

# **POVERTY REDUCTION STRATEGY PAPER:**

**MID YEAR PROGRESS REPORT  
FY 2009/10**

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

# **MID YEAR PROGRESS REPORT FY 2009/10**

The report has been written by Strengthening Poverty Reduction Strategy (PRS) Monitoring Project, United Nations Development Program (UNDP), Federal Bank of Cooperatives, Islamabad.

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## List of Acronyms

AJ & K	Azad Jammu & Kashmir
BISP	Benazir Income Support Programme
CDA	Capital Development Authority
CFIs	Commercial Financial Institutions
CFY	Current Financial Year
CPI	Consumer Price Index
CSP	Child Support Programme
CSW	Civil Society Wing
EOBI	Employee Old Age Benefit Institutions
FATA	Federal Administrative Tribal Areas
FANA	Federal Administrative Northern Areas
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FODP	Friends of Democratic Pakistan
FSP	Food Support Program
FY	Financial Year
GOP	Government of Pakistan
GDP	Gross Domestic Product
GLP	Gross Loan Portfolio
H 1	Half Year One
ICT	Islamabad Capital Territory
IDPs	Internally Displaced People
IFA	Individual Financial Assistance
LHWs	Lady Health Workers
LFS	Labor Force Survey
LSM	Large Scale Manufacturing
MFBs	Micro Finance Banks
MFIs	Micro Finance Institutions
NCRCL	National Centre for Rehabilitation of Child Labor
NEMIS	National Education Management Information System
NGO	Non-Governmental Organization
PBM	Pakistan Bait-ul-Mal
PFSP	Punjab Food Support Program
PMN	Pakistan Microfinance Network
POL	Petroleum, Oil & Lubricants
PPPs	Public Private Partnerships
PRSP	Poverty Reduction Strategy Paper
PSLM	Pakistan Social and Living Standard Measurement Survey
PTCL	Pakistan Telecommunication Company Ltd.
PWP-I	Peoples Works Programme-I
PWP-II	Peoples Works Programme-II
RSPs	Rural Support Programmes
SBP	State Bank of Pakistan
SPI	Sensitive Price Indicator
TT-1	Tetanus Toxoid-1
TT-2+	Tetanus Toxoid-2+
UK	United Kingdom
USA	United States of America
WPI	Wholesale Price Index
WWF	Workers Welfare Fund
YoY	Year-on-Year

## 1.0 Introduction

1.1 This Poverty Reduction Strategy Paper (PRSP) quarterly progress report for Quarter 2 of FY 2009/10 is the 21st report, since the monitoring of pro-poor budgetary and non-budgetary expenditures began in 2001. This report is also fifth of the quarterly progress reports since the PRSP-II was finalized in FY 2008/09. The PRSP-II has been a successful strategy, as sound progress has been made in all pro-poor sectors during the last eight 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 21<sup>st</sup> 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 Macroeconomic indicators during H 1 FY 2009/10 reflected modest recovery of Pakistan's economy supported by significant positive growth in large scale manufacturing (LSM) sector, expansion in aggregate demand, improvement of current account balance and slowing down of inflation. LSM growth is caused by improved consumer durable goods, mostly in Automobile sector, recovery in construction sector and low value added Textile products. Current Account balance improved due to lower imports and increase in workers' remittances. Agriculture sector presents a mixed picture; Cotton output increased significantly while rice and sugar production declined due to price mechanism distortions. Wheat production is expected to be affected by water shortages. Sustaining positive industrial production in the presence of severe energy shortages can potentially affect the economic growth and revenue collection. Overall economic growth is likely to register the moderate growth trend for FY 2009/10.

1.3 Pro-poor expenditures H 1 FY 2009/10 increased by 11.72 percent relative to the same period H 1 FY 2008/09. Aggregate expenditure during H1 FY 2009/10 moved up to Rs. 416,922 million from Rs. 373,183 during the same period in FY 2008/09. Majority of the pro-poor sectors have recorded growing trends in expenditure during the first half of two years under comparison. Expenditures in Education and Health depict substantial increases reflected in positive YoY changes of 38.74 percent and 24.26 percent respectively. Social Security & Welfare and Natural Calamities & Disasters have registered significantly positive trends over the first half of two years; 98.05 percent and 71.73 percent respectively. The amount incurred in 'Subsidies' has moved down from Rs. 123,032 million H 1 FY 2008/09 to Rs. 77,441 million in the corresponding period of FY 2009/10, marking a decrease of 37.06 percent. Expenditure incurred on sectors related to public safety and Governance has

posted growth over the period of two years under comparison; YoY increases of 49.07 percent and 17.55 percent in Law & Order and Justice Administration respectively.

1.4 In order to support poor and vulnerable, safety nets in the form of direct cash transfers, both budgetary and non budgetary, are the main instruments to assist the needy. Total transfers under safety nets through Zakat, Pakistan Bait-ul-Mal, Employees Old Age Benefit Institutions and BISP showed an increase of 156 percent during H 1 FY 2009/10 comparing with the same period in the previous year. The major chunk of funds has been disbursed through Benazir Income Support Programme to the poor and vulnerable.

1.5 This Quarterly Progress Report covers the status of tracking poverty reduction efforts during H 1 FY 2009/10 (July – December). 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 macroeconomic indicators. This section also compares the economic progress of Quarter 2 FY 2009/10 with Quarter 2 of FY 2008/09. Section 3 gives an analysis of the budgetary expenditures for 17 pro-poor sectors in general and education and health sectors in particular. Section 4 highlights both budgetary and non-budgetary modes to provide social protection to the poor and vulnerable and also illustrates expenditure tracking of the non-budgetary programmes. Section 5 briefly discusses monitoring of PRSP output (intermediate) indicators. Section 6 gives some concluding remarks.

## 2.0 Trends in Macroeconomic Indicators

2.1 Pakistan's Economy in the H1 FY 2009/10 posted signs of recovery backed mainly by positive growth in Large Scale Manufacturing Sector caused by expansion in aggregate demand; increase in revenue collection in the second quarter of FY 2009/10 due to revival in economy; positive Current Account balance and slowing down of inflation in H 1 2009/10 relative to H 1 2008/09. Aggregate demand expanded due to an ease in monetary policy reflected in reduction of policy rate by from 14 percent to 12.5 percent up to H 1 2009/10 and expansionary fiscal policy. Reduction in interest rate helped boost economic growth and contributed to Large Scale manufacturing recovery.

<b>Table 2.1 : Key Economic Indicators in H 1 FY 2009/10 relative to H 1 FY 2008-9</b>		
Growth Rate (Percent)	FY 2008/09	FY 2009/10
LSM (July- January)	-5.4	2.3
Exports (fob) ( July-Feb)	3.5	2.7
Imports (fob)	-1.5	-8.2
Tax Revenue	27.3	5.1
CPI (average ) July-December (FBS)	24.43	10.31
Percent of GDP	FY 2008/09	FY 2009/10
Fiscal Deficit (July-December)	1.9	2.7
Trade Deficit (July-Feb)	8.1	6.3
Current A/c deficit (July-Feb)	6.8	2.2

Source: State Bank of Pakistan

2.2 In July to December FY 2009/10, growth in Large Scale Manufacturing Sector has turned positive, 2.3 percent as compared to a decline of 5.4 percent in the corresponding period, FY 2008/09. Rebound in Large Scale Manufacturing is supported by growth in Consumer Durable production largely in automobile sector, improved performance of Construction sector (Cement and Steel), strong growth in Fertilizer production and low value added Textile Manufacturing. Agriculture Sector presents a mixed picture with production of Cotton outstripping other major crops and achieving a 5.3 percent increase in its production in H1 FY 2009/10 relative to H1 FY 2008/09. Rice and Sugarcane suffered decline in production owing to reduced area under cultivation caused by water shortages and delayed payments to farmers in the previous season.

2.3 Cumulative Fiscal deficit for first half of FY 2009/10 at 2.7 percent of estimated GDP is consistent with SBP forecast of budget deficit for the year. Despite increase in revenue collection in the second quarter as compared to first quarter, the deficit in revenue balance as percent of estimated GDP increased to 1.0 percent from .6 percent in first half of FY 2008/09. Inflation reduced significantly over same period of previous year but inflationary pressures increased by end of second quarter FY 2009/10 as compared to the beginning. The acceleration is due to increase in international prices of food items such as sugar, tea

and rice as well as wheat which was kept at a higher minimum price despite decline in international price of wheat.

2.4 External Account depicts improvement and current account deficit narrowed due to lower imports. Lowering of current account deficit resulted in improvement in Foreign Exchange Reserves which reached US \$15.1 billion in July-Feb, FY 2009/10 opposed to US \$ 10.6 billion in the corresponding period FY 2007-08. Current Account Balance is supported by strong increase in workers' remittances and decrease in outflows by foreign exchange companies. However, the improvement is counterbalanced by contraction in exports caused largely by energy shortage and decrease in external demand. Major gains in Current Account i.e.. contraction in current account deficit and increase in workers' remittances, is concentrated in the first half of FY 2009/10. In coming months there are significant risks due to rising imports by increase in domestic demand and slowing down of remittances.

A brief review of economic situation in the first half of FY 2009/10 is presented below:

## 2.1 Real Sectors

### 2.1.1 Agriculture

2.5 Growth target of 3.8 percent in Agriculture sector is poised to face challenges due to slippage in output in major crops i.e.. rice, sugar, caused by resource management constraints, particularly water and price management issues. Despite bumper crop in FY 2008/09, Cane growers faced the delayed payments by sugar mills forcing them to switch to other crops i.e.. Cotton and other markets i.e.. Gur making. Rice production of 6.4 million tons represents a fall of 8.3 percent YoY in FY 2009/10, albeit surpassing the target of 5.9 million tons. Rice and Sugar growers switched to Cotton production increasing the cotton crop area under cultivation to 6.7 percent in FY 2009/10 (Table 2.2). Cotton production has increased to 12.7 million bales, realized due to a growth of 50.0 percent in Sindh. Despite increase in cotton output, imports will be required to meet the cotton consumption, estimated at 16 million bales.

2.6 Wheat crop output is likely to be affected due to water shortage reflected in lower area under cultivation i.e.. lower acreage to the extent of 1.9 percent in FY 2009/10 compared to FY 2008/09. However, supporting factors of higher farm incomes in FY 2008/09 and lower fertilizer prices resulted in increasing the fertilizer use. Maintaining a higher support price of wheat relative to significant reduction in international price also contributed to fertilizer off-take.

<b>Table 2.2 Production and area under cultivation of major crops and Percentage change between H1 FY 2008/09 &amp; H1 FY 2009/10</b>			
Production of Major Crops (million tons)			
	FY 2008/09	FY 2009/10	Percent change
Cotton	12.06	12.7	5.3
Sugarcane	50.0	48.6	-2.8

Rice	6.9	6.4	-8.6
Wheat	24.0	-	-
Area Under Cultivation (million hectares)			
Cotton	2.85	3.04	6.7
Sugarcane	1.03	.95	-7.7
Rice	2.96	2.85	-3.7
Wheat	9.04	8.87	-1.9

### 2.1.2 Industry

2.7 Large Scale Manufacturing (LSM) sector growth of 2.3 percent in H1 2009/10 has been supported by increase in domestic demand and modest recovery in export sector due to improvement in external demand. Higher fiscal spending and increase in rural income supported by prices of agricultural commodities contributed to recovery in domestic demand.

2.8 Growth in LSM is largely attributed to Automobile, Cement and Steel sectors. Production in consumer vehicles increased mainly due to rise in rural income, higher customs duty on imported cars causing a shift to greater demand for local cars, higher sales of tractors caused by rising agricultural spending in Punjab, and growth in trade volume in the later half of FY 2009/10. Construction activity also revived reflected in greater output production in Cement and Steel and increase in exports to North African countries.

2.9 Higher domestic output of cotton coupled with shortage of cotton and yarn in international markets contributed to the growth of Textile sector. The growth is largely concentrated in low-value added sector which responded to improvement in export orders owing to the global recovery. Greater exports of cotton and yarn worked as a constraint in availability of raw materials for higher value added sector and lowered its production. Shortage of energy and higher tariffs also curtailed the production capacity of higher value added sector.

2.10 Sugar Industry suffered partly due to lower production of sugarcane, resulting from problems that sugar growers faced in the last season wherein sugar mills delayed their payments. Inefficient price mechanism in the sugar industry has severely affected the production of sugar and diverted the output to alternate Gur manufacturing. Linkages of sugar industry with Pharmaceuticals and Beverage industries contributed to their lower production.

2.11 Sustaining the recovery in LSM growth in coming months hinges on the availability of energy, prices of inputs and food inflation. Continuing shortage of energy and higher input prices such as gas and fuel may translate into underutilization of productive capacity and increase in retail prices which may test the purchasing power of the consumers and consequently, affect the output.

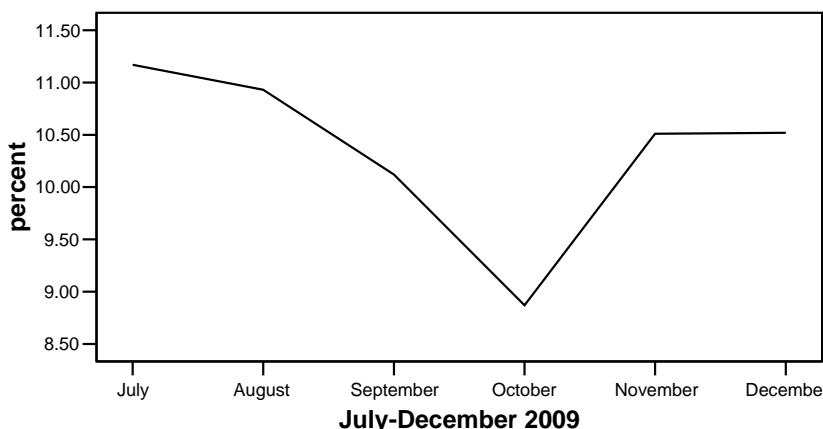
### 2.1.3 Services

2.12 Targeted growth of 3.9 percent in Services sector is achievable provided the growth trends witnessed in LSM, Agriculture and trade volume continue. Trade volume expansion has increased the activity in services sector such as transport sector e.g. cargo handling. Rebound in commodity producing sectors is positively affecting wholesale and retail trade. Finance and Insurance industry is also expected to post positive growth in response to credit demand by the private sector. Telecommunication sector is supported by increased earning of PTCL by 1 percent in H1 FY 2009/10 relative to H1 FY 2008/09 and increase in cellular companies' profits due to rise in cellular subscribers as well as growth in telecom export services.

### 2.2 Inflation

2.13 Inflation as measured by average CPI, WPI and SPI in H 1 2009/10 has receded as compared to the corresponding period last year. The trends emerging from the recent data on last two months of H 1 FY 2009/10 indicates rising inflationary pressures. Increasing prices of fuel, gas and expansion in aggregate demand are important determinants for this acceleration. Reduction in subsidies on power is likely to exert upward pressure on prices in coming months.

**Fig. 1 CPI in H 1 FY 2009/10**

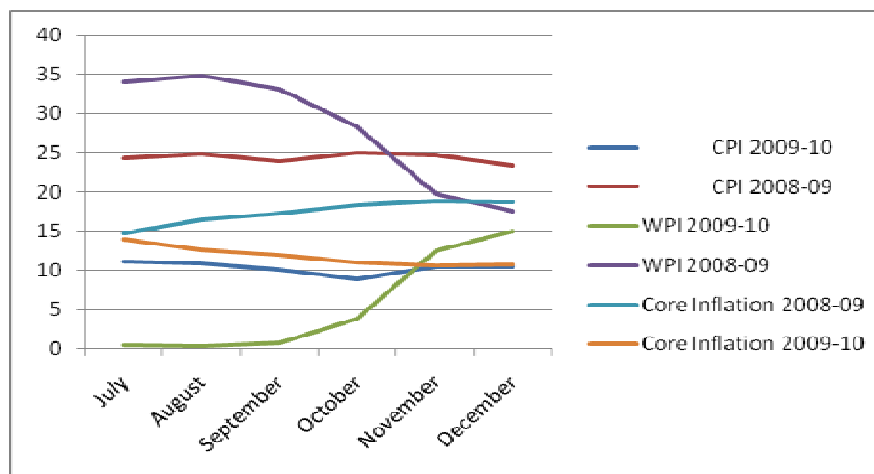


2.14 In October, 2009/10, headline CPI inflation troughed to 8.9 percent (Fig.1) but since then it has started rising again. Average CPI in H 1 FY 2009/10 stood at 10.31 percent compared to 24.43 percent in FY 2008/09. In December, it was .49 percent lower than November, 2009. Substantial decline in first quarter and up till October 2009 relative to first half of FY 2008/09 is due to the deceleration in commodity prices. However, inflationary pressures have again resurfaced in the later months of H 1 FY 2009/10. Main factors responsible for this upward trend are increasing international prices of rice, tea, sugar, cotton and pulses. Effect of lower international wheat price is not passed on to domestic consumers by maintaining a higher wheat price which also contributes to food inflation.

2.15 WPI in H1 FY 2009/10 had lowered relative to the corresponding period in FY 2008/09 (Fig. 2). However, upward trends are again witnessed in the later months of H1 FY2009/10. WPI and CPI share the common inflationary tendency in the food group but

inflation in other sub-groups comprising WPI represent different factors. International increase in cotton prices got reflected in higher raw material prices while energy price hike impacted fuel, lighting and lubricant group. Exchange rate depreciation combined with the aggregate impact of domestic and global price hikes of power and cotton respectively, caused upward trends in WPI.

**Fig. 2 Trends in CPI, WPI & Core Inflation up till H1, FY 2008/09 & H1 FY 2009/10**



### 2.3 Fiscal Balance

2.16 Fiscal deficit in the first half of FY 2009/10 stood at 2.7 percent of annual estimated GDP. Revenue collection in the first half of the current year improved owing to the modest recovery of manufacturing sector. Government is facing the inflexible circular energy debt and security related expenditure. External finance receipts from FODP and Coalition Support Fund are not forthcoming with the potential to cause a slippage on fiscal deficit target. To contain the budget deficit, Government had to curtail the total expenditure, albeit through the less desirable option of development budget cut.

2.17 In H1 FY 2009/10, total revenue realized, amount to 909.9 billion with an increase of 9.0 percent compared to 33.4 percent in the corresponding period of previous financial year (PFY). The downward trend in revenue is attributed to lower tax collection in H1 FY 2009/10. The tax revenue target of Rs. 1380 billion was set higher than the previous year target of Rs. 1,157 billion, based on the anticipation of recovery of economy wide growth. FBR collected Rs. 582.1 billion net showing a growth of 5.1 percent over previous year.<sup>1</sup> However, the current tax revenue represents 42.2 percent of the total targeted collection figure. The pressure to collect the remaining 57.8 percent share poses a major challenge and emerges as a key determinant for the status of fiscal indicators in the coming months.

2.18 Direct and Indirect taxes have increased by .5 percent and 7.9 percent respectively in H1 FY 2009/10. Major share of the total tax revenue growth of 5.1 is contributed by indirect

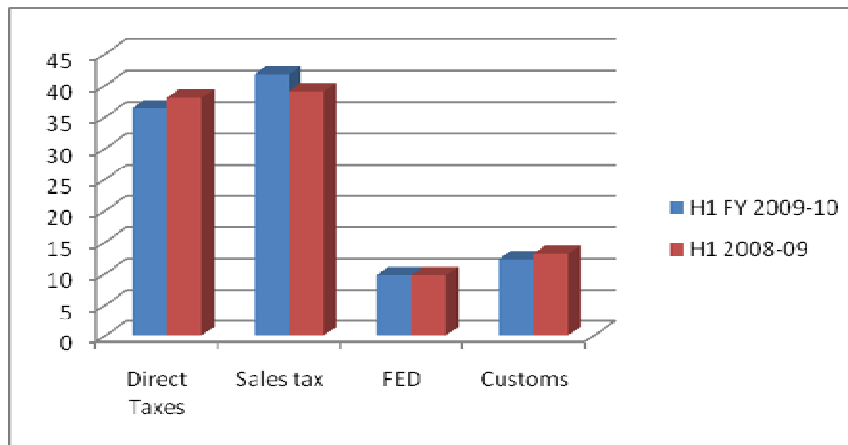
<sup>1</sup> FBR Quarterly Review, Vol. 10. No.2, October- December, 2009

taxes i.e.. 4.9 percentage points. Sales tax and FED have performed better while customs revenue collection has decelerated due to decline in rupee value of imports, particularly POL products, machinery, mechanical appliances and electrical machinery. The share of direct taxes in total tax revenue has gone down to 36.3 percent in H1 FY 2009/10 from 38 percent in H1 FY 2008/09. (Fig. 3) while the total tax revenue collected represents 42.2 percent of the budgeted target.

<b>Table 2.3 : Collection vis-à-vis targets up till H1 FY 2008/09 &amp; H1 2009/10 and Percentage Change</b>					
Tax Heads	Target H 1 FY 2008/09	Target H1 FY 2009/10	Collection H1 FY 2008/09	Collection H1 FY 2009/10	Percentage change
Direct Taxes	210	211.4	210.3	211.4	0.5
Sales tax	223	242.7	216.4	242.9	12.2
FED	49	56.7	53.6	56.7	5.8
Customs	73	71.4	72.8	71.2	-2.2
Total	555	582.3	553.8	582.2	5.1

Source: FBR

**Fig. 3 Share of Direct and Indirect taxes in total tax revenue,  
H 1 FY 2008/09 & H1 FY 2009/10**



2.19 Tax to GDP ratio planned for CFY is 9.3 percent relative to 8.8 percent achieved in PFY. In the second half of CFY, an increase in direct tax collection is expected because the deadline for quarterly advance tax payment has been extended by 15 days and FBR also announced extension in filing income tax returns up to January, 2010.

2.20 Given the rigidity of current expenditure on defense, interest payments, security related spending to ongoing military campaigns in northern areas and spending related to energy sector circular debt, Current expenditure rose to Rs. 1058.6 billion in H1 FY 2009/10.

2.21 Fiscal deficit of 2.7 percent of GDP in CFY relative to 1.9 percent in the corresponding period last in PFY is largely caused by weak revenue generation and rigidity in current spending. Government of Pakistan is compelled to wage an expensive war on terror on its soil causing unavoidable expenditures on maintaining security of its urban areas while outstanding Coalition Support Fund payments amounting to more than \$ 1.5 billion are being delayed. The original fiscal deficit target of 4.9 percent of GDP is unlikely to be met in the backdrop of these unfavorable developments.

#### **2.4 Current Account Balance**

2.22 Current Account deficit narrowed substantially in the first half of FY 2009/10 relative to corresponding period of FY 2008/09, from 6.8 percent of GDP in July-February 2008/09 to 2.2 percent of GDP in July-February 2009/10. The major part of the decline in current account deficit is explained by fall in imports and increase in remittances from abroad. Workers' Remittances depicts a YoY increase of 17.7 percent in the period of July-February, FY 2009/10.<sup>2</sup> UK, Gulf region, USA and Canada were the major source of this remittance incomes. Financial crisis in Dubai contributed to the surge in remittances as the jobless migrants returned home with their savings. Another source contributing to this improved performance in remittances is Pakistan Remittance Initiative launched to curb the use of illegal transfer of funds and channel the remittances' inflow through formal banking sector. However, major gains in Current Account i.e.. contraction in current account deficit and increase in workers' remittances, are concentrated in the first half of FY 2009/10. In coming months there are significant risks due to rising imports by increase in domestic demand and slowing down of remittances.

#### **2.5 Trade Balance**

2.23 Trade deficit contracted from 10.8 percent in July-Jan FY 2008/09 to 8.5 percent in July-Jan FY 2008/09. The contraction in trade deficit is largely caused by contraction in imports of both POL and non-POL imports with a modest export performance in the same period. Imports contracted by 10.6 percent in July-Jan, FY 2009/10 over the same period in FY 2008/09, from \$ 21.6 million to \$ 19.3 million. Lower price has caused fall in imports' growth despite increase in the quantity as evident from the YoY contraction of 12.8 percent in petroleum group imports during July-January 2009/10.

2.24 On export side, strong domestic cotton crop in the wake of international shortage combined with recovery of external demand boosted cotton and lower value added textile exports. Raw cotton and cotton yarn exports recorded growth of 142.0 and 38.1 percent respectively with major imports of cotton yarn concentrated in China. Textile exports grew by 2.3 in July-Jan FY 2009/10 compared with the corresponding period in FY 2008/09, mostly due to higher volume of lower value added textile products on the back of recovery in export orders. Rice and fruits exports also fared better among the food group exports. Lower growth of 6.7 percent in Other Manufacturer's group up till Q3 FY 2009/10 resulted from decline in leather garments exports; lower quantity of cement exports due to lower demand from major importers as well as slowing down of construction activities in the Gulf region; drop in the exports of engineering goods and molasses.

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<sup>2</sup> State Bank of Pakistan, Quarterly Report FY 2009/10.

2.25 Economy is expected to post modest growth outturn. Internal conflict has the potential to disrupt economic activity through ever increasing expenditures on Law & Order and negative impact on manufacturing output. Industrial production has turned positive in tandem with regional trends through providing fiscal stimulus having an impact on consumer demand. Sustaining the LSM growth in view of severe energy shortages is a key determinant of economic growth. Containing fiscal deficit is challenging with stagnant revenue collection. Current Account balance may deteriorate due to increase in imports vis-à-vis volume and value of exports combined with hitherto robust remittance inflows which appears to have moderated in recent months of H1 FY 2009/10 as well as lower than anticipated external finance receipts.

### 3.0 Trends in Expenditure – H1 FY 2009/10

3.1 Pro-Poor expenditures during H1 FY 2009/10 mark a healthy growth trend, showing YoY increase of 11.72 percent; from Rs. 373,183 million, up till H1 of the previous financial year (PFY) to Rs. 416,922 million during the corresponding period of the current financial year (CFY). All the sectors except Subsidies, Land Reclamation, Low Cost Housing and Food Support Programme have recorded positive trends. Peoples' Works Programme I, Rural Development and Social Security & Welfare have registered maximum increases; 194.10 percent, 210 percent and 98.05 percent respectively (Table 3.1).

3.2 In sectors comprising Human Development, Education and Health depict strongly positive trends, YoY increases of 38.74 percent and 24.26 percent respectively. Expenditure in Education has moved up from Rs. 84, 117 million during H1 FY 2008/09 to Rs. 116, 705 million during H1 FY 2009/10. Health spending increased from Rs. 26,816 million during H1 FY 2008/09 to Rs. 33,322 million during H1 FY 2009/10. Increase in expenditure on Population Planning is relatively less than Health and Education; showing YoY increase of 8.21 percent, up from Rs. 2,485 million during first half of PFY to Rs. 2,689 million during the corresponding period of the CFY.

3.3 Increase in expenditure of the allied sectors of the group 'Rural Development', represents a positive YoY trend of 38.50 percent. Aggregate percentage change masks wide variations as Rural Development and Peoples' Works Programme I spending increased during H1 of CFY by enormous 210.0 percent and 60.21 percent respectively over the previous year and Agriculture shows positive growth of 14.85 percent. Expenditure on Land Reclamation declined, reflected in YoY decrease of 19.58 percent up till H1 FY 2009/10.

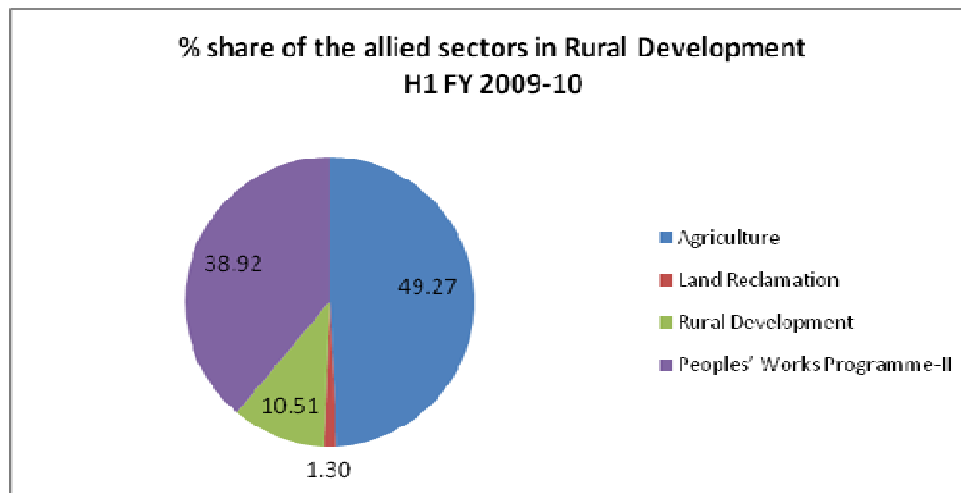
<b>Table 3.1: PRSP Budgetary Expenditures and Percentage Change between H1 FY 2008/09 and H1 FY 2009/10</b>			
Sectors	Expenditures up to H1 (Rs million)		Percentage Change
	FY 2008/09	FY 2009/10	
<b>Market Access and Community Services</b>			
	<b>28,949</b>	<b>23,532</b>	<b>-18.71</b>
Roads, highways & bridges	22,377	23,532	5.16
Environment/Water Supply & Sanitation	6,572	8,062	22.67
<b>Human Development</b>			
	<b>113,418</b>	<b>152,716</b>	<b>34.65</b>
Education	84,117	116,705	38.74
Health	26,816	33,322	24.26
Population Planning	2,485	2,689	8.21
<b>Rural Development</b>			
	<b>45,130</b>	<b>62,506</b>	<b>38.50</b>
Agriculture	26,817	30,799	14.85

Land Reclamation	1,011	813	-19.58
Rural Development	2,119	6,569	210
Peoples' Works Programme-II	15,183	24,325	60.21
<b>Safety Nets</b>			
	<b>139,060</b>	<b>102,000</b>	<b>-26.65</b>
Subsidies	123,032	77,441	-37.06
Food Support Programme	3,429	0	-100
Social Security & Welfare	9,663	19,138	98.05
Natural Calamities & Disasters	2,423	4,161	71.73
Low Cost Housing	106	63	-40.57
Peoples' Works Programme-I	407	1,197	194.1
<b>Governance</b>			
	<b>46,626</b>	<b>68,106</b>	<b>46.07</b>
Law & Order	42,182	62,882	49.07
Justice Administration	4,444	5,224	17.55
Total	373,183	416,922	11.72

Source: Civil Accounts provided by Accountant General's office

3.4 Expenditure on these allied sectors in 'Rural Development' during H 1 FY 2009/10 amounts to Rs. 62,506 million, up from Rs. 45,130 million over the same period in FY 2008/09. Agriculture contributes the maximum to the aggregate spending in 'Rural Development' group followed by PWP I while Land Reclamation holds a miniscule share (Fig.1). Overall, Agriculture contributes 7.38 percent to the pro-poor expenditures during H1 CFY as compared to 7.18 during the corresponding period of PFY which is .28 percent points higher than the PFY.

**Fig. 1 Share of allied sectors in Rural Development**



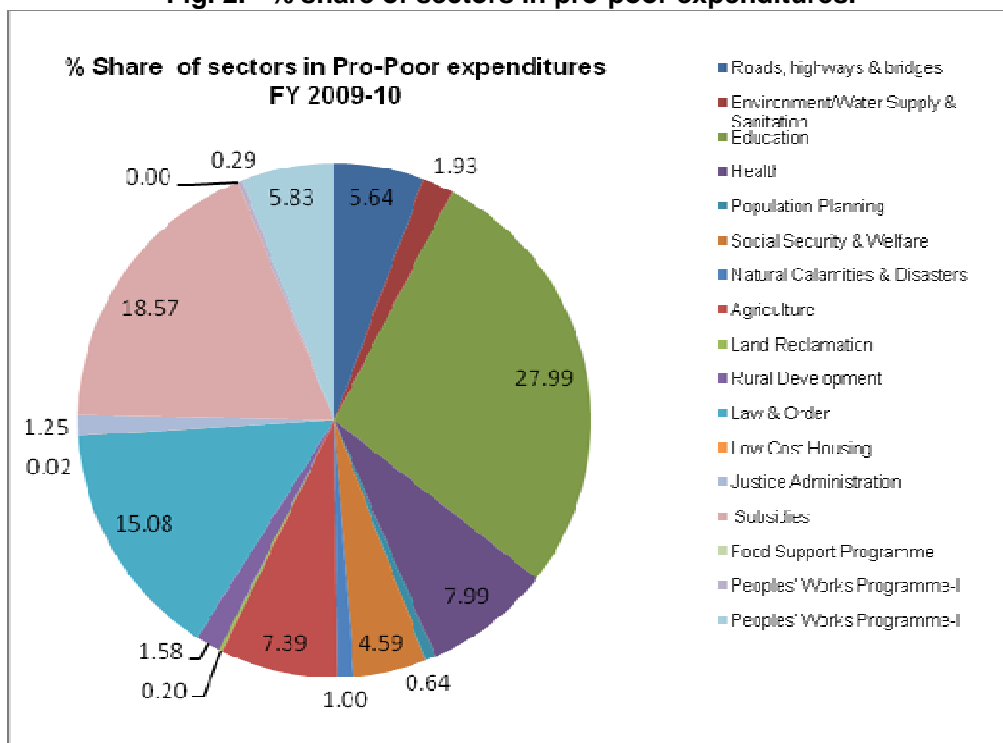
3.5 Roads, Highways& Bridges has registered moderate rise in expenditure during H1 FY 2009/10, YoY increase of 5.16 percent while spending on Environment, Water Supply&

Sanitation illustrated a healthy growth of 22.67 percent over the two years under comparison.

3.6 Expenditure on the sectors relating to provision of social safety nets and relief, presents a mixed picture; spending in Social Security & Welfare, Natural Calamities & Disasters and PWP I has risen enormously reflected in robust growth rates of 98.05 percent, 71.73 and 194.1 percent respectively over the two years under discussion. Food Support Programme and Subsidies have registered negative trends of 100.0 percent and 37.06 percent respectively. Food Support Programme comprises of Punjab Food Support Programme and Pakistan Bait-ul-Mal component. Punjab Food Support Programme has not incurred any expenditure during the first half of CFY while the food component of Pakistan Bait-ul-Mal has been merged in Benazir Income Support Programme as part of the policy to consolidate all the cash transfer programmes. Expenditure on Subsidies exhibits consistently decreasing pattern during the recent years and is explained by the concerted effort of the government to move away from across the board subsidization and provide direct assistance to the poor and deserving.

3.7 Subsidies contribute 18.57 percent to the aggregate pro-poor spending during first half of the CFY, far lower than 32.96 percent in the corresponding period of the PFY which is 14.39 percent points lower. Share of Social Security & Welfare into the aggregate pro-poor expenditure has increased from 2.5 percent during the H1 FY 2008/09 to 4.5 percent during the same period FY 2009/10 (Fig. 2)

**Fig. 2. % share of sectors in pro-poor expenditures.**



3.8 Rising expenditure in Natural Calamities & Disasters is consistent with the increasing cost of rehabilitation of internally displaced people (IDPs) as well as the cost of

reconstruction in the conflict ridden areas. Military operations in northern areas have slowed down and are complemented with the relief and reconstruction efforts to restore normalcy in the region. Internal conflict has subsided recently but far from over, necessitating the compulsive expenditures on maintaining public safety and security. Increase in spending on Law & Order and Justice Administration also reflects these developments and evidently, supports the policy of government to uphold security overall.

### 3.0.1 Distribution of PRSP Budgetary Expenditures

3.9 Proportional contribution of pro-poor sectors in budgetary expenditures between H1 FY 2008/09 and H1 FY 2009/10 (Table 3.2) illustrates a shift in the shares of Subsidies and Education. In the first half of PFY, Subsidies dominated by holding a maximum share of 32.97 percent; decreased its contribution to 18.57 percent, losing 14.4 percent points in the same period of CFY. Education contributed second highest expenditure and held 22.54 during H1 FY 2008/09, increased its share to 27.99 during H1 FY 2009/10, gaining 5.45 percent points. There were nominal increases in the shares of Health and Population Planning between the two years under discussion.

3.10 Moderate increase in the share of Social Security & Welfare, Law & Order and marginal increase in Natural Calamities & Disasters are explained by the upsetting factors of security forces fighting militancy. Government agencies are trying to provide relief to the affected people through enhanced spending in related sectors. Social Security & Welfare experienced an increase in proportional contribution to the aggregate spending from 2.59 percent in H1 FY 2008/09 to 4.59 percent in H1 FY 2009/10. Natural Calamities & Disasters share in aggregate spending witnessed increase from .65 percent to 1.00 percent. Share of Law & Order has moved up from 11.30 percent during H1 of PFY to 15.08 percent in the corresponding period of the CFY, gaining 3.78 percent points increase in its share. Changes in the respective shares of remaining sectors are nominal except Rural Development and Peoples' Works Programme II, recording an uptrend in their contribution to the extent of 1.01 and 1.76 percent points respectively.

<b>Table 3.2: Comparison of Proportional Contribution of PRSP Sectors in Budgetary Expenditures between H1 FY 2008/09 and H1 FY 2009/10</b>				
Sectors	Up to H1 FY 2008/09 (Rs million)		Up to H1 FY 2009/10 (Rs million)	
	Expenditures	Proportion/percent of total expenditure	Expenditures	Proportion/percent of total expenditure
Roads, highways & bridges	22,377	6.00	23,532	5.64
Environment/Water Supply & Sanitation	6,572	1.76	8,062	1.93
Education	84,117	22.54	116,705	27.99
Health	26,816	7.19	33,322	7.99
Population Planning	2,485	0.67	2,689	0.64

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Social Security & Welfare	9,663	2.59	19,119	4.59
Natural Calamities & Disasters	2,423	0.65	4,161	1.00
Agriculture	26,817	7.19	30,799	7.39
Land Reclamation	1,011	0.27	813	0.20
Rural Development	2,119	0.57	6,569	1.58
Law & Order	42,182	11.30	62,882	15.08
Low Cost Housing	106	0.03	63	0.02
Justice Administration	4,444	1.19	5,224	1.25
Subsidies	123,032	32.97	77,441	18.57
Food Support Programme	3,429	0.92	0	0.00
Peoples' Works Programme-I	407	0.11	1,197	0.29
Peoples' Works Programme-II	15,183	4.07	24,325	5.83
Total	373,183	100.00	416,922	100.00

### 3.0.2 PRSP Budgetary Expenditures by Province and Sector

3.11 Pro-poor budgetary expenditure by province and sector (Table 3.3) depicts growth trends in all provinces except at federal level wherein substantial reduction in expenditure on Subsidies, Population Planning and nil expenditure in Land Reclamation and Low Cost Housing pulled down the aggregate percentage change in overall spending, resulting in negative growth between the first half of two years under examination.

3.12 All the provinces except Balochistan, observed enormous increases in spending on Natural Calamities & Disasters and Rural Development. At provincial level, in Law & Order and Justice Administration, a uniformly positive trend is witnessed, reflecting the commitment to maintain public safety and improved governance.

3.13 In sectors related to Human Development i.e. Education, Health & Population Planning, nearly all the provinces have witnessed strong growth in spending during the first half of CFY over the same period in PFY.

3.14 At federal and provincial level, Low Cost Housing and Land Reclamation have recorded nil or negative expenditure trends consistently in recent years. Faced with limited fiscal space, government of Pakistan encounters competing pulls regarding spending in various pro-poor sectors. These two sectors have received low priority indicated through low levels of expenditure.

<b>Table 3.3: Percentage change in PRSP expenditures between H1 FY 2008/09 and H1 FY 2009/10 by Sector and Province</b>						
Sectors	Federal	Punjab	Sindh	Khyber Pakhtoon Khawa	Balochistan	Pakistan
Roads, Highways & Bridges	9.52	23.43	-39.89	78.37	-51.61	5.16
Environment/Water Supply & Sanitation	28.00	50.26	-40.09	38.46	6.58	22.67
Education	97.10	31.99	29.77	24.90	28.94	38.74
Health	24.87	36.70	30.84	-10.49	20.34	24.26
Population Planning	-7.47	25.55	27.44	30.60	72.88	8.21
Social Security & Welfare	116.82	-33.19	93.56	54.55	-3.96	97.86
Natural Calamities & Disasters	98.50	20.97	4,357.14	1,643.55	-97.95	71.73
Agriculture	19.64	8.71	17.03	35.23	1.90	14.85
Land Reclamation	0.00	17.07	-22.82	0.00	0.00	-19.58
Rural Development	141.74	350.41	22.06	324.20	-52.17	210.00
Law & Order	50.24	40.07	26.13	138.42	61.42	49.07
Low Cost Housing	0.00	-49.06	0.00	0.00	0.00	-40.57
Justice Administration	59.17	5.58	15.37	26.04	34.05	17.55
Subsidies	-36.19	-99.28	-94.74	-57.92	0.00	-37.06
Food Support Programme	-100.00	-100.00	0.00	0.00	0.00	-100.00
Peoples' Works Programme-I	194.10	0.00	0.00	0.00	0.00	194.10
People Works Programme-II	60.21	0.00	0.00	0.00	0.00	60.21
Total	-4.60	28.93	20.07	42.89	2.32	11.72

### 3.1 Budget Allocations for FY 2009/10

#### 3.1.1 Sectoral shares in total PRSP Budgetary Allocations

3.15 Budget allocated for pro-poor sectors for the FY 2009/10 amounts to Rs. 1,126,529 million constituting 7.49 percent of the estimated GDP for CFY. Sectoral shares of respective sectors in pro-poor budget allocations (Table 3.4) reflect maximum budgetary allocation for Education (25.53 percent) followed by Subsidies (14.30 percent). Agriculture, Roads, Highways& Bridges and Law & Order hold somewhat equal shares, higher than 10 percent of the aggregate pro-poor budgetary allocations; 12.49 percent, 11.99 and 11.13 percent respectively. Health is the only other sector holding considerably bigger share to the extent of 9.71 percent; shares of remaining sectors are less than 3 percent each (Fig. 3).

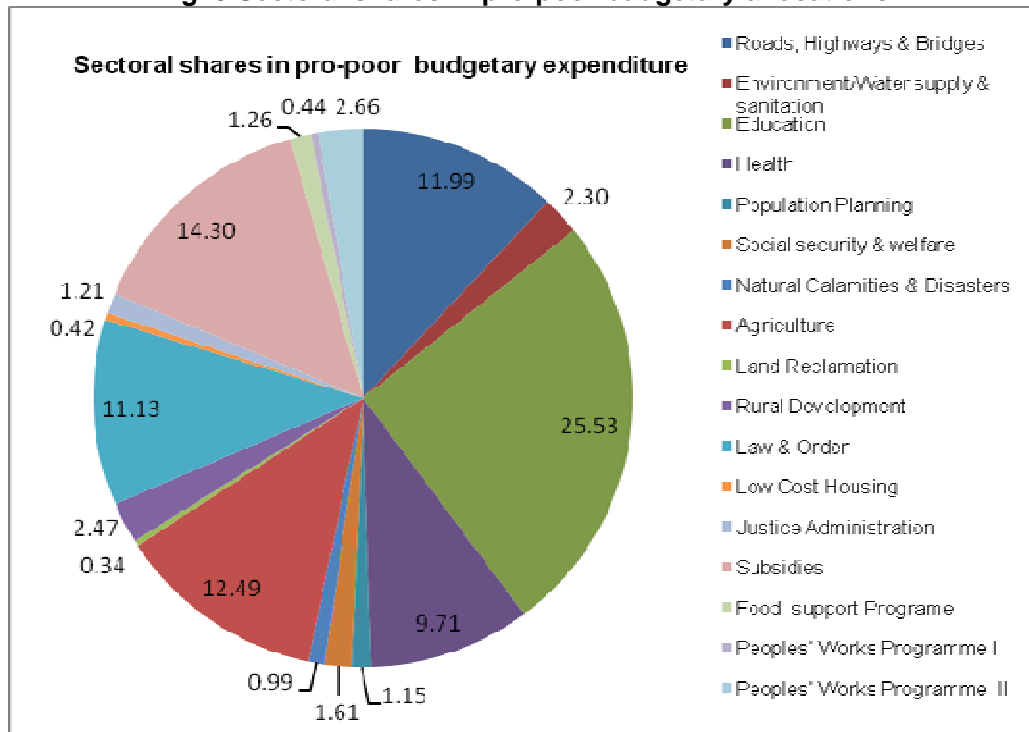
<b>Table 3.4: PRSP Budgetary allocations for FY 2009/10</b>		
Sectors	Budget Allocations (Rs. Millions)	Sectoral Shares
	FY 2009/10	%
Roads, Highways & Bridges	135,073	11.99
Environment/Water supply & sanitation	25,874	2.30
Education	287,592	25.53
Health	109,331	9.71
Population Planning	12,991	1.15
Social security & welfare	18,116	1.61
Natural Calamities & Disasters	11,109	0.99
Agriculture	140,738	12.49
Land Reclamation	3,794	0.34
Rural Development	27,871	2.47
Law & Order	125,338	11.13
Low Cost Housing	4,747	0.42
Justice Administration	13,649	1.21
Subsidies	161,106	14.30
Food support Programme	14,200	1.26
Peoples' Works Programme I	5,000	0.44
Peoples' Works Programme II	30,000	2.66
<b>Total</b>	<b>1,126,529</b>	<b>100.00</b>

### 3.1.2 Current and Development Budget Allocations:

3.16 Comparison of Current and Development Budget allocations (Fig. 4) depicts a higher proportion of pro-poor Budget allocation for Development component (58.24 percent) relative to Current Budget allocations (42.63 percent).

3.17 In Current Budget allocations, Education, Health, Subsidies and Law & Order constitute the major proportionate shares of aggregate; with current budget of Education holding 19.23 percent of total budget while of Subsidies, Law & Order and Health constituting 13.24 percent, 10.76 percent and 6.47 percent respectively. Current Budget allocations for remaining sectors are below 5 percent of the total pro-poor allocations (Fig. 4).

**Fig. 3 Sectoral shares in pro-poor budgetary allocations**

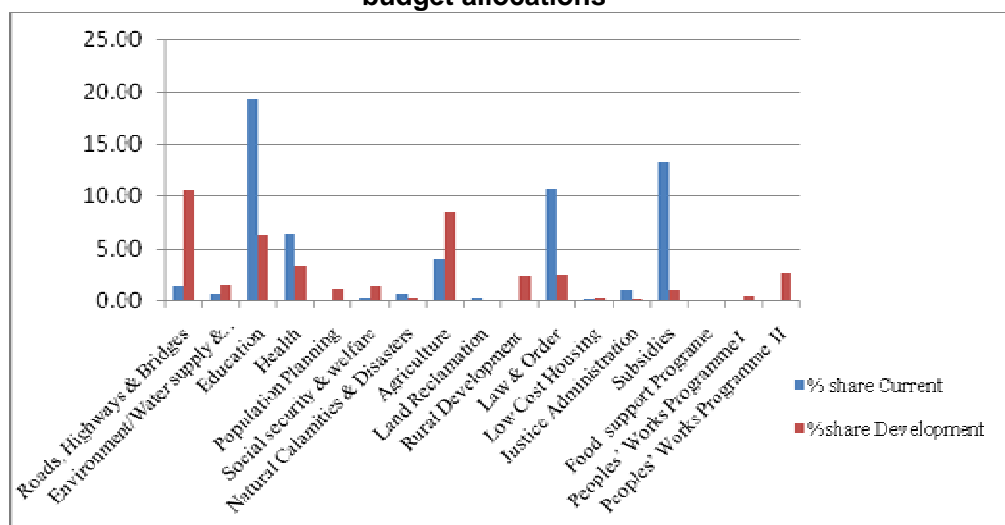


3.18 Development budget on Roads, Highways & Bridges as a proportion of the total budget allocations for pro-poor sectors is the highest among all (10.61 percent), followed by Agriculture and Education consisting of 8.52 percent and 6.29 percent of the overall pro-poor allocations respectively (Table 3.5). Development budget for Health as a percent of total budgetary allocation amounts to 3.36 percent. In remaining sectors, share of Development is meager, constituting less than 3 percent.

<b>Table 3.5 Current and Development Budget Allocations, FY 2009/10</b>			
Sectors	Budget allocations (Rs. Millions)	Current	Development
	FY 2009/10		
Roads, Highways & Bridges	135,073	15,592	119,481
Environment/Water supply & sanitation	25,874	8,509	17,364
Education	287,592	216,682	70,911
Health	109,331	72,914	37,861
Population Planning	12,991	301	12,690
Social security & welfare	18,116	2,616	15,502
Natural Calamities & Disasters	11,109	8,215	2,896
Agriculture	140,738	44,718	96,020

Land Reclamation	3,794	3,769	25
Rural Development	27,871	862	27,008
Law & Order	125,338	121,228	29,128
Low Cost Housing	4,747	2,236	2,511
Justice Administration	13,649	11,771	1,878
Subsidies	161,106	149,106	12,000
Food support Programme	14,200	0	
Peoples' Works Programme I	5,000	0	5,000
Peoples' Works Programme II	30,000	0	30,000
<b>Total</b>	<b>1,126,529</b>	<b>658,519</b>	<b>480,275</b>

**Fig. 4 Sectoral Shares of Current and Development Budget in total pro-poor budget allocations**



### 3.2 Current and Development Expenditures:

3.19 Percentage change in aggregate Current and Development expenditures between first half of the years under examination (Table 3.6) shows tremendous YoY increase in Development spending as compared to the Current expenditure. Current expenditure amounting to Rs. 308,172 represents 73.9 percent of the total expenditure during first half of CFY, moderately lower than its share of 80.3 percent over the same period of PFY. YoY growth in Current expenditure i.e. 2.73 percent is much lower than YoY increase of 48.56 percent for Development expenditure.

<b>Table 3.6: Total Current and Development PRSP Expenditure up to Q2 (FY 2008/09 – FY 2009/10)</b>			
Fiscal Year Q 2	PRSP Expenditures (Rs Million)		
	Current	Development	Total

FY 2008/09	299,980	73,203	373,183
FY 2009/10	308,172	108,750	416,922
Percentage change	2.73	48.56	11.72

3.20 Percentage change in Current and Development expenditure by provinces (Table 3.7) depicts positive change in Current expenditure at provincial level but marked by declining trend at Federal level. On Development expenditure side, mixed trends are observed at provincial level, with two provinces posting robust growth in Development spending over the period under discussion with substantial reduction in two remaining provinces. At federal level, highly positive percentage change in Development spending offsets the negative Current expenditure change.

	<b>Table 3.7 : Percent change in current and development expenditure by provinces between H1 FY2008-09 and H1 FY2009-10</b>					
	2008/09 (Rs. Millions)		2009/10 (Rs. Millions)		Percentage change	
	Current	Development	Current	Development	Current	Development
Federal	149,431	35,634	123,715	54,025	-17.21	51.61
Punjab	83,393	16,228	98,215	30,222	17.77	86.23
Sindh	32,161	12,805	41,808	12,200	30.00	-4.72
Khyber Pakhtoon Khawa	24,943	5,118	32,801	10,154	31.50	98.40
Balochistan	10,052	3,418	11,633	2,149	15.73	-37.13

3.21 Sectoral trends in Current and Development expenditure between first half of the years, FY 2008/09 and FY 2009/10, shows that Social Security & Welfare, Natural Calamities & Disasters, Law & Order, Rural Development and Justice Administration exhibit impressive YoY increases in both the categories of expenditures (Table 3.8). The trends for all these three sectors are in line with the factors already discussed in previous sections. The security related environment and factors have a considerable effect, not only reflected in the variations of expenditure among sectors but also have macroeconomic implications in terms of the resource gap and its' financing.

Sectors	<b>Table 3.8 Percentage change in Current and Development Expenditure by sectors between H1 FY 2008/09 and H1 FY 2009/10</b>		
	Total	Current	Development
Roads Highways and Bridges	5.16	13.44	3.66
Environment/Water Supply & Sanitation	22.67	20.85	24.06
Education	38.74	27.51	185.26
Health	24.26	21.42	40.47
Population Planning	8.21	62.96	6.36

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Social Security and Welfare	98.05	98.21	97.62
Natural Calamities and Disasters	71.73	73.74	63.71
Agriculture	14.85	14.21	15.54
Rural Development	210.0	3.45	254.71
Land Reclamation	-19.58	-19.58	0.00
Law & Order	49.07	49.14	41.08
Low Cost Housing	-40.57	-48.08	350.00
Justice Administration	17.55	12.79	250.56
Subsidies	-37.06	-39.64	34.24
Food Support Program	-100.00	-100.00	0.00
Peoples' Works Programme-I	194.10	0.00	194.10
Peoples' Works Programme-II	60.21	0.00	60.21
Total	11.72	2.73	48.56

3.22 Education, Health and Population Planning have also performed well represented through significantly positive expenditure trends in both categories of expenditure showing governments' resolve at Federal and Provincial level to accord high priority to these key Human Development sectors.

3.23 Expenditures in two sectors, Rural Development and Agriculture, in both Current and Development categories witness YoY increases, with the maximum increase in development spending for Rural Development. However, Land Reclamation has lagged behind, recording negative trends in Current expenditure and nil spending on Development side.

3.24 Highly negative expenditure trends have emerged on Current spending of Subsidies contributing to overall negative change of 37.06 percent; Development spending has moved up and registers significant change of 34.24 percent. PWP I & II depict enormous rise in spending while Food Support Programme is marked by 100 percent decline, largely owing to shifting of Food component of Pakistan Bait-ul-Mal to Benazir Income Support Programme.

### 3.3 PRSP Expenditures in subsectors of Education and Health

#### 3.3.1 PRSP Expenditures in Education:

3.25 Expenditure incurred in Education up till H1 FY 2009/10 has increased substantially, from Rs. 84,117 million during first half of PFY to Rs. 116,705 million during the same period in CFY, showing a growth of 38.74 percent over the corresponding periods of two years under comparison. All the subsectors have experienced impressive growth in expenditures; maximum rise has been observed in Teacher & Vocational training, followed by

University/College Education. The percentage change in Primary Education, though strongly positive, is much less than remaining subsectors (Table 3.9).

<b>Table 3.9: Percentage change in PRSP education expenditures between H1 FY 2008/09 and H1 FY 2009/10 by province and sectors of Education</b>						
	Federal	Punjab	Sindh	Khyber Pakhtoon Khawa	Balochistan	Pakistan
Primary Education	15.88	16.51	40.10	21.64	29.91	22.72
Secondary Education	5.30	55.51	14.97	21.27	29.07	33.67
University/College Education	145.40	23.36	11.21	3.63	52.65	76.06
Professional/Tech Universities	119.66	2.91	1.78	49.61	20.59	49.02
Teacher & Vocational Training	18.18	192.01	7.14	-100.00	28.17	164.12
Others	90.66	21.37	75.04	101.00	0.96	41.37
Total Percentage Change	97.10	31.99	29.77	24.90	28.94	38.74

3.26 At Provincial level, there has been a uniform YoY increase, with all provinces depicting positive trends (Table 3.9). At federal level, percentage increase in Education expenditures is far higher than that observed in all the provinces. Provinces have diverged widely in varying levels of expenditures incurred in various subsectors of Education. In Punjab, maximum percentage change has been observed in Teacher & Vocational Education, followed by Secondary Education and University/College Education. Primary Education has experienced significantly positive increase but lower than remaining constituting subsectors. While in Sindh, maximum preference is given to 'Others' followed by robust growth in Primary Education spending. Maximum expenditure increase is witnessed in 'Others' and Professional/Technical Universities in Khyber Pakhtoon Khawa; Balochistan depicts highest increase in University/College Education followed by Primary Education.

<b>Table 3.10: Percentage distribution of Education expenditures in H1 FY 2009/10 and H1 FY 2009/10 by province and sectors of Education</b>						
	Federal	Punjab	Sindh	Khyber Pakhtoon Khawa	Balochistan	Pakistan
H1 FY 2009/10						
Primary Education	7.10	41.02	46.79	41.05	35.40	35.62
Secondary Education	8.60	28.96	27.29	38.83	30.35	26.39
University/College Education	59.69	7.27	9.53	6.24	10.33	17.29
Professional/Tech Universities	11.96	1.47	4.34	7.97	5.88	5.02
Teacher & Vocational Training	0.12	6.07	0.57	0.00	2.17	2.96

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Others	12.54	15.22	11.48	5.91	15.87	12.72
Total Percentage Change	100		100	100	100	100
H1 FY 2008/09						
Primary Education	12.07	46.47	43.34	42.15	35.13	40.27
Secondary Education	16.10	24.58	30.81	30.81	30.32	27.39
University/College Education	47.94	7.78	11.12	7.52	8.72	13.63
Professional/Tech Universities	10.73	1.88	5.53	6.66	6.29	4.68
Teacher & Vocational Training	0.20	2.74	0.69	0.01	2.19	1.55
Others	12.96	16.55	8.51	3.67	17.35	12.48
Total Percentage Change	100	100	100	100	100	100

3.27 A consistent and uniform pattern has been observed in the recent years at provincial level, with all the provinces allocating maximum share of the Education spending to Primary and Secondary Education followed by sectors representing higher education i.e. University/College and Professional/Technical Universities (Table 3.10). During first half of the two years, FY2008/09 and FY 2009/10, somewhat similar trends have been witnessed in all the provinces. At the Federal level, the trend is reversed as Professional/Technical Education holds the highest share; Secondary Education and Primary Education are the next important subsectors illustrated by their percentage shares to aggregate expenditure in Education (16.10 percent and 12.07 percent respectively).

### 3.3.2 PRSP Expenditures in subsector of Health

3.28 Aggregate expenditure in Health has grown by 24.26 percent between the first half of the two years under discussion with positive trends in all except one subsector i.e. Mother and Child Health (Table 3.11). Expenditure incurred in Health has moved up from Rs. 26,816 million during Q 2 FY 2008/09 to Rs. 33,322 million in the same period of FY 2009/10. At provincial level, robust growth is observed in all provinces except KHYBER PAKHTOON KHAWA. The provinces vary considerably in the percentage change within the subsectors of Health. In Punjab and Khyber Pakhtoon Khawa, maximum percentage change between two years is witnessed in Health Facilities and Preventive Measures while in Sindh and Balochistan, General Hospitals & Clinics has recorded the highest YoY increase.

<b>Table 3.11: Percentage change in PRSP health expenditures between H1 FY 2008/09 and H1 FY 2009/10 by province and sectors of Health</b>						
	Federal	Punjab	Sindh	Khyber Pakhtoon Khawa	Balochistan	Pakistan
General Hospitals & Clinics	39.34	31.64	34.17	26.35	40.36	32.34
Mother & Child Health	-66.67	108.70	-100.00	37.50	-100.00	-9.24

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Health Facilities & Preventive Measures	15.76	150.59	29.14	209.41	-19.08	24.34
Others	-4.97	59.34	11.61	-72.73	28.08	11.26
Total Percentage Change	24.87	36.70	30.84	-10.49	20.34	24.26

3.29 The proportionate shares of subsectors of Health depict a uniform trend at provincial level in the first half of FY 2008/09 and FY 2009/10 (Table 3.12); General Hospitals & Clinics held the highest percentage share of the aggregate expenditure in Health. At provincial level 'Others' appears to hold the second largest share in overall Health spending in both the years under discussion.

3.30 At federal level, largest share of overall Health spending is held by Health Facilities & Preventive Measures followed by General Hospitals & Clinics. Share of General Hospitals & Clinics increased from 42.04 percent in H1 FY 2008/09 to 46.89 in H1 FY 2009/10, reflecting an increase of 4.85 percent points. There is a reduction in the share of Health Facilities & Preventive Measures between the two years, FY 2008/09 and FY 2009/10; from 54.30 percent in H1 FY 2008/09 to 50.34 percent in same period of FY 2009/10 depicting a decline of 3.96 percent points.

<b>Table 3.12 : Percentage distribution of health expenditures in H1 FY 2008/09 and H1 FY 2009/10 by province and sectors of Health</b>						
	Federal	Punjab	Sindh	Khyber Pakhtoon Khawa	Balochistan	Pakistan
<b>H1 FY 2008/09</b>						
General Hospitals & Clinics	42.02	84.96	77.31	62.27	43.75	69.93
Mother & Child Health	0.06	0.41	0.15	0.16	5.46	0.44
Health Facilities & Preventive Measures	54.30	0.76	11.17	1.74	13.00	13.21
Others	3.62	13.87	11.37	19.15	37.80	13.38
Total Percentage Change	100.00	100.00	100.00	100.00	100.00	100.00
<b>H1 FY 2009/10</b>						
General Hospitals & Clinics	46.89	81.82	79.27	87.89	51.03	74.48
Mother & Child Health	0.02	0.63	0.00	0.25	0.00	0.32
Health Facilities & Preventive Measures	50.34	1.39	11.03	6.02	8.74	13.22
Others	2.75	16.17	9.70	5.84	40.23	11.98
Total Percentage Change	100.00	100.00	100.00	100.00	100.00	100.00

## 4.0 Protecting the Poor and the Vulnerable

4.1 The Government of Pakistan (GOP) recognizes that social protection has a major role to play in promoting pro-poor growth and tackling exclusion and inequality. Safety net in the form of direct cash transfers, both budgetary and non budgetary includes Zakat<sup>3</sup>, Pakistan Bait-ul-Mal<sup>4</sup> (PBM), Employees' Old Age Benefit Institution (EOBI), Workers Welfare Fund (WWF), Benazir Income Support Programme (BISP), Punjab Food Support Program (PFSP), Punjab Sasti Roti (cheap bread) Programme (PSRP) and Microfinance are the main instruments to assist the needy. Expenses on PBM, BISP, PFSP and PSRP have been included in the budgetary part of pro-poor expenditures. The performance of these social safety nets and other programs during the H 1 FY 2009/10 has been compared with the previous year same period in this section.

4.2 Table 4.1 presents disbursement and number of beneficiaries in all programmes including micro finance. Total transfers through Zakat, PBM, BISP, and EOBI showed a net increase of 156 percent between 1<sup>st</sup> halves of FY 2009/10 and FY 2008/09. Data on disbursement and beneficiaries during H 1 FY 2008/09 was not received from the BISP. During H 1 FY 2009/10, a large proportion of the amount, about 70 percent was disbursed through BISP; followed by 19 percent through EOBI, 7 percent through PBM and 5 percent through Zakat. These disbursements were made to 5,859,386 beneficiaries, 152 percent more than the comparison period of last year. A total of Rs. 6,220 million (39 percent more) under the micro credit has been disbursed in terms of 366,396 loans during H 1 FY 2009/10 against Rs. 4,466 million and 303,691 loans in the comparison period previous year.

<b>Table 4.1: Direct Transfers and Beneficiaries</b>			
Programme	Disbursement / Beneficiaries	Q 2 FY 2008/09	Q 2 FY 2009/10
<b>Budgetary Transfers</b>			
Pakistan Bait-ul-Mal (all Programmes)	Amount disbursed (Rs. millions)	2,441	1,140
	Total beneficiaries	1,241,921	444,570
BISP	Amount disbursed (Rs. billion)	N. A	11.8
	Total beneficiaries (million)	N. A	4.42
<b>Non – Budgetary Transfers</b>			
Zakat	Amount disbursed (Rs. millions)	1,421	769
	Total beneficiaries	538,050	404,124
EOBI	Amount disbursed (Rs. millions)	2,724	3,151
	Total beneficiaries	549,449	590,246
<b>All Programmes</b>	<b>Amount disbursed (Rs. billion)</b>	<b>6.586</b>	<b>16.86</b>

<sup>3</sup> 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).

<sup>4</sup> Tracked entirely (all components) under budgetary expenditure as of FY 2009/10.

	<b>Total beneficiaries</b>	<b>2,329,420</b>	<b>5,859,386</b>
<b>Micro Finance (micro credit)</b>	<b>Amount disbursed (Rs. millions)</b>	<b>4,466</b>	<b>6,220</b>
	<b>Total Loans</b>	<b>303,691</b>	<b>366,396</b>

Source: Ministry of Zakat and Ushr, Pakistan Bait-ul-Mal and Employees' Old Age Benefits Institution

#### 4.1 Zakat

4.3 Table 4.2 explains disbursement and beneficiaries' detail of Zakat Programmes. The overall Zakat disbursement decreased significantly by 46 percent to Rs 769 million in the H 1 FY 2009/10 as compared to Rs 1,421 million in H 1 of the previous year. During the same period, number of beneficiaries also decreased by 25 percent to 404,124. During H 1 FY 2009/10, a total of 56 percent of Zakat was disbursed through Regular Zakat Programmes whereas 35 percent was channeled through National Level Schemes and 9 percent through Other Zakat Programmes.

4.4 Under Regular Zakat programme, disbursement declined by 39 percent to Rs 432 million in the H 1 of this year as compared to Rs 708 million in the H 1 last year reflecting a decrease of 16 percent in the beneficiaries. An amount of Rs 69 million was disbursed among 69,742 beneficiaries marking a decrease of 77 percent in disbursement and 60 percent in beneficiaries through Other Zakat Programmes. There was a decrease of 36 percent in disbursement under National Level Schemes to Rs. 268 million denoting an increase of 11 percent i.e.. 121,325 beneficiaries.

<b>Table 4.2: Comparison of Zakat Programmes Quarter 2 FY 2009/10 with Quarter 2 FY 2008/09</b>				
	Quarter 2 FY 2008/09		Quarter 2 FY 2009/10	
	Amount Utilized (Rs Million)	No. of Beneficiaries	Amount Utilized (Rs. Millions)	No. of Beneficiaries
<b>Regular Zakat Programmes</b>				
Guzara Allowance	465.0	133,121	254.747	84,915
Education stipends	99.0	79,507	74.96	72,284
Stipends to students of Deeni Madrassahs	40.0	12,285	29.805	32,266
Health care	38.0	17,814	32.49	19,919
Social welfare / Rehabilitation	33.0	7,322	-	-
Marriage assistance to unmarried women	33.0	3,381	39.686	3,673
<b>Sub Total</b>	<b>708</b>	<b>253,430</b>	<b>432</b>	<b>213,057</b>
<b>Other Zakat Programmes</b>				
Eid Grants	74.0	149,079	30.511	61,027
Leprosy Patients	0.29	103	-	-
Educational Stipend (tech)	223.0	28,042	38.787	8,715
Permanent rehabilitation scheme of Zakat	0	0	-	-
<b>Sub Total</b>	<b>297</b>	<b>176,224</b>	<b>69</b>	<b>69,742</b>
<b>National level Schemes</b>				

National level health institutions	411.0	107,711	261.75	120,360
Model Deeni Madrassahs	5.0	685	6.000	965
Subtotal	416	108,396	267.75	121,325
<b>Grand Total</b>	<b>1,421</b>	<b>538,050</b>	<b>769</b>	<b>404,124</b>

Source: Ministry of Religious Affairs, Zakat and Ushr

#### 4.2 Employees' Old Age Benefits Institution (EOBI)

4.5 Employees' Old Age Benefits Institution (EOBI) provides monetary benefits to the old age workers through different programmes such as Old Age Pension, Invalidity Pension, Survivors Pension and Old Age Grants. Amount disbursed by EOBI increased by 16 percent to Rs 3,151 million in H 1 FY 2009/10 compared to Rs 2,724 million in H 1 FY 2008/09. Number of beneficiaries increased to 590,246 during the comparison period (Table 4.3).

4.6 Disbursement under Old Age Pension increased by 16 percent to Rs 2,050 million during H 1 FY 2009/10 as compared to Rs 1,772 million during the same period in FY 2008/09. An amount of Rs 47 million was disbursed under Invalidity Pension among 9,523 beneficiaries, indicating an increase of 18 percent in disbursement. In Survivors Pension programme, disbursement increased by 17 percent to Rs 1,045 million reaching 201,368 beneficiaries. However, unlike others, disbursement under Old Age Grants decreased significantly by 50 percent from Rs 18 to Rs 9 million while the number of beneficiaries increased from 740 to 791<sup>5</sup> during the period under comparison.

Programmes	As of Q 2 FY 2008/09		As of Q 2 FY 2009/10	
	No. of Beneficiaries	Disbursement (Rs. Millions)	No. of Beneficiaries	Disbursement (Rs. Millions)
Old Age Pension	354,504	1,772	378,564	2,050
Invalidity Pension	8,595	40	9,523	47.24
Survivors Pension	185,610	895	201,368	1,045
Old-age Grants	740	18	791	9.0
<b>Total</b>	<b>549,449</b>	<b>2,724</b>	<b>590,246</b>	<b>3,151</b>

Source: Employees' Old Age Benefits Institution

#### 4.3 Pakistan Bait-ul-Mal

4.7 Pakistan Bait-ul-Mal (PBM) disbursed an amount of Rs 1,140 million in H 1 FY 2009/10 as compared to Rs 2,441 million during the same period last FY indicating a decline of 53 percent in overall disbursement which reflected a decrease of 64 percent in the number of beneficiaries. The main reason of substantial shortfall in disbursement and number of beneficiaries of Pakistans Bait-ul-Mal Program was its flagship Food Support Program (FSP) has been merged in to Benazir Income Support Program (BISP) at beginning of the FY 2009/10. This is the budgetary part of PRSP expenditures. The PBM makes

<sup>5</sup> Old Age Grants depend on the number of years of service of the beneficiary as the number of years of service increases the grant amount also increases and vice versa.

disbursement through different programmes. During H 1 FY 2009/10, about 70 percent was disbursed under Individual Financial Assistance (IFA), 19 percent under National Centre for Rehabilitation of Child Labour (NCRCL), 7 percent under Vocational Training Centers, 3 percent under Institutional Rehabilitation and 1 percent under Child Support Programme.

4.8 During H 1 FY 2009/10 disbursements under all Pakistan Bait-ul-Mal Programs increased compared to H 1 FY 2008/09. Disbursement under IFA increased substantially by 245 percent which benefited 28,733 households. An amount of Rs. 216 million was disbursed among 228,044 households under National Center for Rehabilitation of Child showing an increase of 148 percent in disbursement. Disbursement under Vocational Training Centre increased by 91 percent to Rs 82 million which benefited 162,710 households. Disbursement under Institutional Rehabilitation increased by 114 percent to Rs 30 million which benefited 10,685 households. Under the Child Support Programme, an amount of Rs 16 million was disbursed among 14,398 households showing an increase of 45 percent in disbursement.

<b>Table 4.4: Programmes of Pakistan Bait-ul-Mal</b>				
Programmes	As of Q 2 FY 2008/09		As of Q 2 FY 2009/10	
	Households	Amount disbursed (Rs. Millions)	Households	Amount disbursed (Rs. Millions)
Food Support Programme	685,080	2,055	-	-
Individual Financial Assistance	7,753	231	28,733	796
National Centre for Rehabilitation of Child Labour	315,724	87	228,044	216
Vocational Training Centers	113,044	43	162,710	82
Institutional Rehabilitation (Grant-In-Aid to NGOs)	109,646	14	10,685	30
Child Support Programme	10,674	11	14,398	16
Total Disbursement Under all Programmes	1,241,921	2,441	444,570	1,140

Source: Pakistan Bait-ul-Mal

#### 4.4 Benezir Income Support Program (BISP)

4.9 BISP, the flagship social safety net programme of GOP, caters to the needs of the poor not only in terms of cash assistance for subsistence but also enabling them to graduate from the vicious circle of the poverty. This program would serve as a platform to provide cash transfers to the vulnerable identified on the basis of poverty scorecard. The Programme is aimed at covering almost 15% of the entire population, which constitutes 40% of the population living below the poverty line. A monthly payment of Rs. 1000 per family<sup>6</sup> would increase the income of a family earning Rs. 5000 by 20%. The Programme allocation for the

<sup>6</sup> Husband, wife and dependent children constitute a family.

FY 2009/10 has been increased to Rs. 70 billion which would benefit 5 million families. During H 1 FY 2009/10, a total of Rs. 11.8 billion was disbursed to 4.42 million beneficiaries.

#### **4.5 Punjab Food Support Program (PFSP)**

4.10 PFSP was initiated on August 14, 2008 in province, Punjab. It has progressed from a simple relief initiative to a flagship project of the Chief Minister's vision to relieve the poor at their doorsteps. The scheme provides support to households that do not have a bread earner, destitute and poorest for the poor segments of the society with marginal income in the shape of a cash grant of Rs. 1,000 per month. A strong monitoring mechanism is in place to track effective and efficient distribution of grants to the poor.

4.11 For FY 2009/10, Punjab Government allocated an amount of Rs. 14.2 billion which will cover 1.8 million beneficiaries. The Government of the Punjab has withheld disbursement under the PFSS since Quarter 1 of FY 2009/2010. So, during H 1 FY 2009/10, no funds have been disbursed to the poor under this scheme. As soon as the disbursement will resume, the corresponding details would be narrated in this section.

#### **4.6 Punjab Sasti Roti (cheap bread) Program (PSRP)**

4.12 The Punjab Sasti Roti Initiative/Scheme has been focusing on the urban population of the Punjab province. Sasti roti (cheap bread) at Rs. 2 is being provided under this initiative on 14,226 enlisted tandoors. Food department provides flour bags on subsidised rates to the districts as per their actual requirement and flour mills selected on the basis of grinding capacity and quality of flour have been engaged so that target groups can get hygienic and good quality roti at affordable price.

4.13 During H 1 FY 2009/10, a sum of Rs. 8 billion has been spent under the Program.

#### **4.7 Workers Welfare Fund (WWF)**

4.14 Workers Welfare Fund (WWF) was established in 1971 under an Ordinance with a capital of Rs. 100 million provided by the Federal Government. The main objectives of WWF are:

- Financing of housing projects for the workers
- Financing of other welfare measures such as; education, training, re-skilling, apprenticeship, marriage and death grants and post matric scholarships for the welfare of workers.

4.15 The data regarding Quarter 1 of the FY 2009/10 and comparable data in the last FY 2008/09 was not received from the WWF. Hence, only Quarter 2 data/information has been analysed here. A total of Rs. 544.205 million was disbursed to 50,558 people during 2<sup>nd</sup> quarter of the FY 2009/10 under different programmes of WWF. During the 2<sup>nd</sup> Quarter, under the Marriage Grant, 40 percent of the total amount was distributed, followed by 25 percent under Scholarship cases, 22 percent under Death grant cases, 13 percent under Education schemes and 1% to the Earthquake affectees.

#### 4.8 Micro Finance

4.16 Table 4.5 shows microfinance services provided to poor as micro credit, micro savings and micro-insurance. The growth in microfinance services was found to be substantial in H 1 FY 2009/10 compared to H 1 FY 2008/09. Gross Loan Portfolio in value terms increased by 16 percent from Rs. 18,752 million to 21,723 million. The number of active borrowers increased by 5 percent from 1,732,879 to 1,826,045 during the comparison period. Micro savings in terms of value grew substantially by 59 percent to Rs. 8,554 million in H 1 FY 2009/10 as compared to Rs 5,384 million during same period in the previous year. Active savers recorded an increase of 35 percent from 1,743,609 to 2,351,273. Micro-insurance also expanded its outreach substantially and registered an increase of 48 percent from 2,241,552 to 3,066,399 in policy holders and posted an increase of 27 percent in sum insured.

<b>Table 4.5: Microfinance Analysis</b>						
Details	Microcredit		Micro-Savings		Micro-Insurance	
	Active Borrowers	Value (PKR Millions)	Active Savers	Value (PKR Million)	Policy Holders	Sum insured (PKR Million)
As of Q 2 FY 2009/10	1,826,045	21,723	2,351,273	8,554	3,306,639	43,539
As of Q 2 FY 2008/09	1,732,879	18,752	1,743,609	5,384	2,241,552	34,340

Source: Pakistan Microfinance Network (PMN), Islamabad.

##### 4.8.1 Active Borrowers, Active Savers and Active Policy Holders by Peer Groups<sup>7</sup>

4.17 Micro Finance market shares captured by peer groups in terms of active borrowers, active savers and active policy holders are shown in table 4.6. Rural Support Programmes (RSPs) remained market leader in terms of active savers and active policy holders by capturing market shares of 77 percent and 58 percent respectively at end of H 1 FY 2009/0. Microfinance Banks (MFBs) captured major share of the market in terms of active borrowers which has increased to 39% in the comparison period. MFBs increased their market share in terms active savers from 14 percent to 19 percent and decreased their market share in terms of policy holders from 26 to 18 percent respectively during H 1 FY 2009/10. MFIs decreased their market share in terms of policy holders from 33 to 21 percent during the comparison period.

<b>Table 4.6: Active Borrowers, Active Savers and Active Policy holders by Peer Group As of Q 2 FY 2009/10</b>	
Details	Peer Groups

<sup>7</sup> Peer groups have been reclassified into four categories, with NGOs and CFIs being combined to form 'others'.

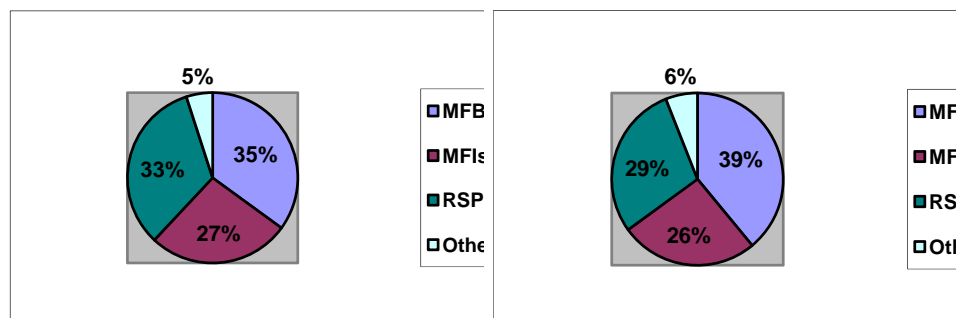
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	MFBs	MFI	RSPs	Others
Active Borrowers (%) FY 2009/10 As of (July 01, December 31)	39%	26%	29%	6%
Active Borrowers (%) FY 2008/09 As of (July 01, December 31)	35%	27%	33%	5%
Active Savers FY 2009/10 As of (July 01, December 31)	19%	1%	77%	3%
Active Savers FY 2008/09 As of (July 01, December 31)	14%	2%	80%	4%
Active Policy holders FY 2009/10 As of (July 01, December 31)	18%	21%	58%	3%
Active Policy holders FY 2008/09 As of (July 01, December 31)	26%	33%	38%	3%

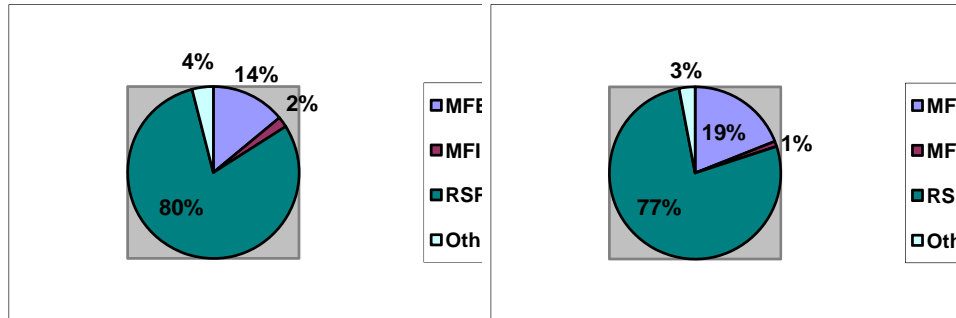
Source: Pakistan Microfinance Network (PMN), Islamabad.

Figure 8.1

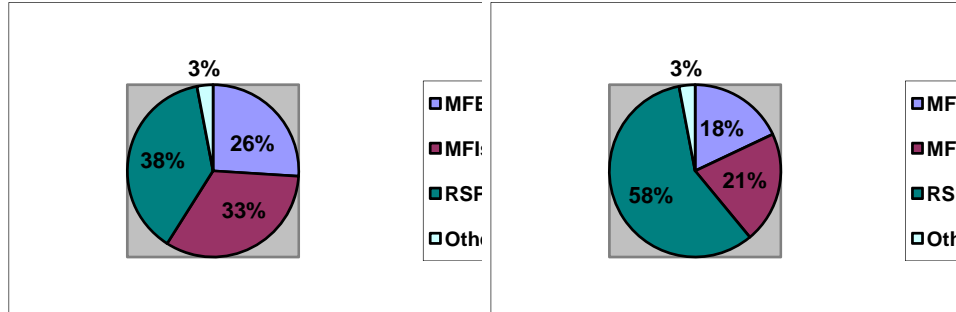
Active Borrowers At close of Q 2 FY 2008/09 Active Borrowers at close of Q 2 FY 2009/10



**Figure 8.2**  
**Active Savers at close of Q 2 FY 2008/09 Active Savers at close of Q 2 FY 2009/10**



**Figure 8.3**  
**Active Policy Holders at close of Q2 FY2008/09 Active Policy Holders at close of Q2 FY 2009/10**



#### 4.8.2 Summary of Microcredit Indicators

4.18 Table 4.7 shows summary of microcredit indicators during H 1 FY 2008/09 and H 1 FY 2009/10. The industry showed mixed trend, as some of the indicators posted positive while others registered negative growth. The industry expanded its outreach with additional number of branches, higher gross portfolio and average loan balance. However, the credit disbursement and number of loans showed reverse trend as both these indicators dropped in the comparison period. Average loan size increased substantially meeting the real needs of the poor.

4.19 A total of 1,584 branches provided microcredit services to the poor during H 1 FY 2009/10 compared to 1,552 in the same period previous year. Out of these, 46 percent of services were provided by RSPs through 721 branches, the highest amongst all. However,

outreach of MFBs, MFIs and others was 27, 18 and 9 percent respectively of the total. During H 1 FY 2009/10, average loan balance of the industry was Rs. 11,896 more than the previous year i.e. Rs. 10,821.

4.20 During H 1 FY 2009/10, the number of loans dropped to 30 percent as compared to H 1 FY 2008/09. Out of a total 903,450 loans, 41 percent were disbursed through MFBs followed by 39 percent through RSPs, 15 percent through MFIs and only 5 percent through others. Average loan size<sup>8</sup> was increased to Rs 16,290 during H 1 FY 2009/10 as compared to Rs. 14,501 in the same period last year. Credit disbursement amounting Rs 14, 717 million was made during H 1 FY 2009/10, 1 percent less than the previous year. Large proportion of credit i.e. 42 percent was disbursed through MFBs whereas 38 and 14 percent was distributed through RSPs and MFIs respectively. However a small share of 5 percent was disbursed through 'Others' including NGOs and CFIs.

<b>Table 4.7: Summary of Microcredit Provision</b>			
Peer Group		Q 2 FY 2008/09	Q 2 FY 2009/10
MFBs	Number of branches/Units	366	425
	Gross Loan Portfolio (Rs. millions)	6,801	9,004
	Average Loan Balance (Rs.)	11,238	12,807
	Number of Loans disbursed	303,691	366,396
	Credit Disbursements (Rs. millions)	4,466	6,220
	Average Loan Size (Rs.)	14,705	16,977
MFIs	Number of branches/Units	256	287
	Gross Loan Portfolio (Rs. millions)	4,594	4,797
	Average Loan Balance (Rs.)	9,919	10,006
	Number of Loans disbursed	366,906	131,767
	Credit Disbursements (Rs. millions)	4,823	2,088
	Average Loan Size (Rs.)	13,144	15,844
RSPs	Number of branches/Units	820	721
	Gross Loan Portfolio (Rs. millions)	6,084	6,162
	Average Loan Balance (Rs.)	10,462	11,494
	Number of Loans disbursed	311,221	351,750
	Credit Disbursements (Rs. millions)	4,894	5,517
	Average Loan Size (Rs.)	15,725	15,685
Others	Number of branches/Units	110	151
	Gross Loan Portfolio (Rs. millions)	1,274	1,759
	Average Loan Balance (Rs.)	15,334	16,374
	Number of Loans disbursed	43,457	53,537
	Credit Disbursements (Rs. millions)	685	892
	Average Loan Size (Rs.)	15,751	16,658

<sup>8</sup> Average loan size = Disbursement in one year / Number of loans disbursed in the same year

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Total	Number of branches/Units	1,552	1,584
	Gross Loan Portfolio (Rs. millions)	18,752	21,723
	Average Loan Balance (Rs.)	10,821	11,896
	Number of Loans disbursed	12,82,699	9,034,50
	Credit Disbursements (Rs. millions)	14,867	14,717
	Average Loan Size (Rs.)	14,501	16,290

Source: Pakistan Microfinance Network (PMN), Islamabad.



## 5.0 Performance of Intermediate (Output) Indicators

5.1 This section of the report analyzes the performance of the PRSP intermediate indicators at close of H 1 FY 2009/10 with the corresponding period last year. Performance of health sector data has been covered in immunization coverage and number and coverage of Lady Health Workers (LHWs). Progress in employment trend, small infrastructure and other 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 Immunization

5.2 Table 5.1 reports the Tetanus Toxoid (TT) immunization coverage for pregnant women. Population targeted for the immunization coverage of pregnant women increased by 3 percent to 1.88 million in the H 1 FY 2009/10 relative to 1.82 million in the same period last year. TT-1 and TT-2 immunization coverage stood at 59 percent for both in the H 1 FY 2009/10 as compared to 51 and 55 percent for TT-1 and TT-2 respectively in the H 1 FY 2008/09. There has been an increase of 8 and 4 percentage points in both TT-1 and TT-2 immunization coverage, respectively during the comparison period.

5.3 Largest TT immunization coverage was observed in AJK as TT-1 immunization coverage increased by 44 percentage points while TT-2 immunization coverage improved by 43 percentage points. Punjab, Khyber Pakhtoon Khawa, Baluchistan, FANA and ICT witnessed an increase whereas a decline in the TT immunization was registered in Sindh, FATA and CDA during H 1 of this year as compared to the same period last year.

Table 5.1: TT- Immunization Coverage for Pregnant Women						
Province/Region	Q 2 FY 2008/09			Q 2 FY 2009/10		
	TT-Immunization			TT-Immunization		
	Target Population	TT-1	TT2+	Target Population	TT-1	TT2+
	(+4.1% Pop)	Cov %	Cov %	(+4.1% Pop)	Cov %	Cov %
Punjab	981,427	57	59	1,007,670	64	66
Sindh	413,524	43	54	428,094	47	48
Khyber Pakhtoon Khawa	242,456	44	43	249,603	59	49
FATA <sup>9</sup>	40,466	58	70	41,742	55	69
Balochistan	87,697	34	34	89,631	36	37
AJK <sup>10</sup>	38,770	63	65	39,663	107	108
FANA <sup>11</sup>	11,266	26	34	11,526	54	52

<sup>9</sup> Federal Administrated Tribal Areas

<sup>10</sup> Azad Jammu Kashmir

<sup>11</sup> Federal Administrated Northern Areas

ICT <sup>12</sup>	4,675	39	29	4,917	42	31
CDA <sup>13</sup>	8,962	28	17	9,423	40	13
Others	-	-	-	-	-	-
Pakistan	1,829,243	51	55	1,882,269	59	59

Source: Federal EPI Cell, National Institute of Health

## 5.2 Lady Health Workers (LHWs)

5.4 At the national level, Lady Health Workers (LHWs) covered 51 percent of the total population and 67 percent of the target population in H 1 FY 2009/10 (Table 5.2). Population covered by LHWs in urban areas was 26 percent; whereas 64 percent of the rural population was covered during H 1 FY 2009/10.

	Projection Q 2 FY 2009/10	Population Covered by LHWs in Q 2 FY 2009/10 (%)
Total Population	168,000,000	51
Urban Population	55,440,000	26
Rural Population	112,560,000	64
Target Population	129,192,000	67

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

5.5 Out of total 100,109 LHWs, 84 percent were deployed in rural areas and 16 percent in urban areas during the H 1 FY 2009/10 (Table 5.3). Proportion of LHWs located in Punjab, Sindh, Khyber Pakhtoon Khawa, and Baluchistan stood at 50, 23, 14 and 6 percent, respectively.

Province / Region	Q 2 FY 2009/10		
	Urban	Rural	Total
Punjab	7,263	43,006	50,269
Sindh	4,325	18,749	23,074
Khyber Pakhtoon Khawa	1,762	12,292	14,054
Balochistan	1,929	4,508	6,437
AJK	183	2,954	3,137
FANA (Gilgit, Baltistan)	184	1,120	1,304
FATA	0	1,489	1,489
ICT	39	306	345
<b>Total</b>	<b>15,685</b>	<b>84,424</b>	<b>100,109</b>

\* Includes under training LHWs

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

<sup>12</sup> Islamabad Capital Territory (ICT) includes the surrounding areas of Islamabad.

<sup>13</sup> Capital Development Authority (CDA) only covers the geographical area of Islamabad city.

### 5.3 Employment

5.6 Total Labour force and percentage of employed labour force is presented in the Table 5.4 during H 1 FY 2009/10, which stood at 53.14 million representing 41.89 million males and 11.25 million females. About 95 percent of the total labour force was employed up to 2<sup>nd</sup> quarter of FY 2009/10 including 75 percent males and 19 percent females.

<b>Table 5.4: Labour Force and Employed Labour Force</b>			
	Q 2 FY 2009/10*		
	Total	Male	Female
Labour Force (million)	53.14	41.89	11.25
Employed Labour Force (%)	95	75	19

Note: Estimated labour force for the FY 2009/10 is based on the Labour Force Survey 2007/08.

\*The number includes figures of the 1st quarter as well.

Source: Ministry of Labour and Manpower

### 5.4 People Works Programme-I (PWP-I)

5.7 The number of schemes approved under PWP-I are reported in Table 5.5. The development schemes focus on roads, electrification, gas, telephone, education, health, water supply and sanitation and bulldozer hours. During Quarter 2 FY 2009/10 only, 904 schemes were approved as compared to the approval of 473 schemes in the same period last fiscal year reflecting an increase of 91 percent. Altogether 28 percent schemes were approved for Khyber Pakhtoon Khawa, followed by 26 percent for Punjab, 17 percent each for Sindh and FATA, 12 percent for Baluchistan, and 1 percent for ICT.

5.8 During H 1 FY 2009/10, main focus was to provide road facilities in rural areas and 320 schemes were approved for Punjab, Khyber Pakhtoon Khawa, Sindh, Balochistan, FATA, and ICT while 272 schemes were approved for provision of water supply in rural areas. Around 209 schemes were also approved for village electrification. A small number of schemes including 53 for education, 36 for sanitation, 7 for health facilities and 6 for gas supply were approved during this period. One scheme was approved for bulldozer HRS in Balochistan. However, no scheme was approved for provision of telephone facility to the rural poor in the caparison period.

<b>Table 5.5: Number of Schemes approved under each category</b>										
Q 2 FY 2009/10										
Province	Road	Electrification	Gas	Telephone	Education	Health	Water Supply	Sanitation	Bulldozers hours	Total Schemes
Punjab	124	82	6	-	43	-	4	14	-	234
Sindh	33	20	-	-	36	2	42	18	-	151
Khyber Pakhtoon Khawa	122	83	-	-	-	2	48	3	-	258
Balochistan	31	21	-	-	13	3	35	1	1	105
FATA	9	-	-	-	-	-	141	-	-	150

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ICT	1	3	-	-	-	-	2	-	-	6
Total	320	209	6	-	53	7	272	36	1	904
<b>Q 2 FY 2008/09</b>										
Province	Road	Electrification	Gas	Telephone	Education	Health	Water Supply	Sanitation	Bulldozers hours	Total Schemes
Punjab	84	31	1	-	3	4	3	10	-	136
Sindh	7	1	-	-	6	5	-	10	-	29
KHYBER PAKHTOON KHAWA	39	-	-	-	5	18	49	22	-	133
Balochistan	6	-	-	-	2	2	12	1	1	24
FATA	8	-	-	-	-	-	135	-	-	143
ICT	4	1	-	-	-	-	3	-	-	8
Total	148	33	1	-	16	29	202	43	1	473

Source: Ministry of Local Government and Rural Development

### 5.5 Capital and Finance for Development

Data on capital finance for development was not received from the State Bank of Pakistan (SBP) hence; no analysis has been made here for key indicators.

## 6.0 Concluding Remarks

6.1 This report presented the mid-year review of Poverty Reduction Strategy for FY 2009/10 compared with the same period previous year. Macroeconomic situation improved reasonably compared to the previous fiscal year reflecting modest recovery of Pakistan's economy supported by significant positive growth in large LSM sector, expansion in aggregate demand, improvement of current account balance and slowing down of inflation. Agriculture sector showed a mixed picture; Cotton output increased significantly while rice and sugar production declined due to price mechanism distortions. Sustaining positive industrial production in the presence of severe energy shortages and law and order situation in the country can potentially affect the economic growth and revenue collection. Overall economic growth is likely to register the moderate growth trend for FY 2009/10.

6.2 Pro-poor spending has maintained a rising trend in the H 1 FY 2009/10 on the back of moderate macroeconomic growth trends. Overall expenditure has risen significantly in the H 1 FY 2009/10 as compared to the corresponding period of FY 2008/09, showing a percentage increase of 11.72 percent. Maximum expenditure increases have occurred in Peoples' Works Programme I & II, Rural Development, Social Security & Welfare and Natural Calamities and Disasters. Comparison of percentage contribution of constituent sectors to the overall pro-poor expenditure depicts that Education and Subsidies have alternated their percentage shares. During H 1 FY 2009/10 Education contribute the maximum (27.99 percent) to the aggregate pro-poor spending followed by Subsidies ( 18.57 percent) compared to the predominant share of Subsidies (32.97 percent) followed by Education (22.54 percent) during H 1 FY 2008/09. Expenditure in all the provinces have recorded highly positive percentage changes between the first half of two years under comparison. Current and Development expenditures up till H 1 FY 2009/10 have increased but the increase on Development side is far more pronounced than Current expenditure. Share of Development spending in the overall pro-poor expenditure has also increased from 19.61 percent during H1 FY 2008/09 to 26.08 percent during H1 FY 2009/10.

6.3 The Government of Pakistan (GOP) recognizes that social protection has a major role to play in promoting pro-poor growth and tackling exclusion and inequality. BISP, the major safety net program of GOP is on the driving seat accelerating its grant disbursement pace and expanding its outreach in the far flung areas. However, transfers through other safety nets programs such as Zakat, PBM and EOBI showed a decline between 1<sup>st</sup> halves of FY 2009/10 and FY 2008/09. There is a need to give serious thought while diverting tested safety program funds to other programs whose results and impact on the poor and vulnerable are yet to come. The financial resource expansion for safety nets programs can only be possible with significant shifts in taxation. A focus on expanding the tax base rather than raising the tax rate is required.

**Annex 1: PRSP Budgetary Expenditures (2009-10) -Upto Q2-July 2009 to December 2009**

(Rs. Millions)

	FY 2008-09 (Upto Q2- July 2008to December 2008) Revised						FY 2009-10 (Upto Q2-July 2009 to December 2009) Provisional					
	Federal	Punjab	Sindh	NWFP	Balochist.	Total	Federal	Punjab	Sindh	NWFP	Balochist.	TOTAL
<b>Education</b>	10,903	40,122	16,283	13,564	3,245	84,117	21,490	52,958	21,131	16,942	4,184	116,705
<b>Current</b>	7,892	39,671	15,093	12,277	3,193	78,126	13,749	46,692	20,081	14,942	4,151	99,615
<b>Development</b>	3,011	451	1,190	1,287	52	5,991	7,741	6,266	1,050	2,000	33	17,090
<i>Primary Education</i>	1,316	18,643	7,057	5,717	1,140	33,873	1,525	21,721	9,887	6,954	1,481	41,568
<b>Current</b>	1,316	18,384	6,897	5,342	1,140	33,079	1,513	20,915	9,829	6,480	1,481	40,218
<b>Development</b>	0	259	160	375	0	794	12	806	58	474	0	1,350
<i>Secondary Education</i>	1,755	9,862	5,016	5,425	984	23,042	1,848	15,336	5,767	6,579	1,270	30,800
<b>Current</b>	1,741	9,841	4,688	5,026	984	22,280	1,831	11,417	5,696	5,911	1,270	26,125
<b>Development</b>	14	21	328	399	0	762	17	3,919	71	668	0	4,675
<i>General Universities, Colleges, &amp; Institutes</i>	5,227	3,121	1,811	1,020	283	11,462	12,827	3,850	2,014	1,057	432	20,180
<b>Current</b>	2,649	3,120	1,346	740	283	8,138	5,860	3,839	1,550	838	432	12,519
<b>Development</b>	2,578	1	465	280	0	3,324	6,967	11	464	219	0	7,661
<i>Professional &amp; Technical Universities, Colleges &amp; Institutes</i>	1,170	755	901	903	204	3,933	2,570	777	917	1,351	246	5,861
<b>Current</b>	1,164	749	767	708	204	3,592	2,568	774	909	1,130	246	5,627
<b>Development</b>	6	6	134	195	0	341	2	3	8	221	0	234
<i>Teacher &amp; Vocational Training</i>	22	1,101	112	1	71	1,307	26	3,215	120	0	91	3,452
<b>Current</b>	20	1,101	89	0	71	1,281	24	1,911	103	0	91	2,129
<b>Development</b>	2	0	23	1	0	26	2	1,304	17	0	0	1,323
<i>Others</i>	1,413	6,640	1,386	498	563	10,500	2,694	8,059	2,426	1,001	664	14,844
<b>Current</b>	1,002	6,476	1,306	461	511	9,756	1,953	7,836	1,994	583	631	12,997
<b>Development</b>	411	164	80	37	52	744	741	223	432	418	33	1,847
<b>Health</b>	5,002	11,226	4,698	4,882	1,008	26,816	6,246	15,346	6,147	4,370	1,213	33,322
<b>Current</b>	2,337	10,981	4,375	4,178	949	22,820	2,841	14,300	5,653	3,721	1,194	27,709
<b>Development</b>	2,665	245	323	704	59	3,996	3,405	1,046	494	649	19	5,613

## Annex 1: PRSP Budgetary Expenditures (2009-10) -Upto Q2-July 2009 to December 2009

(Rs. Millions)

	FY 2008-09 (Upto Q2- July 2008to December 2008) Revised						FY 2009-10 (Upto Q2-July 2009 to December 2009) Provisional					
	Federal	Punjab	Sindh	NWFP	Balochist.	Total	Federal	Punjab	Sindh	NWFP	Balochist.	TOTAL
<i>General Hospitals &amp; Clinics</i>	2,102	9,538	3,632	3,040	441	18,753	2,929	12,556	4,873	3,841	619	24,818
Current	1,895	9,325	3,439	2,344	441	17,444	2,552	12,071	4,408	3,360	619	23,010
Development	207	213	193	696	0	1,309	377	485	465	481	0	1,808
<i>Mother &amp; Child Health</i>	3	46	7	8	55	119	1	96	0	11	0	108
Current	1	41	7	8	55	112	1	45	0	11	0	57
Development	2	5	0	0	0	7	0	51	0	0	0	51
<i>Health Facilities &amp; Preventive Measures</i>	2,716	85	525	85	131	3,542	3,144	213	678	263	106	4,404
Current	279	81	396	77	76	909	135	92	661	101	87	1,076
Development	2,437	4	129	8	55	2,633	3,009	121	17	162	19	3,328
<i>Others</i>	181	1,557	534	935	381	3,588	172	2,481	596	255	488	3,992
Current	162	1,534	533	935	377	3,541	153	2,092	584	249	488	3,566
Development	19	23	1	0	4	47	19	389	12	6	0	426
<b>Population Planning</b>	1,433	544	266	183	59	2,485	1,326	683	339	239	102	2,689
Current	64	9	4	4	0	81	110	14	3	5	0	132
Development	1,369	535	262	179	59	2,404	1,216	669	336	234	102	2,557
<b>Social Security &amp; Social Welfare</b>	6,164	684	2,626	88	101	9,663	13,365	457	5,083	136	97	19,138
Current	6,075	640	170	79	91	7,055	13,293	366	134	94	97	13,984
Development	89	44	2,456	9	10	2,608	72	91	4,949	42	0	5,154
<b>Natural Calamities &amp; Other Disasters</b>	399	720	7	124	1,173	2,423	792	871	312	2,162	24	4,161
<b>Agriculture</b>	8,939	9,468	4,139	1,845	2,426	26,817	10,695	10,293	4,844	2,495	2,472	30,799
Current	800	7,517	2,340	1,270	1,934	13,861	1,142	7,753	3,344	1,648	1,943	15,830
Development	8,139	1,951	1,799	575	492	12,956	9,553	2,540	1,500	847	529	14,969
<b>Land Reclamation</b>	0	82	929	0	0	1,011	0	96	717	0	0	813
<b>Rural Development</b>	115	609	68	752	575	2,119	278	2,743	83	3,190	275	6,569
Current	25	132	68	125	27	377	15	125	83	104	63	390
Development	90	477	0	627	548	1,742	263	2,618	0	3,086	212	6,179
<b>Law and Order</b>	12,745	15,962	8,101	3,225	2,149	42,182	19,148	22,358	10,218	7,689	3,469	62,882
<b>Low Cost Housing</b>	0	106	0	0	0	106	0	54	9	0	0	63
<b>Justice Admn</b>	556	2,438	761	457	232	4,444	885	2,574	878	576	311	5,224
<b>Subsidies</b>	119,723	835	19	2,455	0	123,032	76,401	6	1	1,033	0	77,441
<b>Food Support Programme</b>	2,055	1,374				3,429	0	0				0
<b>People's Works Programme-I</b>	407					407	1,197					1,197
<b>People's Works Programme-II</b>	15,183					15,183	24,325					24,325
<b>GRAND TOTAL</b>	185,065	99,621	44,966	30,061	13,470	373,183	176,543	128,437	54,008	42,955	13,782	416,922

Note: Total expenditure incurred under the Benazir Income Support Programme (BISP) uptill Q2 FY 2009/10 is Rs 11,783 million which is reflected in Social Security and Other Welfare