facilities
Federal	3,217	997	1	2,166	53
Punjab	5,420	4,555	23	39	803
Sindh	2,587	1,972	0	331	284
NWFP	1,583	1,427	4	38	114
Balochistan	576	195	54	61	266
Pakistan	13,383	9,146	82	2,635	1,520

Source: Civil Accounts provided by Accountant General Offices.

3.16 Share of development expenditure as percentage of total expenditure incurred in health during Q1 FY 2008/09 was the highest at the federal level (65.18 percent). Overall, the share of current expenditure in health was much higher (79.22 percent) amounting to Rs 10,603 million out of a total of Rs 13,383 million spent on health. As for the provinces, NWFP incurred the highest share of development expenditure (26.15 percent) relative to current.

Figure 3.2 Share of Development and Current Expenditure in Health Q1 FY 2008/09



Source: PRSP Secretariat, Finance Division, Government of Pakistan.

3.17 Under the overall PRSP health expenditures, maximum expenditure was incurred in general hospitals and clinics, i.e. 68 percent of the total in Q1 FY 2008/09. Proportion of expenditure incurred in health facilities and preventive measures; and other health expenses was 20 and 11 percent, respectively in all provinces during the same period (see Table 3.7). The federal government spent the maximum of about 67 percent of expenditure on health facilities and preventive measures and the lowest, i.e. 0.03 percent on mother and child healthcare.

Table 3.7: Percentage Health Expenditures Province Wise					
Q1 FY 2008/09					
Province/ Region	Total Health	General Hospitals and Clinics	Mother & Child	Health Facilities and Preventive Measures	Other Health Facilities
Federal	100.00	31.0	0.03	67.3	1.6
Punjab	100.00	84.0	0.4	0.7	14.8
Sindh	100.00	76.2	0	12.8	11.0
NWFP	100.00	90.1	0.3	2.3	7.2
Balochistan	100.00	33.9	9.4	10.6	46.2
Pakistan	100.00	68.3	0.6	19.7	11.4

Source: Civil Accounts provided by Accountant General Offices.

3.18 All provinces incurred maximum expenditures in general hospitals and clinics. Punjab province spent the highest percentage of expenditures on general hospitals and clinics, i.e. 84 percent during the subject quarter, while NWFP and Sindh spent 90 and 76 percent in this sub sector, respectively. Sindh province did not incur any expenditure in mother and child healthcare during the quarter. Balochistan was the only province which focused more or less equally on all sub sectors of health during the subject quarter.

4 Protecting the Poor and the Vulnerable

4.1 There is always a section of the population that require direct additional support and a socially conscious society always tries to ensure that special measures are devised to bring the poor and the vulnerable and backward regions into the mainstream of development to make progress in reducing existing inequalities. In this regard, existing social safety nets like *Zakat*⁴, Pakistan *Bait-ul-Mal*⁵, Employees' Old Age Benefit Institution (EOBI) and Microfinance are the main instruments to assist the needy. The performance of these social safety nets during the Q1 FY 2008/09 has been reviewed in this section. In addition, for protecting the poor against rising inflation due to global increase in oil and commodity prices, the government in FY 2008/09 has taken various measures which have also been discussed in this section.

4.1 Zakat

4.2 Table 4.1 illustrates *Zakat* disbursement and beneficiaries under each programme. During Q1 FY 2008/09, a sum of Rs. 639 million was distributed among 283,829 beneficiaries under regular and other *Zakat* programmes and national level schemes. Under Regular *Zakat* Programmes including *Guzara*⁶ allowance, educational and *Deeni Madaris*⁷ stipends, healthcare, social welfare and marriage assistance, an amount of Rs 420 million was transferred to 137,193 beneficiaries showed share of 66 percent in total *Zakat* disbursement. About 16 percent of *Zakat*, i.e Rs 103 million was channeled through Other *Zakat* Programmes reflecting grant for *eid*⁸, leprosy patients and rehabilitation and technical education stipends. This benefited 79,539 beneficiaries. *Zakat* along with other regular programmes also implemented two national level schemes for health institutions and *deeni madaris*. A total of Rs 116 million (18 percent of total *Zakat* disbursement) was distributed to 67,097 beneficiaries during Q1 FY 2008/09. A large proportion of *Zakat*, i.e. 61 percent was disbursed in Sindh followed by 21 percent in NWFP, 11 percent in Punjab, 3 percent in ICT⁹ and Northern Areas and 2 percent in Balochistan. However, no *Zakat* disbursement was made in the Federally Administrated Tribal Areas (FATA) during the subject quarter.

⁴ *Zakat* is the Islamic concept of tithing and alms. It is an obligation on Muslims to pay 2.5% of their wealth to specified categories in society when their annual wealth exceeds a minimum level (*nisab*).

⁵ Tracked entirely (all components) under budgetary expenditure as of FY 2008/09.

⁶ Subsistence.

⁷ Islamic Schools.

⁸ Islamic festival/celebration.

⁹ Islamabad Capital Territory (ICT) includes the surrounding areas of Islamabad.

Table 4.1: Programmes of Zakat Q1 FY 2008/09								
	Punjab	Sindh	NWFP	Balochistan	ICT	Northern Areas	FATA	Total
Regular Zakat Programmes								
Disbursement (Rs million)	3	312	78	2	7	18	0	420
Beneficiaries	1,425	109,186	11,759	511	2,340	11,972	0	137,193
Other Zakat Programmes								
Disbursement (Rs million)	11	48	41	0.043	1	2	0	103
Beneficiaries	1,031	57,847	13,617	87	3,277	3,680	0	79,539
National Level Schemes								
Disbursement (Rs million)	54	27	16	9	10	0	0	116
Beneficiaries	26,000	16,500	12,020	5,320	7,257	0	0	67,097
Total Amount Disbursed (Rs million)	68	387	135	11.043	18	20	0	639
Total Beneficiaries	28,456	183,533	37,396	5,918	12,874	15,652	0	283,829

Source: Ministry of Religious Affairs, *Zakat & Ushr*.

4.2 Employees' Old Age Benefit Institution (EOBI)

4.3 Several grant programmes targeting the poor are implemented through EOBI. Total grant disbursement through EOBI stood at Rs 1,230 million during Q1 FY 2008/09 compared to Rs 977 million in Q1 of FY 2007/08 recording an increase of 26 percent (see Table 4.2). Total beneficiaries increased by 9 percent to 272,390 during Q1 FY 2008/09 compared to the same period last year. All EOBI grant programmes showed positive growth.

4.4 The disbursement under Old Age Pension increased by 26 percent to Rs 801 million in Q1 FY 2008/09 from Rs 637 million during the same period last year. An amount of Rs 18 million was disbursed through Invalidity Pension in contrast to Rs 15 million showing an increase of 20 percent in disbursement. An increase of 27 percent was recorded in disbursement of Survivors Pension reaching at Rs 403 million in the subject quarter. A total of Rs 9 million was disbursed through Old Age Grants registering an increase of 29 percent in Q1 of FY 2008/09 compared to Q1 FY 2007/08.

Grant Nature	Q1 FY 2007/08		Q1 FY 2008/09	
	Beneficiaries	Disbursement (Rs million)	Beneficiaries	Disbursement (Rs million)
Old Age Pension	161,446	637	175,869	801
Invalidity Pension	3,841	15	4,223	18
Survivors Pension	84,005	318	91,936	403
Old Age Grants	357	7	362	9
Grand Total	249,649	977	272,390	1,230

Source: Employees' Old Age Benefits Institution (EOBI).

4.3 Pakistan *Bait-ul-Mal* (PBM)

4.5 Details of disbursement and beneficiaries against each grant are presented in table 4.3. Total disbursement through PBM stood at Rs 1,362 million during Q1 FY 2008/09 as compared to Rs 3,700 million during Q1 FY 2007/08, recorded a decline of 63 percent. The number of households that benefited from PBM schemes decreased by 59 percent from 1,338,269 to 552,715 during this period.

4.6 The largest programme of PBM is the Food Support Programme (FSP), which is a part of PRSP budgetary expenditures. Under FSP, a total of Rs 1,100 million was disbursed during Q1 FY 2008/09 in contrast to Rs 3,410 million during same period last year, registering a decline of 68 percent in disbursement. This benefited 366,770 households. Similarly, Individual Financial Assistance (IFA) programme disbursement declined by 24 percent to Rs 160 million during Q1 FY 2008/09 over Q1 last fiscal year. Number of households benefited from IFA programme during this period also decreased by 56 percent from 12,743 to 5,616. A decline of 50 percent from Rs 10 million to Rs 5 million was registered in Civil Society Wing (CSW) disbursement which decreased the beneficiaries by 97 percent during the period.

4.7 However, disbursement under National Centre for Rehabilitation of Child Labour (NCRCL) increased by 19 percent from Rs 52 million (Q1 FY 2007/08) to Rs 62 million (Q1 FY 2008/09). During this period households that benefited from this programme increased by 28 percent from 90,696 in Q1 FY 2007/08 to 116,429 in Q1 FY 2008/09. Vocational/*Dastakari*¹⁰ Schools showed an increase of 61 percent from Rs 18 million to Rs 29 million in disbursement during Q1 FY 2008/09 as compared to Q1 FY 2007/08. Number of households that benefited from this grant also increased by 33 percent from 37,971 to 56,522 during this period.

¹⁰ Vocational/skills.

Grant Nature	Q1 FY 2007/08		Q1 FY 2008/09	
	Beneficiaries	Disbursement (Rs. million)	Beneficiaries	Disbursement (Rs. million)
Food Support Programme	1,136,577	3,410	366,720	1,100
Child Support Programme	0	0	5,536	6
Individual Financial Assistance	12,743	211	5,616	160
Civil Society Wing (NGOs)	60,282	10	1,892	5
National Centre for Rehabilitation of Child Labour	90,696	52	116,429	62
Vocational / Dastkari Schools	37,971	18	56,522	29
Grand Total	1,338,269	3,700	552,715	1,362

Source: Pakistan *Bait-ul-Mal*.

4.4 Microfinance

4.8 Table 4.1 shows microfinance services details as microcredit, micro savings and micro-insurance. The growth in microfinance services was found to be substantial. The increase was more pronounced in terms of value than active borrowers, active savers, and insurance policy holders. Microcredit in value term increased by 56 percent from Rs 13,767 million in Q1 FY 2007/08 to 21,427 million in Q1 FY 2008/09. The number of active borrowers of this service also grew by 37 percent i.e. to 1,871,508 during the period. Similarly, micro savings in terms of value grew by 34 percent to Rs 4,961 million in Q1 FY 2008/09 as compared to Rs 3,701 million during Q1 FY 2007/08. Active savers recorded an increase of 24 percent from 1,492,381 to 1,857,737. Micro-insurance outreach posted enormous growth with an increase of 306 percent from 566,559 to 2,300,289 in policy holders and 430 percent in insured sum. Large increase in insurance policy holders during subject quarter was because of revision made by microfinance service delivery organizations to insurance policy holders which now cover the spouses of active borrowers as well.

Details	Micro credit		Micro Savings		Micro Insurance	
	Active Borrowers	Value (Rs million)	Active Savers	Value (Rs million)	Policy Holders	Sum insured (Rs million)
Q1 FY 2007/08	1,371,004	13,767	1,492,381	3,701	566,559	7,130
Q1 FY 2008/09	1,871,508	21,427	1,857,737	4,961	2,300,289	37,824
Increase/Decrease (Net)	+ 500,504	+ 7,660	+ 365,356	+ 1,260	+ 1,733,730	+ 30,694
Increase/Decrease (%)	+ 37	+ 56	+ 24	+ 34	+ 306	+ 430

Source: Pakistan Microfinance Network (PMN), Islamabad.

4.4.1 Active Borrowers by Peer Group¹¹

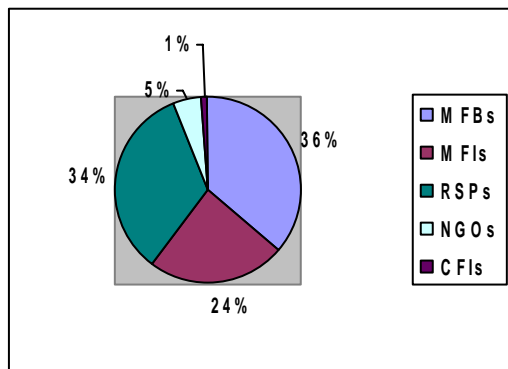
4.9 Market share captured by peer group in terms of active borrowers is presented in Table 4.2. Large market share was captured by Rural Support Programmes (RSPs), i.e. 39 percent followed by Microfinance Banks (MFBs) with 33 percent, then Microfinance Institutions (MFIs) with 22 percent, Non-Governmental Organizations (NGOs) with 5 percent, and finally Commercial Financial Institutions (CFIs) with 1 percent during Q1 FY 2008/09.

4.10 The RSPs increased their market share by 5 percentage points to 39 percent in Q1 FY 2008/09 as compared to 34 percent in Q1 FY 2007/08 and maintained their position as a dominant peer group when compared to the same period during the last fiscal year. While MFBs and MFIs decreased their market share by 3 and 2 percentage points i.e. from 36 to 33 percent and 24 to 22 percent, respectively between the two periods. NGOs and CFIs contained themselves to the same market share of 5 and 1 percent, respectively. The overall penetration rate in the country increased during this period.

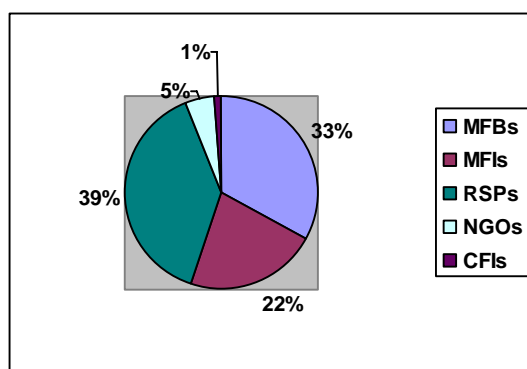
Details	Peer Groups				
	MFBs	MFIs	RSPs	NGOs	CFIs
Q1 FY 2007/08	36%	24%	34%	5%	1%
Q1 FY 2008/09	33%	22%	39%	5%	1%
Increase/Decrease (Percentage points)	- 3	- 2	+ 5	-	-

Source: Pakistan Microfinance Network (PMN), Islamabad.

Active Borrowers 1st Quarter FY 2007/08



Active Borrowers 1st Quarter FY 2008/09



4.4.2 Active Savers by Peer Group

4.11 The RSPs continued to be a dominant peer group in terms of active savers, even though during this quarter, they reduced their market share by 6 percentage points from 89 to 83 percent as compared to the same period last year (Table 4.3). However, MFBs and NGOs increased their market share by 5 and 1 percentage points from 7 to 12 percent and 2 to 3 percent, respectively in

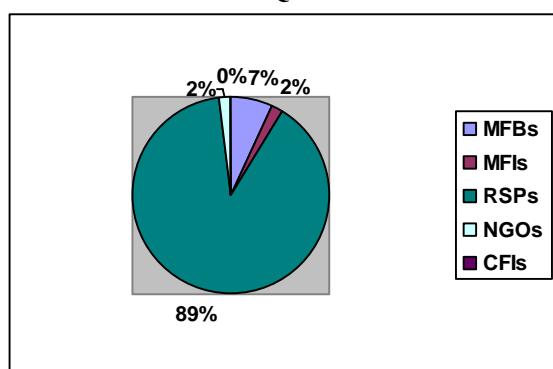
¹¹ A group of potential people organized by any institution/organization for any kind of services.

Q1 FY 2008/09 as compared to the same period in the last fiscal year. The MFIs retained same market share of 2 percent while CFIs are yet to capture the market share in terms of active savers during Q1 FY 2008/09 as compared to the same period last fiscal year.

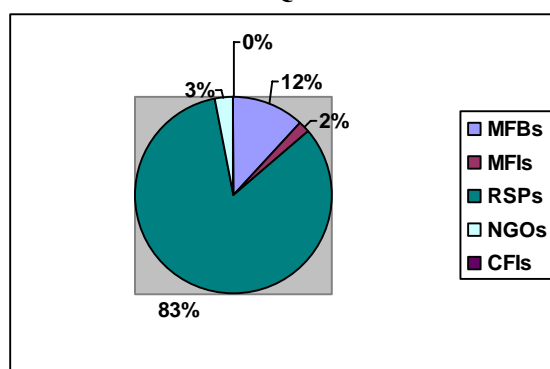
Details	Peer Groups				
	MFBs	MFIs	RSPs	NGOs	CFIs
Q1 FY 2007/08	7%	2%	89%	2%	0%
Q1 FY 2008/09	12%	2%	83%	3%	0%
Increase/Decrease (Percentage points)	+ 5	-	- 6	+ 1	-

Source: Pakistan Microfinance Network (PMN), Islamabad.

Active Savers 1st Quarter FY 2007/08



Active Savers 1st Quarter FY 2008/09



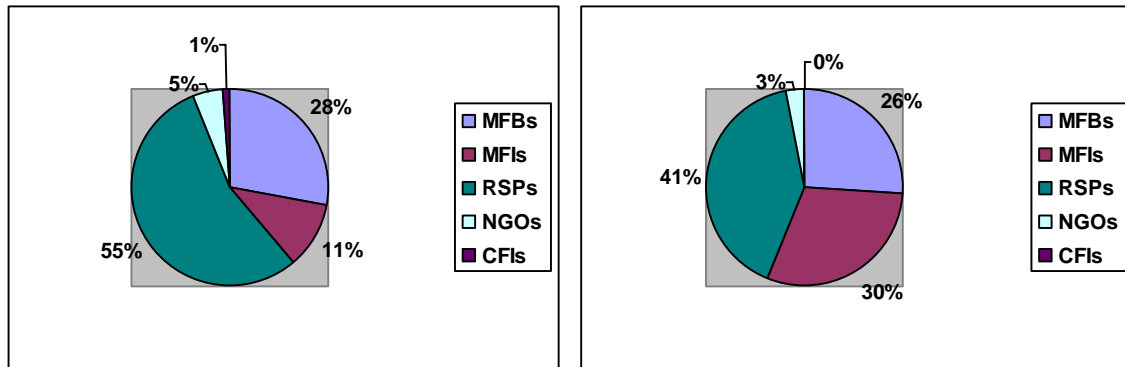
4.4.3 Active Policy Holders by Peer Group

4.12 Table 4.4 represents active policy holders by peer group. Although MFIs increased their outreach substantially by 19 percentage points from 11 to 30 percent in number of policy holders but RSPs are still leading the market even though their performance has declined during this quarter by 14 percentage points to 41 percent. Share of both MFBs and NGOs also declined by 2 percentage points to 26 and 3 percent, respectively in Q1 FY 2008/09 as compared to the same period last year whereas CFIs lost their outreach by 1 percentage points during this period.

Details	Peer Groups				
	MFBs	MFIs	RSPs	NGOs	CFIs
Q1 FY 2007/08	28%	11%	55%	5%	1%
Q1 FY 2008/09	26%	30%	41%	3%	0%
Increase/Decrease (Percentage points)	- 2	+ 19	- 14	- 2	- 1

Source: Pakistan Microfinance Network (PMN), Islamabad.

Active Policy holders 1st Quarter FY 2007/08 **Active Policy holders 1st Quarter FY 2008/09**



4.4.4 Summary of Microcredit Indicators

4.13 Summary of microcredit indicators given in Table 4.5 covers the period of Q1 FY 2008/09 compared to the same period in FY 2007/08. The credit programme outreach increased for all key indicators during the subject period. During this period, total numbers of branches increased by 18 percent from 1,348 to 1,594, which will further increase the outreach of micro credit in new areas, and create a lot more new clientele. The high increase in number of branches was because of the NGOs, which increased their credit programme operation by 69 percent from 70 to 118 branches, the highest among all partner organizations, followed by MFBS with 35 percent, MFIs with 21 percent and finally RSPs with 8 percent. CFI figures showed a downward trend during the subject quarter from 21 to 19 branches compared to the same period last year.

4.14 During the period, average loan balance¹² increased by 14 percent from Rs 10,041 to Rs 11,449. This was attributed to all microfinance providing organizations except CFIs where average loan balance declined by 17 percent from Rs 19,621 to Rs 16,286. In terms of number of loans disbursed; an increase of 19 percent was noticed i.e. to 448,332 during Q1 FY 2008/09 as compared to 376,728 in same period of FY 2007/08. In terms of loans, NGOs maintained their position as a dominant group and increase loan disbursement by 85 percent while MFBS and MFIs increased their market share once again by 40 and 19 percent, respectively. Surprisingly, the RSPs reduced their loans disbursement by 3 percent during the period.

4.15 An increase of 36 percent in credit disbursement from Rs 4,774 million to Rs 6,509 million was recorded in Q1 FY 2008/09 compared to this period in FY 2007/08. All microcredit provider organizations contributed to this increase but is mainly attributed to NGOs whose credit disbursement increased by 78 percent during the period. Average loan size¹³ increased to Rs 14,518 in Q1 FY 2008/09 relative to Rs 12,671 in comparable period in the last fiscal year. This increase of 15 percent was contributed by all microfinance providing organizations except NGOs where average loan size decreased by 3 percent during the period.

¹² Average loan balance = outstanding balance divided by total number of loans in a given period.

¹³ Average loan size = Disbursement divided by number of loans in a given period.

Table 4.8: Summary of Microcredit Provision				
Indicators		Q1 FY 2007/08	Q1 FY 2008/09	% Change
MFBs	Number of Branches/Units	264	357	35
	Gross Loan Portfolio ¹⁴ (Rs million)	4,861	7,021	44
	Average Loan Balance (Rs)	9,826	11,278	15
	Number of Loans disbursed	92,114	128,712	40
	Credit Disbursements (Rs million)	1,165	1,931	66
	Average Loan Size (Rs)	12,643	15,000	19
MFIs	Number of branches/Units	197	238	21
	Gross Loan Portfolio (Rs millions)	2,850	3,889	36
	Average Loan Balance (Rs)	8,844	9,582	8
	Number of Loans disbursed	135,031	160,312	19
	Credit Disbursements (Rs million)	1,581	2,088	32
	Average Loan Size (Rs)	11,712	13,028	11
RSPs	Number of Branches/Units	796	862	8
	Gross Loan Portfolio (Rs million)	4,960	8,915	80
	Average Loan Balance (Rs)	10,644	12,353	16
	Number of Loans disbursed	130,365	126,114	-3
	Credit Disbursements (Rs million)	1,713	1,964	15
	Average Loan Size (Rs)	13,143	15,572	18
NGOs	Number of Branches/Units	70	118	69
	Gross Loan Portfolio (Rs million)	767	1,274	66
	Average Loan Balance (Rs)	10,761	12,595	17
	Number of Loans disbursed	15,815	29,267	85
	Credit Disbursements (Rs million)	251	448	78
	Average Loan Size (Rs)	15,840	15,296	-3
CFIs	Number of Branches/Units	21	19	-10
	Gross Loan Portfolio (Rs million)	328	324	-1
	Average Loan Balance (Rs)	19,621	16,286	-17
	Number of Loans disbursed	3,403	3,927	15
	Credit Disbursements (Rs million)	64	78	22
	Average Loan Size (Rs)	18,745	19,872	6
Total	Number of Branches/Units	1,348	1,594	18
	Gross Loan Portfolio (Rs million)	13,766	21,423	56
	Average Loan Balance (Rs)	10,041	11,449	14
	Number of Loans disbursed	376,728	448,332	19
	Credit Disbursements (Rs million)	4,774	6,509	36
	Average Loan Size (Rs)	12,671	14,518	15

Source: Pakistan Microfinance Network (PMN).

¹⁴ Gross loan portfolio = total disbursement minus principle amount of loan.

4.5 New Initiatives

4.5.1 Benazir Income Support Programme (BISP)

4.16 In the current FY 2008/09, an amount of Rs 34 billion has initially been allocated in the Public Sector Development Programme (PSDP) to provide assistance to economically stressed households across the country through direct cash grant scheme titled 'Benazir Income Support Programme' (BISP). This would initially cover about 3.4 million households and gradually be extended to 7 million households. The programme envisages cash grant of Rs 1,000 per month to each qualifying household through banks/post offices with the aim to ameliorate the conditions of the poorest of the poor by directly accessing them and supplementing their sources of income.

4.17 In the short to medium term, BISP will also serve as a platform for complementary social assistance programmes, the main being **health insurance** for the poor and the vulnerable. This programme will cover the entire family including household head and spouse, children up to 18 years, dependent parents, and unmarried daughters aged 18 and above. The policy benefit will cover full hospitalization, pregnancy, daycare treatment and diagnostic tests up to a maximum limit of US\$ 312 per person per year. This insurance policy will also provide accident compensation for earning members of the family. The premium for this health insurance policy will cost US\$ 10 per family per year and is proposed to be picked up by the government as a part of the BISP benefits. In addition, cash transfer programmes will be complemented with **poverty exit strategies** to promote household independence by various means including transition to Conditional Cash Transfers (CCT); training and employment of one person per household; and workfare initiatives through social mobilization.

4.5.2 Punjab Food Support Scheme (PFSS)

4.18 The Government of Punjab has also announced the PFSS to provide cash grant of Rs 1,000 per poor household per month. The scheme covers both rural and urban areas with total subsidy in the scheme amounting to Rs 21.60 billion (at Rs 1.8 billion per month) for 1.8 families (at 6 persons per family). Beneficiaries of the food scheme include households that do not have a breadwinner; widows, orphans, destitutes; chronically sick, disabled and the elderly who have been abandoned by their families; and the poorest of the poor.

4.5.3 Punjab *Sasti Roti*¹⁵ Programme

4.19 The Government of Punjab has also announced Punjab *Sasti Roti* Programme with a total outlay of Rs 7.5 billion to provide bread at prices that the poor could afford. The government intends to help set up more than 30,000 subsidized bread-making sites. The programme will be monitored right down to the level of *tehsils* and *mohallahs*.¹⁶ District governments intend to utilize services of Revenue, Cooperative, Health and Union Council staff in the monitoring process.

¹⁵ Cheap bread.

¹⁶ Local neighbourhoods.

5 Monitoring of PRSP Output (Intermediate) Indicators

5.1 Performance of the PRSP intermediate indicators for the Q1 FY 2008/09 with the corresponding period last year has been analysed in this section. For the health sector data on immunization coverage, number and coverage of Lady Health Workers (LHWs) has been discussed. Progress in land distribution, in addition to employment level and schemes approved under People's Works Programme-I will also be a part of this section. However, information on education sector intermediate indicators is not available as National Education Management Information System (NEMIS) provides data on an annual basis.

5.1 TT- Immunization Coverage

5.2 Table 5.1 presents data on TT-immunization coverage for pregnant women. Tetanus Toxoid-1 (TT-1) immunization coverage increased by 8 percentage points to 52 percent whereas Tetanus Toxoid-2+ (TT-2+) immunization increased by 6 percentage points to 54 percent in Q1 FY 2008/09 over Q1 FY 2007/08. Regional variations of TT-immunization coverage was very large, as TT-1 immunization coverage during Q1 FY 2008/09 varies between 23 to 59 percent and TT-2 immunization coverage varies between 18 to 61 percent during the same period. Largest coverage of TT-1 and TT2 immunization took place in Punjab. There was an increase of 13 percentage points in both TT-1 and TT-2 immunization coverage from 46 to 59 percent and 48 to 61 percent, respectively in Q1 FY 2008/09 relative to the same period last year. TT-1 immunization coverage improved by 2, 3, 5 and 9 percentage points in NWFP, AJ&K, Federally Administered Northern Areas (FANA) and CDA¹⁷ whereas it showed a decline of 4 and 7 percentage points in FATA and ICT, respectively. The coverage remained same in Sindh and Balochistan. However, TT-2 immunization coverage registered an increase of 5, 4 and 2 percentage points in NWFP, Balochistan and AJ&K whereas it declined by 6, 4, 6, 3 and 20 percentage points in Sindh, FANA, FATA, ICT and CDA, respectively in the Q1 FY 2008/09 in contrast to the same period in the last fiscal year.

Province / Region	Q1 FY 2007/08			Q1 FY 2008/09		
	Target	TT-1	TT2+	Target	TT-1	TT2+
	Population (+4.1% Pop)	Coverage%	Coverage%	Population (+4.1% Pop)	Coverage%	Coverage%
Punjab	946,560	46	48	981,427	59	61
Sindh	396,900	45	56	413,524	45	50
NWFP	232,065	41	39	242,456	43	44
FATA	36,378	44	56	40,466	40	50
Balochistan	82,635	30	30	87,697	30	34
AJ&K	36,663	55	52	38,770	58	54
FANA	14,187	18	32	11,266	23	28
ICT	4,446	44	33	4,675	37	30

¹⁷ Capital Development Authority (CDA) only covers the geographical area of Islamabad city.

CDA	8,523	23	38	8,962	32	18
Others	-	-	-	-	-	-
Pakistan	1,758,357	44	48	1,829,243	52	54

Source: Expanded Programme on Immunization, Ministry of Health

5.2 Lady Health Workers (LHWs)

5.3 Table 5.2 reports the information on Lady Health Workers (LHWs) both working and under training and population covered by LHWs during the concerned quarter. Out of a total of 90,998 LHWs, 89,916 served in different regions to provide basic health care services to the communities at their doorsteps and 1,082 got training. In percentage terms, 84 percent were deployed in rural areas while remaining 16 percent in urban areas during the Q1 FY 2008/09. About 51 percent LHWs were placed in Punjab, 22 percent in Sindh, 15 percent in NWFP, 6 percent in Balochistan, 3 percent in AJ&K, 2 percent in FATA, 1 percent in FANA and 0.3 percent in ICT. During Q1 FY 2008/09, 82.7 million of the population was provided medical and advisory support by the LHWs. Of the total population covered, 17 percent was urban and 83 percent resided in rural areas where access to, and quality of health services is much poorer compared to urban areas. Amongst all regions, population coverage was the highest in Punjab i.e. 55 percent whereas only 4 percent of population was covered in Balochistan indicating the need for providing more health facilities in this area. About 21 percent and 14 percent of population was covered in Sindh and NWFP respectively. A small proportion of population was covered in AJ&K, FANA, FATA and ICT during the same quarter.

Province/ Region	Q1 FY 2008/09								
	Working			Under Training			Population covered by LHWs		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Punjab	6,975	38,921	45,896	0	609	609	7,175,540	38,624,149	45,799,689
Sindh	3,652	16,233	19,885	15	181	196	3,857,241	13,824,693	17,681,934
NWFP	1,385	11,990	13,375	0	92	92	1,435,698	10,414,306	11,850,004
Balochistan	1,956	3,554	5,510	15	115	130	1,292,648	1,969,119	3,261,767
AJ&K	179	2,377	2,556	0	35	35	180,666	1,918,942	2,099,608
FANA	139	891	1,030	0	20	20	119,610	549,729	669,339
FATA	0	1,375	1,375	0	0	0	0	1,067,350	1,067,350
ICT	33	256	289	0	0	0	35,060	254,972	290,032
Total	14,319	75,597	89,916	30	1,052	1,082	14,096,463	68,623,260	82,719,723

Source: National Programme for Family Planning and Primary Health Care, Ministry of Health.

5.3 Land Distribution

5.4 During the Q1 FY 2008/09, 641 acres of resumed land¹⁸ was distributed to 93 beneficiaries only in Sindh compared to 2,000 acres of land to 200 beneficiaries in the same period during last fiscal year, but no state land¹⁹ was distributed in the subject quarter. This

¹⁸ Under land reforms, land which is in excess of prescribed limits is resumed from land owners.

¹⁹ State land is land which is owned by Provincial Governments.

implies that each beneficiary received on average 6.89 acres of land during Q1 FY 2008/09 relative to 10 acres of land during the Q1 last year. No state or resumed land distribution, however, took place in Punjab, NWFP and Balochistan provinces (Table 5.3).

Province/Region	1 st Quarter FY 2007/08		1 st Quarter FY 2008/09	
	Land Distributed (Acres)	No. of Beneficiaries	Land Distributed (Acres)	No. of Beneficiaries
Punjab	-	-	-	-
Sindh	2000	200	641	93
NWFP	-	-	-	-
Balochistan	-	-	-	-
Total	2000	200	641	93

Source: Federal Land Commission, Pakistan.

5.4 People Works Programme (PWP)-I

5.5 The Government has announced to review the erstwhile People's Works Programme-I (previously known as *Khushal*²⁰ Pakistan Programme/KPP-I) for small development schemes in FY 2008/09 for which Rs 4,420 million were allocated. The development schemes focus on provision of electricity, gas, farm to market roads, telephone, education, health, water supply, sanitation and bulldozer hour facilities. A total of 182 schemes were approved under different categories in Q1 FY 2008/09 as compared to 917 schemes in the comparable period last year (Table 5.4). In percentage terms, this figure reported a decline of 80 percent in number of schemes approved. Among all regions, 36 percent schemes were approved for NWFP, followed by 26 percent for Punjab and FATA, 8 percent for Sindh, 3 percent for Balochistan and 0.5 percent for ICT. More emphasis in this quarter was on provision of water facility and road development in rural areas. In this regard, 75 schemes were approved for provision of water supply facility in Punjab, NWFP, FATA and ICT whereas 57 schemes were approved for road development in Punjab, Sindh, NWFP, Balochistan and FATA. However, small number of schemes i.e. 20 for electrification, 19 for sanitation, 5 for education and 4 for health facilities were approved. Only one scheme was approved for provision of gas facility in Punjab and one for bulldozer hour facilities in Balochistan. No scheme was approved for providing telephone facility in any province during Q1 FY 2008/09.

²⁰ Prosperous.

Table 5.4: Number of PWP Schemes approved under each category										
Q1 FY 2008/09										
Province	Roads	Electrification	Gas	Telephones	Education	Health	Water Supply	Sanitation	Bulldozer Hours	Total Schemes
Punjab	25	19	1	-	1	-	2	-	-	48
Sindh	2	1	-	-	3	3	-	6	-	15
NWFP	23	-	-	-	-	-	29	13	-	65
Balochistan	3	-	-	-	1	1	-	-	1	6
FATA	4	-	-	-	-	-	43	-	-	47
ICT	-	-	-	-	-	-	1	-	-	1
Total	57	20	1	-	5	4	75	19	1	182
Q1 FY 2007/08										
Province	Road	Electrification	Gas	Telephone	Education	Health	Water Supply	Sanitation	Bulldozer Hours	Total Schemes
Punjab	110	234	22	-	3	1	3	24	-	397
Sindh	79	32	-	-	16	2	3	3	1	136
NWFP	6	77	-	-	1	-	1	-	-	85
Balochistan	14	26	-	-	2	2	16	1	3	64
FATA	57	-	-	-	7	13	143	-	-	220
ICT	7	3	1	-	-	3	1	-	-	15
Total	273	372	23	-	29	21	167	28	4	917

Source: Ministry of Local Government and Rural Development

5.5 Employment

5.6 Table 5.5 represents total labour force and percentage of employed labour force during Q1 FY 2008/09. Total labour force stood at 13.47 million representing 10.46 million males and 3.01 million females. Out of the total labour force, 94 percent was employed including 74 percent males and 20 percent females during the period.

Table 5.5: Labour Force and Employed Labour Force			
	Q1 FY 2008/09		
	Total	Male	Female
Labour Force (million)	13.47	10.46	3.01
Employed Labour Force (%)	94	74	20

Note: Estimated labour force for the FY 2008/09 is based on the Labour Force Survey (LBS) FY 2007/08 and average population growth rate of 1.73 per annum.

Source: Ministry of Labour and Manpower.

Annex I						
PRSP Budgetary Expenditures (FY 2008/09) - Q1 (Provisional)						
	(Rs million)					
	Federal	Punjab	Sindh	NWFP	Balochistan	Total
Roads, Highways & Bridges	689	6,646	2,136	462	1,103	11,036
Current	688	904	31	16	15	1,654
Development	1	5,742	2,105	446	1,088	9,382
Water Supply & Sanitation	34	1,501	848	363	263	3,009
Current	34	723	95	232	258	1,342
Development	0	778	753	131	5	1,667
Education	7,912	19,339	9,873	6,440	2,673	46,237
Current	5,279	19,085	9,352	5,916	2,671	42,303
Development	2,633	254	521	524	2	3,933
<i>Primary Education</i>	681	9,374	4,528	2,764	869	18,213
Current	681	9,147	4,482	2,599	869	17,778
Development	0	227	46	165	0	435
<i>Secondary Education</i>	849	4,829	3,205	2,623	915	12,421
Current	835	4,825	3,121	2,452	915	12,148
Development	14	4	84	171	0	273
<i>General Universities, Colleges & Institutes</i>	4,831	1,475	1,120	433	132	7,991
Current	2,275	1,475	835	361	132	5,078
Development	2,556	0	285	72	0	2,913
<i>Professional & Technical Universities, Colleges & Institutes</i>	961	430	514	440	91	2,436
Current	960	421	432	341	91	2,245
Development	1	9	82	99	0	191
<i>Teacher & Vocational Training</i>	11	455	53	1	33	553

Current	10	455	53	0	33	551
Development	1	0	0	1	0	2
<i>Others</i>	579	2,776	453	179	633	4,620
Current	518	2,762	429	163	631	4,503
Development	61	14	24	16	2	117
Health	3,217	5,420	2,587	1,583	576	13,383
Current	1,120	5,333	2,432	1,169	549	10,603
Development	2,097	87	155	414	27	2,780
<i>General Hospitals & Clinics</i>	997	4,555	1,972	1,427	195	9,146
Current	957	4,474	1,946	1,016	195	8,588
Development	40	81	26	411	0	558
<i>Mother & Child Health</i>	1	23	0	4	54	82
Current	1	21	0	4	54	80
Development	0	2	0	0	0	2
<i>Health Facilities & Preventive Measures</i>	2,166	39	331	36	61	2,633
Current	110	38	203	35	34	420
Development	2,056	1	128	1	27	2,213
<i>Others</i>	53	803	284	114	266	1,520
Current	52	800	283	114	266	1,515
Development	1	3	1	0	0	5
Population Planning	900	271	13	80	33	1,297
Current	30	4	0	2	0	36
Development	870	267	13	78	33	1,261
Social Security & Welfare	393	116	1,523	32	55	2,282
Current	272	215	85	34	54	760
Development	49	21	1,449	2	1	1,522
Natural Calamities & Other Disasters	65	201	3	103	0	372

Agriculture*	1,581	4,155	2,306	956	878	9,876
Current	540	3,613	1,264	324	680	6,421
Development	1,041	542	1,042	340	198	3,163
Land Reclamation	0	42	416	0	0	458
Rural Development	34	401	39	219	135	828
Current	7	72	39	55	14	187
Development	27	329	0	164	121	641
Law and Order	5,803	8,111	4,729	1,588	1,013	21,244
Low Cost Housing	0	46	0	0	0	46
Justice Administration	222	1,043	463	220	100	2,048
Subsidies**	58,629	0	1	567	0	59,197
Food Support Programme	1,100					1,100
People's Works Programme-I	0					0
People's Works Programme-II***	3,020					3,020
GRAND TOTAL	83,627	47,412	24,948	12,617	6,829	175,433

* Includes irrigation, fisheries, forestry & livestock

** Includes subsidies on financial & fiscal affairs, commercial affairs and food.

*** Includes schemes in the area of electricity, gas, water supply & sanitation and roads.

Annex II

**Table 1: Direct Transfers and Beneficiaries
1st Quarter FY 2008/09**

Programme	Disbursement/Beneficiaries	1st Quarter FY 2008/09
Zakat	Amount disbursed (Rs million)	639
	Total beneficiaries (000)	284
Pakistan Bait-ul-Mal (all programmes)*	Amount disbursed (Rs million)	1,362
	Total beneficiaries (000)	553
Microcredit**	Amount disbursed (Rs million)	3,031
	Total beneficiaries (000)	207
EOBI	Amount disbursed (Rs million)	1,230
	Total beneficiaries (000)	272
All Programmes	Amount disbursed (Rs million)	6,262
	Total beneficiaries (000)	1,316

Source: *Zakat* – Ministry of *Zakat* and *Ushr*; *Pakistan Bait-ul-Mal* – Ministry of Social Welfare and Special Education; Microcredit - Pakistan Poverty Alleviation Fund and *Khushali* Bank; and EOBI – Employees’ Old Age Benefits Institution.

* Includes Food Support Programme of *Pakistan Bait-ul-Mal* amounting to Rs 1100 as given in the budgetary expenditures. Although *Pakistan Bait-ul-Mal* is now entirely tracked under budgetary expenditure as of FY 2008/09, it is also listed in this table to reflect its share/contribution towards social protection.

** PRSP only tracks microcredit (through PPAF and *Khushali* Bank) under its direct transfers, whereas the entire microfinance sector encompasses various components in addition to credit such as insurance and savings, a detailed description of which was provided in chapter 4.

Table 1(a): Microcredit Disbursement

Programmes	1 st Quarter 2008/09 Rs million	
	Microcredit*	Total Disbursement
Total beneficiaries (000)		1,872

Source: Pakistan Microfinance Network (PMN).

* Includes all credit disbursements of MFBs, MBIs, RSPs, NGOs and CFIs.

Table 1(b): Programmes of Pakistan *Bait-ul-Mal*

Programmes	1 st Quarter FY 2008/09	
	Households	Amount disbursed (Rs million)
Food Support Programme	366,720	1,100
Individual Financial Assistance	5,616	160
National Centres for Rehabilitation of Child Labour	116,429	62
Vocational Training Centres	56,522	29
Institutional Rehabilitation (Grant- In-Aid to NGOs)	1,892	5
Child Support Programme	5,536	6
Total Disbursement Under all Programmes	552,715	1,362

Source: Pakistan *Bait-ul-Mal*, Ministry of Social Welfare and Special Education.

Table 1(c): Zakat Disbursement (1st Quarter FY 2008/09)

	(Rs million)						
	Punjab	Sindh	NWFP	Balochistan	ICT	Northern Areas	FATA
Regular Zakat Programmes							
Disbursement	3	312	78	2	7	18	0
Beneficiaries	1,425	109,186	11,759	511	2,340	11,972	0
Other Zakat Programmes							
Disbursement	11	48	41	0.043	1	2	0
Beneficiaries	1,031	57,847	13,617	87	3,277	3,680	0
National Level Schemes							
Disbursement	54	27	16	9	10	0	0
Beneficiaries	26,000	16,500	12,020	5,320	7,257	0	0
Total amount disbursed	68	387	135	11.04	18	20	0
Total beneficiaries	28,456	183,533	37,396	5,918	12,874	15,652	0
Grand Total Amount Disbursed (Rs million):				639			
Grand Total beneficiaries:				283,829			

Source: Ministry of Zakat and Ushr.

Table 1(d): Programmes of Employees' Old Age Benefits Institution (EOBI)

Grant Nature	Q1 FY 2008/09	
	Beneficiaries	Disbursement (Rs million)
Old Age Pension	175,869	801
Invalidity Pension	4,223	18
Survivors Pension	91,936	403
Old age Grants	362	9
Grand Total	272,390	1,230

Source: Employees' Old Age Benefits Institution (EOBI).

Annex III

Microfinance Reporting Organizations

Category	Microfinance Providers (MFP)
MFB Microfinance Bank licensed and prudentially regulated by the State Bank of Pakistan to exclusively service microfinance market.	Khushali Bank
	Network Microfinance Bank Ltd.
	Pak-Oman Microfinance Bank Ltd.
	Rozgar Microfinance Bank Ltd.
	Tameer Microfinance Bank Ltd.
	The First Microfinance Bank Ltd.
MFI Microfinance Institution providing specialized microfinance services.	Akhuwat
	Asasah
	Kashf Foundation
	Orangi Pilot Project
	Sindh Agricultural and Forestry Workers Cooperative Organization
RSP Rural Support Programme running microfinance operation as part of multi-dimensional rural development programme.	Lachi Poverty Reduction Project
	National Rural Support Programme
	Punjab Rural Support Programme
	Sarhad Rural Support Programme
	Thardeep Rural Support Programme
NGO Non-Governmental Organization running microfinance operations as part of multi-dimensional developed programme.	Centre for Women Cooperative Development
	Community Support Concern
	Development Action for Mobilization and Emancipation
	Jinnah Welfare Society
	Narowal Rural Development Programme
	Organization for Participatory Development
	Rural Community Development Society
	Save the Poor
	Sindh Rural Support Programme
	Sungi Development Foundation
Swabi Women's Welfare Society	
Taraqee Foundation	
CFI Commercial Financial Institution providing microfinance services as separate function.	ORIZ Leasing Pakistan Ltd.
	Bank of Khyber

Note: The classification given above is made by Pakistan Microfinance Network (PMN) during FY 2005/06.

Poverty Reduction Strategy Paper (PRSP) Secretariat

External Finance Policy Wing

Room # 321

Ministry of Finance

Q-Block

Pakistan Secretariat

Islamabad

Pakistan

Ph: 0092 (51) 9204844

Fax: 0092 (51) 9205219

Email: prspsecretariat@finance.gov.pk

Website: <http://www.finance.gov.pk/poverty/index.aspx>