

13

Poverty

The global food prices have rocketed to record high in real terms since 1984. Devastating earthquake in Japan has posed a new threat to food supplies. Food remained main source of political destabilization in the Middle East as millions are falling below the poverty line every month with rising oil prices. Global food prices rose by more than 30 percent year-on-year between March 2010 and March 2011. The price hike is underpinned by large increases in the prices of cereals, edible oils, and meat. The poor is very sensitive to these items and additionally the recent price hike is triggered largely by production shortfalls due to bad weather, structural and cyclical factors. This implies fall in income of the rural poor and compounding miseries of the poor. The continuing trend of high and volatile food prices is likely to persist in the short-run as grain carryover stocks have been falling owing to mismatch between production and current consumption requirement and above all supply uncertainties are rising due to extreme weather disturbances.

Simulation results of an ADB study on “Global Food Inflation and Developing Asia” suggests that “if a 30 percent increase in global food prices persists throughout 2011, gross domestic product (GDP) growth for some food-importing countries in the region could be choked off by up to 0.6 percentage points and if combined with a 30 percent increase in world oil prices, GDP growth could be reduced by up to 1.5 percentage points. Higher food prices erode the purchasing power of households and undermine the recent gains from poverty reduction. A 10 percent rise in domestic food prices in developing Asia (home to 3.3 billion people) could push an additional 64.4 million into poverty, or lead to a 1.9 percentage point increase in poverty incidence based on the \$1.25-a-day poverty line. The frequency with which food price spikes have occurred in recent

years suggests that long-term solutions—such as improvements in productivity, increases in agricultural investment, stronger market integration, targeting subsidies to the poor, and global and regional cooperation—need to be implemented to secure food supplies for the world’s growing population”¹.

Poverty is already pervasive in most developing countries particularly those in Sub-Saharan Africa and South Asian countries. Recent increases in food prices may add to their miseries and erode the gains of poverty reduction made during the last decade. The past century has seen more advances in global prosperity and more people have come out of poverty than in all of human history. One of the reasons for this achievement is the integration of societies and economies around the world. Integration is the result of reduced cost of transportation, lower trade barriers, faster communication of ideas, rising capital flows, and intensifying pressure for migration.

South Asia is home to largest number of poor who are vulnerable to food price fluctuations. However, poverty is much broader parameter of deprivation. The Human Development Report (HDR) 2010 analysis reveal that over 1980-2010 Pakistan is among 10 countries which made significant improvement in Human Development Index (HDI) ranks. However, given the existence of multiple deprivations, there are serious challenges for policymakers to lift millions out of poverty, because the decline in percentage of people living below poverty line is not associated with the absolute number of people living under the condition of poverty. Poverty and inequality can be reduced by addressing the *failures or*

¹ “Global Food Price Inflation and Developing Asia”, ADB, March 2011

deprivations in many dimensions of human life such as hunger, ill health, malnutrition, unemployment, inadequate shelter, lack of education, vulnerability, powerlessness, social exclusion and so on.

Though Pakistan has made significant progress in human development and poverty reduction over the past three decades, it is considered relatively slow over a long horizon. Besides, the social and economic exclusion has resulted in multiple deprivations for more than 50 percent of Pakistan's population. The inadequacy of income to meet basic needs, low quality of life, denial of opportunities and choices basic to human development are different facets of poverty. The main objectives of government policies are to raise the standard of living and improve the socio-economic conditions of the people and thus reduce the incidence of poverty in the country.

The government has subscribed strongly to the inclusive growth with human face. The meaningful and sustainable economic development must involve and share fruits of development with all citizens, especially the poor, unemployed, marginalized communities and generally, the disadvantaged groups. Economic development should be supported by productive labour force and development of necessary skills to meet the challenges in industrial development through a culture of merit and excellence.

The poverty reduction strategy of the government focuses mainly on the five areas which include i) accelerating economic growth and maintaining macroeconomic stability; ii) investing in human capital; iii) augmenting targeted interventions; iv) expanding social safety nets and v) improving

governance. The massive social disruption owing to earthquake of 2005, intensification of war on terror since 2007, devastating floods of 2010, and persistent hike in food prices in recent years coupled with slower pace of economic growth has serious ramifications for poverty and income distribution.

Impact of Higher Food Prices on Poverty

High food prices erode the purchasing power of households having low income and high share in expenditure basket and could undermine poverty reduction and human development gains achieved over the last decade or so. The data of last two poverty estimates (2004-05 and 2005-06) suggests strong clustering around the poverty line. Historically, around 75 percent of the population surrounds both sides of the poverty line. This enhances vulnerability as small injections of income or crop failure may change poverty situation drastically. The poor before the price increases may now be on the verge of hunger and malnutrition, and those who were barely above the poverty line may have slipped back into poverty. Given the high incidence of poverty in Pakistan, higher food inflation disproportionately affects the poor. Moreover, because of the large share of food in the average household consumption budget, a sustained rise in food prices tends to put upward pressure on wages and, with a time lag, on general inflation. The food inflation averaged at 18 percent during the last four years in Pakistan. Food prices has witnessed phenomenal rise during the last three and half years [See Table-13.1]. There are many structural factors combined with short-term disruptions and natural calamities are responsible for this inordinate rise. Bringing food inflation down remained the major policy challenge for Pakistan.

Table-13.1: Price Trend of Essential Commodities (Rs) per Kg

Items	Weights	Units	Jan-08	19 th May 2011	% change
Wheat	0.62	Kg	18.98	24.24	27.71
Wheat Flour	11.91	Kg	19.41	28.35	46.06
Beef	3.99	Kg	122.33	226.55	85.20
Mutton	2.81	Kg	233.79	440.06	88.23
Chicken (Farm)	2.39	Kg	74.74	125.12	67.41
Milk Fresh	15.73	Ltr	29.63	55.27	86.53
Cooking Oil	1.90	2.5 Ltr	300.84	495.00	64.54
Rice	1.52	Kg	34.43	54.17	57.33
Sugar	4.46	Kg	25.97	65.59	152.56
Mash Pulse	0.49	Kg	70.50	156.71	122.28

Source: Federal Bureau of Statistics

UN ESCAP has estimated that high food prices in 2010 kept an additional 19.4 million people in poverty in Asia and the Pacific; they prevented 15.6 million people in the region from emerging from poverty and have pushed another 3.8 million below the poverty line.

ADB has examined the impact of rising food prices on poverty in a recent study. The average household in the developing world spends roughly half of its total budget on food. This suggests that

among households living below the poverty line, food expenditure will be an even greater portion of expenditures. Indeed, poor households allocate more than 60 percent of total household consumption to food. Therefore, an increase in food prices will significantly lower consumer purchasing power, especially among the poor. Table-13.3 presents the estimates of the impact of higher food prices on poverty for a group of 25 developing countries in the region, accounting for more than 3.3 billion people.

Table-13.2: Impact of Domestic Food Price Increase on Poverty for Developing Asia

	Poverty before Price Increase	Poverty after Food Price Increase by		
		10%	20%	30%
Based on \$1.25-a-day poverty line				
Percentage of Poor (%)	27.1	29	30.9	32.9
Change in percentage of poor (percentage points)	903	1.9	3.9	5.8
Change in number of poor (in millions)		64.4	128.8	193.2
Poverty gap ratio (%)	6.79	8.15	9.51	10.86
Change in poverty gap ratio (percentage points)		1.4	2.7	4.1

Note: The estimates of poverty impact have been derived using the price elasticity of poverty, which indicates the percentage increase in poverty when food prices increase by 1%. This elasticity was estimated for both headcount ratio and poverty gap ratio for each of the 25 countries in Asia and the Pacific using the latest POVCAL database.

Source: ADB staff calculations based on the latest POVCAL database (accessed 18 February 2011).

The World Bank's (2011) estimate that 44 million people in developing countries have been pushed into extreme poverty due to higher prices of corn, wheat, and oil. ADB study estimates of 25 Asian developing countries reflect the impact of higher food prices on those clustered around the poverty threshold of \$1.25-a-day poverty line. The impact on the incidence of poverty or headcount ratio was not able to capture the full impact of fall in living standards of those already living below the poverty line. In this respect, the “poverty gap ratio”—the product of headcount ratio and the income gap from the poverty line—is a better tool for capturing

the impact. The impact of food prices hike is given in Table-13.3 for some regional countries.

The table presents a disappointing picture for Pakistan as for the last three years or so, the food inflation is the major driver of the CPI inflation. In the aftermath of floods the problem compounded manifold. The work on Household Income Expenditure Survey (HIES) component of PSLM Survey 2010-11 is already on-going phenomenon. The poverty estimates will be of great significance for the public policy consumption as well as improving existing social safety nets program.

Table-13.3: Impact of Food Price Increases on Poverty (\$1.25-a-day poverty line)

	Change in Percentage of Poor (in percentage points) with an Increase in Food Prices by			Change in Number of Poor (in millions) with an Increase in Food Prices by		
	10%	20%	30%	10%	20%	30%
	Bangladesh	2.5	5.0	7.5	3.83	7.65
India Rural	2.9	5.8	8.8	22.82	45.64	69.45
India Urban	2.1	4.3	6.4	6.68	13.36	20.04
Pakistan	2.2	4.5	6.7	3.47	6.94	10.41
Bhutan	1.8	3.5	5.3	0.01	0.02	0.03
Philippines	1.6	3.2	4.9	1.37	2.75	4.12
Sri Lanka	1.2	2.4	3.6	0.24	0.47	0.71
Thailand	0.1	0.2	0.2	0.05	0.10	0.15
Viet Nam	1.9	3.7	5.6	1.55	3.10	4.65

Source: ADB staff calculations using the latest POVCAL database (accessed 18 February 2011).

Income Inequality

Gini coefficient and the ratio of the highest to the lowest *consumption* quintiles are used to measure the incidence of *income* inequality. Its value ranges between 0 and 1 and higher value means higher inequality while value close to zero means least inequality. It reveals that during the period both the Gini coefficient and share of the income

of highest to bottom quintiles has increased. It suggests that situation of income inequality has worsened. Combining it with the data of headcount, it can be inferred that due to good growth performance during the period of 2000-2006, the number of poor has declined but economic growth has failed to put any distributional impact in Pakistan.

Table 13.4: Gini-Coefficient and Consumption Shares by Quintiles

	PIHS 2001-02			HIES 2004-05			PSLM 2005-06			PSLM 2007-08		
	Urban	Rural	Pakistan									
Gini Coefficient	0.32	0.23	0.27	0.33	0.25	0.29	0.34	0.24	0.30	0.32	0.25	0.29
Consumption share by Quintile (%)												
Quintile 1	5.3	12.8	10.1	4.8	12.6	9.5	4.5	13.5	9.6	5.0	13.1	9.9
Quintile 2	8.1	16.9	13.7	7.6	17.1	13.2	8.2	16.8	13.1	9.1	16.1	13.3
Quintile 3	12.1	1	16.8	11.6	19.7	16.4	11.1	20.1	16.2	11.7	19.6	16.4
Quintile 4	19.4	22.4	21.3	18.3	23	21.4	17.8	23	20.8	19.6	22.1	21.1
Quintile 5	55.1	28.4	38	57.7	27.6	39.4	58.4	26.6	40.3	54.6	29.1	39.3
Ratio of Highest to Lowest Quintiles	10.4	2.22	3.76	12.0	2.19	4.15	13.0	1.97	4.2	10.9	2.2	4.0

Source: Calculations based on the data of PIHS 2001-02; HIES 2004-05; PSLM 2005-06, 2007-08

In the rural areas, the Gini coefficient has declined from 0.25 in 2004-05 to 0.24 in 2005-06 and again increased to 0.25 in the year 2007-08; whereas in urban areas, inequality increased from 0.32 in 2001-02 to 0.33 during the year 2004-05; and further increased to 0.34 during the year 2005-06. However, it registered a decline from 0.34 in 2005-06 to 0.32 for the year 2007-08.

Importantly, urban income inequality increased faster than overall inequality during 2005-06. Table 13.4 shows the trends of consumption expenditure share by quintiles for Pakistan. The ratio of the highest to lowest quintile, which measures the gap between the rich and the poor, deteriorated from 4.15 in 2004-05 to 4.2 in 2005-06 at the national level, indicating a shifting of resources from poor to rich. However, the ratio declined to

4.0 during the year 2007-08. Consistent with the increased share of the poor in rural areas in 2005-06, the rich-poor gap narrowed in 2005-06 as the ratio declined from 2.19 in 2004-05 to 1.97 in 2005-06. However, the ratio increased to 2.2 during the year 2007-08 indicating increase in inequalities.

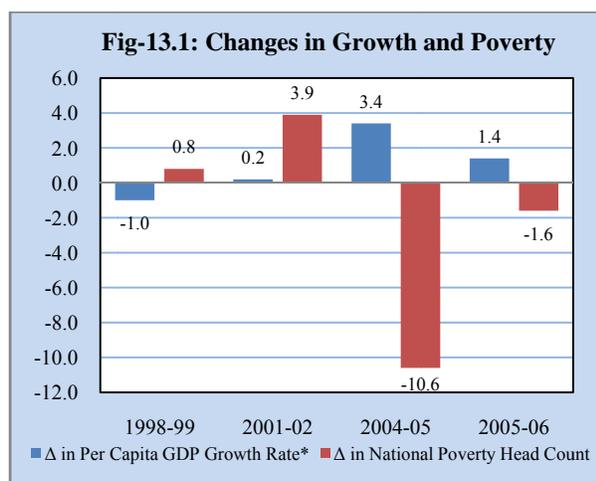
The ratio of highest to lowest quintiles for the urban areas showed an increasing trend during the period 2001-02 to 2005-06 as it increased from 10.4 in 2001-02 to 13.0 during the year 2005-06. However, it declined to 10.9 during the year 2007-08.

Growth Poverty Nexus

Rapid economic growth over a prolonged period is essential for poverty reduction. At the macro level, economic growth implies greater availability of public resources to improve the quantity and quality of education, health and other services. At the micro level, economic growth creates employment opportunities, increases the incomes of the people, and therefore reduces poverty. East Asian countries such as Korea, Malaysia, China, Taiwan, Singapore, and Hong

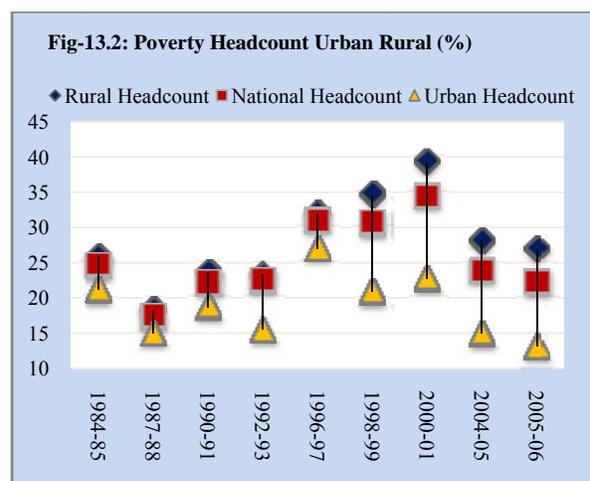
Kong offer clear examples of the effects of economic growth on poverty alleviation. It is evident from the experience of these countries that the persistence of high economic growth and not a short sequence of bust and boom that characterized the Pakistan economy over the years is the best hope for poverty alleviation. Pakistan has experienced reduction in absolute poverty over a four year period (2002-2006) as the poverty headcount decreased from 34.5 percent in 2000-01 to 22.3 percent in 2005-06. The graph in Figure-13.1 plots change in poverty headcount against change in per capita GDP growth (3 year moving average). It is apparent that large reductions in poverty headcount are associated with substantial growth in per capita GDP.

While growth is essential but not sufficient condition for poverty reduction as a weak redistributive effect, owing to increasing inequalities, results in an increase in poverty, which is also true for Pakistan. Poverty in rural areas is relatively higher than urban areas. The rural-urban gap widened since 1992-93 with the rise in poverty incidence, however, the gap tend to narrow with fall in rural poverty since 2000-01 [Fig-13.2].



* A three year moving average growth rate is used in analysis
Data Source: Economic Survey, various issues

Courtesy: CPRSD



Data Source: Economic Survey, various issues

The slowdown in economic growth since 2004-05 has perceptible impact on poverty situation. Though latest official estimates on poverty are not available, some anecdotal evidence suggests

substantial increase in poverty over the last three years. In order to deal with the increase in poverty, the federal and provincial governments have instituted social safety net programs.

However, to take poverty heads on require sustained and inclusive growth.

Impact of Floods on Poverty Situation

The floods of 2010 have long-lasting impact on socio-economic development of the country as nearly 20 million people were impacted by the damages to economic activity. The floods have caused a significant loss to poverty reduction efforts and would result in increase in poverty and vulnerability of affected population. The analysis

presented in Table 13.5 & 13.6 reveals that the areas affected by floods were consistently lagging behind in terms of educational indicators as compared to the areas unaffected by floods. The loss to infrastructure and livelihood sources will push them behind further. Until restoration of normalcy in these areas, economic activity will be hampered by after effects of floods. The vulnerability of the population of affected areas against natural shocks of this intensity was very low even before the floods and this has complicated the situation.

Table 13.5: Pre-Flood Education Sector Indicators of Flood Affected Areas

Areas	PSLM 2004-05		PSLM 2008-09	
	Net Enrollment Rate* (NER) Primary Level			
	NER	GPI	NER	GPI
<i>Pakistan Overall</i>	52.4	0.85	57.4	0.88
<i>Severely Affected by Floods</i>	41.8	0.73	47.9	0.77
<i>Moderately Affected by Floods</i>	53.1	0.82	58.2	0.83
<i>Not Affected by Floods</i>	58.0	0.92	62.2	0.95
	Literacy for Ages 10 Years and Above			
	Literacy	GPI	Literacy	GPI
<i>Pakistan Overall</i>	52.8	0.62	57.3	0.65
<i>Severely Affected by Floods</i>	41.4	0.41	45.6	0.44
<i>Moderately Affected by Floods</i>	49.4	0.50	54.8	0.54
<i>Not Affected by Floods</i>	58.8	0.73	62.9	0.75
	Youth Literacy for Ages 15-24			
	Literacy	GPI	Literacy	GPI
<i>Pakistan Overall</i>	65.5	0.72	69.6	0.77
<i>Severely Affected by Floods</i>	51.5	0.48	55.9	0.54
<i>Moderately Affected by Floods</i>	62.4	0.60	67.3	0.66
<i>Not Affected by Floods</i>	72.3	0.85	75.9	0.88

Source: CPRSPD staff calculations from PSLM 2004-05 and 2008-09

Even before floods the immunization, access to drinking water, and access to sanitation in flood affected areas had been relatively poor as compared to areas unaffected by floods in 2010. After the floods of 2010, most of the critical infrastructure has been destroyed putting additional constraint on delivery of social services due to which Pakistan's progress towards achieving Millennium Development Goals (MDGS) will slowdown further.

Poverty Reduction Strategy

Pakistan's commitment to reducing poverty in the medium term was first reflected in Poverty Reduction Strategy Paper (PRSP) finalized in December 2003 for a period up to 2007-08 and its

second phase PRSP-II is under implementation for a period of three years (2008-09 to 2010-11). The overall vision of PRSP-II is to steer Pakistan's economic growth back to the range of 5-7 percent a year by stimulating growth in the production sector; creating adequate employment opportunities; improving income distribution; and harnessing the country's economic competitiveness through economic liberalization, deregulation and transparent privatization. The strategy recognizes that to steer Pakistan back on path of broad-based growth, create jobs, and reduce poverty, a prolonged period of macroeconomic stability, financial discipline and sound policies is required.

Table-13.6: Pre-Flood Selected Social Sector Indicators of Flood Affected Areas

Areas	PSLM 2004-05		PSLM 2008-09	
	Immunization for children 12-23 months			
	Immunization	GPI	Immunization	GPI
<i>Pakistan Overall</i>	79.0	0.98	77.9	0.99
<i>Severely Affected by Floods</i>	74.4	0.95	69.6	0.99
<i>Moderately Affected by Floods</i>	77.6	1.00	74.7	1.01
<i>Not Affected by Floods</i>	81.8	0.99	82.9	0.98
	Access to Drinking Water			
<i>Pakistan Overall</i>	87.9		88.3	
<i>Severely Affected by Floods</i>	83.4		84.6	
<i>Moderately Affected by Floods</i>	85.6		87.8	
<i>Not Affected by Floods</i>	90.6		89.9	
	Access to Sanitation			
<i>Pakistan Overall</i>	59.2		70.9	
<i>Severely Affected by Floods</i>	46.2		57.5	
<i>Moderately Affected by Floods</i>	53.6		66.0	
<i>Not Affected by Floods</i>	66.4		77.7	

Source: CPRSPD staff calculations from PSLM 2004-05 and 2008-09

Tracking of Pro-Poor Expenditures

The Government prioritized the 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) from 2008-09 to 2010-11 in the PRSP-II. The MTEF provides a link between policy priorities and budget realities. Expenditures incurred in these sectors are in line with the Fiscal Responsibility and Debt Limitation Act, 2005 which stipulates that expenditures on social and poverty related spending would not be less than 4.5 percent of GDP in any given year and that budgetary allocations for health and education would double as a percentage of GDP over the next 10 years ending in 2012-13. During 2009-10, total federal and provincial budgetary expenditures in these sectors amounted to Rs 1110.8 billion representing 7.6 percent of the GDP against the projected target of Rs 660 billion. An amount of Rs.482.6 has been spent on these areas during July-December 2010 which is 15.8 percent higher than in the comparable period of last year.

Social Protection

The following social safety nets are major initiatives to reinforce the Government's efforts to reduce the adverse effects of poverty on the poor:

Benazir Income Support Programme (BISP):

The Benazir Income Support Program (BISP) envisages cash grants of Rs 1,000 every month to the females of each qualifying household having a monthly income of less than Rs 6,000 through banks/post offices with the aim to ameliorate the conditions of the poorest of the poor by directly accessing them and supplementing their sources of income. In the short to medium term BISP will also serve as a platform for complementary social assistance programs, the main being health insurance for the poor and the vulnerable. An amount of Rs 15.3 billion was disbursed during 2008-09 while Rs 32 billion was disbursed in 2009-10. An allocation of Rs 50 billion has been kept during the current financial year for this purpose.

Waseela-e- Haq: This component of BISP was launched in October 2009. A total number of 750 registered beneficiaries of BISP under the current targeting mechanism are selected through a monthly draw. Each of them are provided with an interest-free loan worth Rs. 0.3 million, repayable in installments over a period of 15 years.

Pakistan Bait-ul-Mal (PBM):

A total of Rs 2,261 million was disbursed in 2009-10 against 3,432 millions in last 2008-09 (registering a decline by 34 percent in

disbursements and increase in beneficiaries by 82 percent from 1.16 million to 2.11 million). The main reason behind this sharp decline in overall

disbursement was the closure of PBM's Food Support Program (FSP) in 2009-10 as the FSP was merged in Benazir Income Support Program.

Table-13.7: Budgetary Poverty Related Expenditures by Sectors

(Rs. Million)

Sectors	2006-07	2007-08	2008/09	2009-10	2010-11*
Roads, Highways & Bridges	60,003	84,825	99,613	98,456	21,121
Water Supply and Sanitation	16,619	19,817	22,204	25,459	6,640
Education	162,084	182,646	240,378	259,525	153,582
Health	53,166	61,127	83,714	94,399	40,898
Population Planning	7,002	13,322	5,345	7,048	2,245
Social Security & Welfare	4,513	18,942	29,129	54,571	22,606
Natural Calamities	5,008	7,728	10,083	12,548	-
Agriculture	74,771	83,493	88,912	104,815	35,357
Land Reclamation	2,348	3,130	2,738	1,990	980
Rural Development	22,175	23,334	16,362	20,391	4,838
Subsidies	5,455	54,872	220,567	234,926	74,458
Food Support Programme	3,458	4,370	12,420	0	-
People's Works Programme-I	20	1,420	3,329	8,417	662
People's Works Programme-II	2,499	2,748	28,000	31,754	-
Low Cost Housing	299	597	583	1,828	67
Justice Administration	5,081	7820	9,193	10,996	6,284
Law and Order	2,088	2,429	104,658	143,639	72,922
Total	3426,680	572,620	977,228	1,110,762	482,615
Total as % age of GDP	4.89	5.57	7.46	7.57	

* July-December

Source: Ministry of Finance

Peoples' Works Program (PWP) I & II:

This program covers implementation of schemes under PWP-I & II entailing roads, electricity, gas, telephones, education, health, water supply & sanitation and bulldozer hours. PWP-I & II incurred expenditures of Rs. 3.3 billion and Rs 28 billion in 2008-09 and Rs. 8.4 billion and Rs. 31.8 billion during 2009-10, respectively.

Initiatives in Microfinance:

Owing to committed efforts of the government, microcredit demonstrated an upward trend both in terms of active borrowers, which increased by 11 percent and Gross Loan Portfolio (GLP), which recorded a growth rate of 23 percent during 2009-10 as compared to the 2008-09. In terms of savings (both voluntary and compulsory programs), 32 percent growth was recorded compared to the previous fiscal year. As regards microfinance services, micro insurance grew upward significantly. The number of policy holders and sum insured increased by 83 percent each during 2009-10 as compared to 2008-09.

Other Initiatives in Microfinance

The State Bank of Pakistan has launched three microfinance initiatives: the Microfinance Credit Guarantee Facility, the Institutional Strengthening Fund, and Improving Access to Finance Services Fund. The initiatives are part of the Financial Inclusion Program, a joint venture between SBP and the UK Department for International Development. The objective of the three microfinance initiatives is to provide liquidity to the microfinance providers in response to tighter liquidity conditions and spikes in inflation.

Microfinance Credit Guarantee Facility (MCGF): This facility will provide incentives to banks and development financial institutions (DFIs) to provide funds to microfinance institutions which will then be used to provide credit to the MFI's borrowers. Lenders will lend to the MFIs at the State Bank of Pakistan policy discount rate plus 2 percent. The incentives include a guarantee on repayment of 40 percent of the funds provided by banks and DFIs to MFIs. In addition to the guarantee, banks and DFIs may deduct the funds loaned to MFIs from their

demand and time liabilities when calculating their statutory liquidity and the cash reserve requirements for regulatory purposes.

Table-13.8: Active Borrowers, Active Savers and Active Policy holders by Peer Group

Details	Micro-credit		Micro-Savings		Micro-Insurance	
	Active Borrowers (Million)	Value (PKR Million)	Active Savers	Value (PKR Million)	Policy Holders	Sum insured (PKR Million)
2008-09	1.78	20.3	2.15	6.9	2.08	29.4
2009-10	1.98	25.1	2.8	9.6	3.81	53.7
Increase/decrease (Net)	0.19	4.8	0.7	2.7	1.73	24.3
Increase/decrease (%)	11%	23%	32%	39%	83%	83%

Source: Pakistan Microfinance Network (PMN), Islamabad.

Institutional Strengthening Fund (ISF): The objective of the Institutional Strengthening Fund is to increase the capacity of MFIs by providing grants for them to make advances in their human resources, management, governance, internal controls, business development, cost reduction mechanisms, product innovation, and technology implementation. With good performance and resubmission of their proposal, MFIs may be recipients of grants several years in a row. The fund will primarily focus on institutions that are already regulated, or are in the process of seeking a license, or have solid plans for restructuring in the near future.

Improving Access to Financial Services (IAFS): This fund also is designed to enhance the capacity of MFIs with the additional goal of promoting financial literacy. The fund was established with a USD 20 million endowment from the Asian Development Bank (ADB) supported Improving Access to Financial Services Program. In addition to promoting an increase in capacity in many of the same ways as the ISF, the IAFS places some

added focus on increasing capacity in remittances and Islamic financial services. It will also train government and regulatory authorities on supporting the development of an inclusive financial system enabling financial services providers to launch financial and basic literacy programs for their clients.

As far as the monitoring of Poverty Reduction strategy is concerned, the government has put in place a stringent results-based M&E system through the institution of a project financed jointly by Ministry of Finance and UNDP called Strengthening Poverty Reduction Strategy Monitoring Project. The objective is to strengthening institutional capacities for results-based monitoring and evaluation of PRSP at the federal, provincial and district levels. It may also be noted that the credits/grants received by the government as budget support are always as result of certain pre-negotiated/agreed policy parameters linked to disbursement. These parameters are then stringently measured/monitored both by the donors and the government for successful implementation.