



## Poverty and Income Distribution

### Introduction

With a dramatic surge in food prices during the current fiscal year 2007-08, it will be naive for policy-makers and economic managers to ignore or downplay the likely impact of this on Pakistan's poverty dynamics. According to estimates, a 20 percent increase in food prices would add 100 million people below the absolute poverty line of one dollar a day around the world. With South Asia being home to 30 percent of the world's poor, the economic managers of the country have to face the challenge of protecting the poor from contagion of the recent spike in the food prices around the world. Poverty alleviation gains made from 2001 to 2006 through sustained higher economic growth and tremendous rise in development expenditure have to be protected.

In the short-run with rising food prices internationally, the policy options remained limited but were fully exploited in the form of a) administrative measures to control and discourage hoarding within the country and smuggling of food grains across the border, b) raising the support price of wheat to Rs.625 per 40 Kg bag, c) allowing import of wheat and other food stuff through public and private channels and d) increasing the supply and access to subsidized food through Utility Stores (urban areas) and food support programs (rural areas).

The double-digit food inflation of more than 15 percent during July-April 2007-08 is likely to be a major contributor to eroding the gains of poverty reduction. Whether the incidence of high inflation and the performance of key macro indicators during the current fiscal year will have any bearing (and to what extent) on the poverty profile in the country in 2007-08 will only be known once the

results of latest round of Pakistan Social and Living Standard Measurement (PSLM) Survey data are available in the last quarter of 2008-09. In case of a negative impact, combined with medium-term persistence and lagged effects of global food and energy price shock, the MTFD target of poverty headcount of 21 percent for 2009-10, believed to be within reach only a year ago, can only be realized with focused and effective interventions, including enhanced allocations for poverty reduction.

In Pakistan, as in few other developing countries, household surveys are conducted at irregular intervals, depending on the availability and approval of funding for statistical agencies. From a poverty assessment angle, there are merits and demerits in following a consistent policy on periodicity of surveys. At times, consecutive surveys and estimates specifically in case of poverty headcount are unlikely to reveal much, with the data showing minor variations and numbers which may not be very different statistically. Still they serve a useful purpose of monitoring and assessing the sensitivity or robustness of estimates to changing economic conditions and over time a long time series helps to build and reveal a more 'structural' relationship between poverty and other dimensions of the economy.

Till the first half of 2007-08, the latest estimates available to gauge poverty situation in the country related to the fiscal year 2004-05. Being an exceptionally good year, both in terms of agriculture and manufacturing growth and their contributions to GDP, these estimates indicated an improvement in poverty headcount to 23.9 percent from the previous estimates of 34.5 percent in 2000-01, the latter being the second year of persistent drought in the country. Only recently the

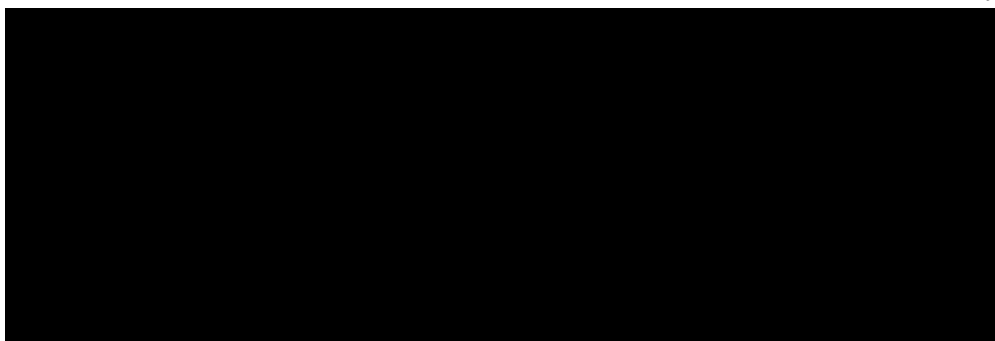
estimates calculated from the Household Survey (known as PSLM 2005-06), conducted by the Federal Bureau of Statistics (FBS) in the year 2005-06, have been finalized. They serve as useful guide and benchmark to poverty monitoring. The estimates of poverty from the Household Survey for the period 2005-06 would depict the socio-economic conditions that prevailed during the fiscal year 2005-06. These estimates will have little semblance to the current ground realities which have been impacted by the surge in food and fuel prices, poor agricultural performance and slower economic growth.

The survey on household income provides quality information and closely resembles PIHS of 2000-01 rather than PSLM 2004-05. Thus it is much more amenable to comparison of income inequalities. The information in other modules (consumption, demographics etc) is almost identical to the pattern of earlier surveys. The sample size is about the same as in the last survey, i.e., around 15,000 households covering rural and urban areas of all provinces and based on scientific sampling methodology followed by FBS. The methodology of producing poverty estimates is identical to the methodology adopted in producing previous estimates. The salient features are i) updating the poverty line based on 2350 calories per adult equivalent per day with the consumer price inflation during 2004-05 and 2005-06, ii) constructing spatial price index for all food and energy items (around 89) and adjusting household

expenditures to provide consistent consumption welfare measure across all 1100 primary sampling units in the country and during the year of the survey, iii) following a cleaning protocol consistent with the one adopted for data set of 2004-05 and iv) adopting adult equivalent measures for consumption to adjust for number of children.

### Consumption Profiles: 2004-05 and 2005-06

Table-13.1 compares the mean and medium of *real* monthly consumption expenditure per adult equivalent for the three periods. The last column gives the growth rate in mean consumption expenditure during 2004-05 and 2005-06. At 2001 prices, the average *real* consumption of the population increased by 3.07 percent, with lowest 20 and top 20 percent quintiles consumption growing at nearly two and half times more than the rest of the 60 percent of the population. Comparing the inter-survey period growth rates, the consumption expenditure of bottom 20 percent increased by 9.25 percent in a four year period during 2000-01 and 2004-05 giving an average annual rate of 2.3 percent, its growth was twice the rate during 2004-05 and 2005-06. The top and bottom 20 percent exhibit greater divergence in consumption expenditures as the mean and median are different for both groups. Had the consumption demand growth of the richest 20 percent been made more in line with the middle income quintiles (3 & 4), the price pressures for essential commodities would have been relatively alleviated.



Comparing the share of major food and non-food items in total expenditure across the three points in time provides another perspective on the stability of consumption behavior and reliability of the data. Table-13.2 gives the percentage expenditure share of major items in the monthly per adult equivalent

expenditure. Notable increase in shares between the two periods is observed in fuel and lighting, transport and medical care. Food records a decline of a full percentage point between 2004-05 and 2005-06, while the share of education also continues to maintain its downward slide. Literacy

In the case of education, this may reflect substitution by households of own expenditure with that provided by the government via increase and better targeting of expenditures on education at the provincial level.

**Table-13.2: Percentage Share of Per Adult Equivalent Monthly Consumption Expenditure (By Commodity Group)**

| Commodity Group  | PIHS       | PSLM       | PSLM       |
|--|------------|------------|------------|
|  | 2000-01    | 2004-05    | 2005-06    |
| Food   | 49.5       | 49.1       | 48.1       |
| Fuel and lighting  | 8.1        | 8.0        | 8.8        |
| Personal care articles/services, laundry cleaning, paper articles      | 3.9        | 3.8        | 3.9        |
| Personal transport and traveling expenses (not commercial)             | 3.7        | 4.9        | 5.2        |
| Other misc. household exp. on goods and services(e-mail, internet etc) | 3.9        | 5.2        | 4.4        |
| Clothing, clothing material/services                                   | 5.7        | 5.0        | 5.0        |
| Medical care   | 4.5        | 4.0        | 4.5        |
| Education  | 3.5        | 3.0        | 2.6        |
| House rent   | 12.0       | 11.9       | 12.2       |
| Other remaining expenditures   | 5.1        | 5.1        | 5.3        |
| <b>Total</b>   | <b>100</b> | <b>100</b> | <b>100</b> |

Table-13.3 compares the growth rate in per adult equivalent monthly consumption expenditure on few commodity groups of bottom 20 percent with the top 20 percent of the population for the years 2004-05 and 2005-06. Expenditure on health, education, house rent and personal transport for the richest 20 percent grew in double-digits during the one year interval. The poorest experienced a

double-digit increase in personal transport and rent. The phenomenal increase of 60 percent in the former category during the two consecutive years is due to greater ownership of personal means of transport by the poor, or increase in fares of public transport, and/or increase in distance traveled by the poor on account of jobs.

**Table-13.3: Comparison of Per Adult Equivalent Monthly Consumption Expenditure between PIHS 2000-01, HIES 2004-05 and PSLM 2005-06 at 2001 Prices (By Commodity Group And Quintile)**

| Commodity Group  | Poorest 20% |         |         |        | Richest 20% |         |         |        |
|--|-------------|---------|---------|--------|-------------|---------|---------|--------|
|  | 2000-01     | 2004-05 | 2005-06 | Growth | 2000-01     | 2004-05 | 2005-06 | Growth |
| Food   | 288.5       | 322.0   | 316.6   | -1.7   | 799.8       | 951.8   | 866.8   | -8.9   |
| Fuel and lighting  | 47.3        | 50.0    | 54.1    | 8.2    | 140.6       | 169.9   | 184.7   | 8.7    |
| Personal care articles/services, laundry cleaning, paper articles      | 22.6        | 22.3    | 23.0    | 3.1    | 66.9        | 82.8    | 80.5    | -2.8   |
| Personal transport and traveling expenses (not commercial)             | 11.0        | 16.6    | 26.9    | 62.1   | 92.1        | 153.4   | 184.9   | 20.5   |
| Other misc. household exp. on goods and services(e-mail, internet etc) | 14.3        | 16.4    | 19.0    | 15.9   | 101.0       | 165.3   | 180.8   | 9.4    |
| Clothing, clothing material/services                                   | 33.1        | 32.4    | 32.6    | 0.6    | 93.5        | 101.4   | 97.7    | -3.6   |
| Medical care   | 19.3        | 22.1    | 22.5    | 1.8    | 93.4        | 87.7    | 116.2   | 32.5   |
| Education  | 9.0         | 7.8     | 7.7     | -1.3   | 96.5        | 108.0   | 147.6   | 36.7   |
| House rent   | 39.3        | 43.0    | 48.7    | 13.3   | 313.2       | 365.7   | 493.1   | 34.8   |

### National Poverty Status: 2004-05 and 2005-06 Survey Evidence

Poverty estimates are highly sensitive to a variety of factors, like how a poverty line is estimated and updated; which welfare measure is adopted, household expenditure or income; how the scale of

household is controlled for, per capita or per adult equivalent; and how spatial price differences are controlled, etc. Each methodology or choice has advantages and limitations. Also, poverty estimates and the trend vary substantially depending on what methodology is selected. This very nature of poverty estimation suggests that the validation exercise needs to be designed carefully. For example, it is not constructive to simply point out the difference between the CRPRID/ Planning Commission's poverty estimates and those based on a conceptually different methodology.

Table-13.4 gives a comparative snapshot of poverty status during 2004-05 and 2005-06. The latest estimate of inflation-adjusted poverty line is

Rs.944.47 per adult equivalent per month, up from Rs.878.64 in 2004-05. Headcount ratio, i.e., percentage of population below the poverty line has fallen marginally from 23.94 percent in 2004-05 to 22.32 percent in 2005-06, an improvement of 1.62 percentage points.<sup>1</sup> Poverty in rural areas declined from 28.13 percent to 27.0 percent, showing an improvement of 1.13 percentage points between 2004-05 and 2005-06. Poverty in Urban areas also registered a decline from 14.94 percent to 13.1 percent during 2004-05 and 2005-06, thereby, depicting an improvement of 1.84 percentage points in the period. The improvement in poverty headcount in percentage points terms at 1.9 percent in urban areas was nearly twice that of rural areas.

**Table-13.4: Trends in Poverty Indicators**

| Year    | Headcount |       |          | Poverty Gap |       |          | Severity of Poverty |       |          |
|---------|-----------|-------|----------|-------------|-------|----------|---------------------|-------|----------|
|         | Urban     | Rural | Pakistan | Urban       | Rural | Pakistan | Urban               | Rural | Pakistan |
| 1998-99 | 20.9      | 34.7  | 30.6     | 4.3         | 7.6   | 6.4      | 1.3                 | 2.4   | 2.0      |
| 2000-01 | 22.7      | 39.3  | 34.5     | 4.6         | 8.0   | 7.0      | 1.4                 | 2.4   | 2.1      |
| 2004-05 | 14.9      | 28.1  | 23.9     | 2.9         | 5.6   | 4.8      | 0.8                 | 1.8   | 1.5      |
| 2005-06 | 13.1      | 27.0  | 22.3     | 2.1         | 5.0   | 4.0      | 0.5                 | 1.4   | 1.1      |

Source: PSLM

Another observation is that the poverty estimate in urban areas became less than half the rural estimates in 2005-06 for the first time since 1998-99. Statistically speaking, taking into account the margin of error in the estimates, the estimates of the two years are not different from each other. Two observations are in order from even these marginal and statistically insignificant improvements. First, the rate of poverty reduction slowed in 2005-06 and began to taper off to a more long-run level of around one percentage point a year. This is evident while comparing the normal years of 1998-99 with 2005-06. Ignoring the irregular years of 2000-01 and 2004-05, a reduction of 8.3 percentage points in headcount over the period of 8 years, from 30.6 to 22.3 percentage points is observed. Notwithstanding any reversal of observed trends, even if this slower speed of poverty reduction combined by closing the urban-rural poverty difference in a consistent manner for the next nine years, the Millennium Development Goal (MDG-1) and Human Development principle of equitable growth can be within sight. Secondly, the smaller improvement in rural areas can be traced to dismal growth in the

crop sector (-2.9%) in 2005-06 as compared to manufacturing (8.7%) and services (6.5%) sectors, which are mainly urban based. The other two indicators, poverty gap and severity of poverty are aggregate measures of 'spread' of the poor below the poverty line, i.e., they aggregate the distance (proximity or remoteness) of all poor individuals from the poverty line. A lower value indicates that most of the poor are bunched around the poverty line. In line with the improvement in headcount, both the poverty gap and severity of poverty were also reduced in the country between the two consecutive years.

The estimation of poverty line enables the policy makers to further identify and group the population

<sup>1</sup> A technical exercise carried out by the World Bank supports the accuracy of CPRID/Planning Commission poverty numbers for PIHS 2000-01, PSLM 2004-05, and PSLM 2005-06 using the official methodology and data cleaning protocol. The World Bank also carried out various sensitivity analyses to ensure the reliability of the estimates, and found that the poverty estimate at the national level declined slightly between 2004-05 and 2005-06, but the reduction was not statistically significant. Furthermore, the PSLM 2005-06 data including the Consumption Module are available with the Federal Bureau of Statistics (FBS) for researchers or any body who has interest in poverty estimates.

into various 'poverty bands' such as extremely poor, vulnerable and non-poor etc. Table-13.5 presents a comparative profile of 2000-01, 2004-05 and 2005-06 for the six groups. Notably the percentage of 'extremely poor' consuming less than 50% of poverty line expenditures, halved from 1 to 0.5 percent of the population. Similarly there was an improvement of 1 percentage point in the proportion of ultra-poor from 6.5 to 5.4 percent. At the other side of the spectrum, the proportion of 'Quasi non-poor' increased from 35

to 36.3 percent. The section of population defined as 'vulnerable' at 20.5 percent remains almost the same and any negative macro or personal shock can easily shift these households into the category of 'poor'. Combining 'poor' with 'vulnerable' segments of the population, i.e., the poverty status of 36.9 percent (unchanged from 2004-05) of the population is likely to fluctuate with the growth performance of agriculture and food inflation in the country.

**Table-13.5: Population under various Poverty Bands**

|                              |        | (% of Population)         |        |                           |        |
|------------------------------|--------|---------------------------|--------|---------------------------|--------|
| 2000-01                      |        | 2004-05                   |        | 2005-06                   |        |
| Poverty Line = Rs. 723.40    |        | Poverty Line = Rs. 878.64 |        | Poverty Line = Rs. 944.47 |        |
| <b>Extremely Poor</b>        | 1.10%  | <b>Extremely Poor</b>     | 1.00%  | <b>Extremely Poor</b>     | 0.50%  |
| <50% that is <Rs.361.7       |        | <50% that is <Rs.439.32   |        | <Rs.472.23                |        |
| <b>Ultra Poor</b>            | 10.80% | <b>Ultra Poor</b>         | 6.50%  | <b>Ultra Poor</b>         | 5.40%  |
| >50%<75% that is             |        | >50%<75% that is          |        | is                        |        |
| Rs. 361.7 – Rs.542.55        |        | Rs. 439.32 – Rs.658.98    |        | Rs.708.35                 |        |
| <b>Poor</b>                  | 22.50% | <b>Poor</b>               | 16.40% | <b>Poor</b>               | 16.40% |
| >75%<100% that is            |        | >75%<100% that is         |        | is                        |        |
| Rs.542.55 – Rs.723.40        |        | Rs.658.98 – Rs.878.64     |        | Rs.944.47                 |        |
| <b>Vulnerable</b>            | 22.50% | <b>Vulnerable</b>         | 20.50% | <b>Vulnerable</b>         | 20.50% |
| >100%<125% that is           |        | >100%<125% that is        |        | that is                   |        |
| Rs.723.40 – Rs.904.25        |        | Rs.878.64 – Rs.1098.30    |        | Rs.1180.59                |        |
| <b>Quasi Non-Poor</b>        | 30.10% | <b>Quasi Non-Poor</b>     | 35.00% | <b>Quasi Non-Poor</b>     | 36.30% |
| >125%<200% that is           |        | >125%<200% that is        |        | that is                   |        |
| Rs.904.25 – Rs.1446.8        |        | Rs.1098.3 – Rs.1757.28    |        | Rs.1888.94                |        |
| <b>Non-Poor</b>              | 13.00% | <b>Non-Poor</b>           | 20.50% | <b>Non-Poor</b>           | 20.90% |
| >200% that is over Rs.1446.8 |        | Rs.1757.28                |        | over Rs.1888.94           |        |

### Consumption Inequality

The results available from the latest household survey, 2005-06 also provide an opportunity to update the analysis of consumption inequalities in the country. Though a one year interval is too short a period (statistically the difference may be insignificant) to make conclusive judgment on inequalities, trends and changes however small or insignificant act as signal for policy interventions. Inequality based on consumption expenditure is generally lesser than inequality based on income as variations in consumption are less and it is based partly on a subset of homogenous (in terms of quality and price) food items. The consumption inequality is measured by the Gini Coefficient and ratio of highest to the lowest quintile. The Gini

Coefficient takes on a value between 0 and 1. The higher the value of Gini Coefficient, the higher will be the inequality.

Table-13.6 shows the value of Gini for Pakistan and rural-urban divide obtained from the three Surveys, i.e., PIHS 2001, HIES 2004-05 and PSLM 2005-06. Starting from the beginning of the decade, the secular rise in Gini values continues at the national level and urban areas, indicating that consumption inequality continues to increase during the period, particularly for the middle quintiles 3 & 4 in urban areas. Between 2004-05 and 2005-06, consumption inequalities further increased from 0.2976 to 0.3018. This increasing trend in inequality is the opposite of the declining

trend observed in absolute poverty in the previous sections. One also observes that in a matter of a year the Gini of rural areas declined from 0.2519 in 2004-05 to 0.2462 in 2005-06. The estimates

indicate that consumption inequality in urban Pakistan is higher than in rural Pakistan. Moreover urban inequality increased faster than overall inequality during 2005-06.

**Table-13.6: Gini Coefficient and Consumption Shares by quintiles**

|                                      | PIHS 2000-01  |               |               | HIES 2004-05  |               |               | PSLM 2005-06 |               |               |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|
|                                      | Urban         | Rural         | Pakistan      | Urban         | Rural         | Pakistan      | Urban        | Rural         | Pakistan      |
| <b>Gini Coefficient</b>              | <b>0.3227</b> | <b>0.2367</b> | <b>0.2752</b> | <b>0.3388</b> | <b>0.2519</b> | <b>0.2976</b> | <b>0.349</b> | <b>0.2462</b> | <b>0.3018</b> |
| <b>Consumption share by Quintile</b> |               |               |               |               |               |               |              |               |               |
| Quintile 1                           | 5.3           | 12.8          | 10.1          | 4.8           | 12.6          | 9.5           | 4.5          | 13.5          | 9.6           |
| Quintile 2                           | 8.1           | 16.9          | 13.7          | 7.6           | 17.1          | 13.2          | 8.2          | 16.8          | 13.1          |
| Quintile 3                           | 12.1          | 19.5          | 16.8          | 11.6          | 19.7          | 16.4          | 11.1         | 20.1          | 16.2          |
| Quintile 4                           | 19.4          | 22.4          | 21.3          | 18.3          | 23            | 21.4          | 17.8         | 23            | 20.8          |
| Quintile 5                           | 55.1          | 28.4          | 38            | 57.7          | 27.6          | 39.4          | 58.4         | 26.6          | 40.3          |
| Ratio of Highest to lowest           | 10.4          | 2.22          | 3.76          | 12.02         | 2.19          | 4.15          | 12.98        | 1.97          | 4.2           |

The Gini Coefficient is a broad single aggregative measure. It suppresses the profile of the distribution. Table-13.6 also reports the trends of percentage share of consumption expenditure by quintile for overall Pakistan as well as the rural and urban regions for the three time periods under study. Comparing 2004-05 with 2005-06, a miniscule improvement in the share of the lowest quintile is observed at the national level. For this group, the significant improvement in rural areas is offset by a worsening in urban areas. The consumption shares are stable between the two years for the next two quintiles. The decline in the share of quintile group 4, i.e., between 60 and 80 percent is offset by further increase of 1 percentage point in the share of the top quintile. The ratio of the highest to the lowest quintile which measures the gap between the rich and the poor also deteriorated from 4.15 in 2004-05 to 4.2 in 2005-06 at the national level, indicating an increased rich-poor divide over the period. Consistent with increasing 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.

### Pro-poor Expenditures

Although the PRSP-I (2003-06) culminated successfully in FY06, and PRSP-II has yet to be officially launched, the on-going pro-poor expenditures retain the flavor, legacy and framework of PRSP-I. Government's commitment to follow a sustained poverty reduction strategy and adhere to Fiscal Responsibility and Debt

Limitation Act stipulation of allocating a minimum of 4.5 of GDP to social and poverty related expenditures is clearly reflected in the allocations as given in Table-13.7. Expenditures on pro-poor sectors in 2006-07 at 5.7 percent of GDP were well above the requirement under the Law. These expenditures are projected to grow in nominal terms by roughly 20 percent over the 2006-07 levels and be 6.0 percent of GDP in 2007-08. If the entire subsidy of Rs.40 billion on imported wheat during the current year is considered as pro-poor expenditure, and off-setting cuts are not made in education and health, the final figure is expected to be even higher than the projected one.

Ignoring the unanticipated wheat subsidy expenditure, and its impact on other line items, a comparison of actual 2006-07 expenditure and projected expenditure for 2007-08 indicates the following: - a) expenditures on human development (education, health, population planning, social security & welfare) are expected to increase by over 36 percent, with doubling in Population Planning and Social Security and Welfare, albeit from a small base. b) expenditures under safety nets are set to increase by 32 percent even under a 'business-as-usual' scenario. c) The growth in expenditure on community services, rural development and governance show only a modest and routine increase, partly due to consolidation and throw-forward effect of rapid investments made in earlier years. Assuming a permanent regime shift to higher food and fuel prices, the expenditures on safety nets need to be scaled-up significantly in order to facilitate the

poor in gradual adjustment to this new era of higher food and fuel prices. From a policy perspective, as we head into PRSP-II phase,

expenditure heads need to be re-defined and more closely aligned with direct impacts on the poorer sections of society.

**Table-13.7: Social Sector and Poverty Related Expenditures** (Rs. in Billion)

|                                 | 2001-02      | 2002-03      | 2003-04      | 2004-05      | 2005-06      | 2006-07      | 2007-08      |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                 | Actual       | Actual       | Actual       | Actual       | Actual       | Actual       | Projected    |
| <b>Community Services</b>       | <b>11.0</b>  | <b>16.6</b>  | <b>28.5</b>  | <b>41.7</b>  | <b>63.6</b>  | <b>76.6</b>  | <b>82.5</b>  |
| i. Roads, Highways & Buildings  | 6.3          | 13.2         | 22.8         | 35.2         | 53.3         | 60.0         | 69.1         |
| ii. Water Supply and Sanitation | 4.6          | 3.4          | 5.8          | 6.5          | 10.3         | 16.6         | 13.4         |
| <b>Human Development</b>        | <b>90.7</b>  | <b>105.8</b> | <b>134.1</b> | <b>155.8</b> | <b>217.9</b> | <b>231.8</b> | <b>316.3</b> |
| i. Education                    | 66.3         | 78.6         | 97.7         | 116.9        | 141.7        | 162.1        | 224.7        |
| ii. Health                      | 19.2         | 22.4         | 27.0         | 31.4         | 39.2         | 53.2         | 62.3         |
| iii. Population Planning        | 1.3          | 3.1          | 4.7          | 4.6          | 10.2         | 7.0          | 13.3         |
| iv. Social Security & welfare   | 3.7          | 1.3          | 4.1          | 2.0          | 7.6          | 4.5          | 9.8          |
| v. Natural Calamities           | 0.2          | 0.4          | 0.5          | 0.9          | 19.2         | 5.0          | 6.2          |
| <b>Rural Development</b>        | <b>24.3</b>  | <b>34.2</b>  | <b>44.5</b>  | <b>59.7</b>  | <b>78.5</b>  | <b>101.8</b> | <b>101.9</b> |
| i. Irrigation                   | 10.1         | 15.5         | 22.5         | 37.9         | 59.8         | 74.8         | 77.6         |
| ii. Land Reclamation            | 1.8          | 1.8          | 2.0          | 2.1          | 2.7          | 2.3          | 3.5          |
| iii. Rural Development          | 12.3         | 16.9         | 18.6         | 15.4         | 15.0         | 22.2         | 19.5         |
| iv. Rural Electrification       |              |              | 1.4          | 4.4          | 1.0          | 2.5          | 1.3          |
| <b>Safety Nets</b>              | <b>8.3</b>   | <b>13.8</b>  | <b>12.3</b>  | <b>8.4</b>   | <b>9.4</b>   | <b>9.2</b>   | <b>12.2</b>  |
| i. Food Subsidies               | 5.5          | 10.9         | 8.5          | 5.4          | 6.0          | 5.5          | 7.8          |
| ii. Food Support Program        | 2.0          | 2.2          | 2.8          | 2.7          | 3.1          | 3.5          | 4.0          |
| iii. Tawwana Pakistan           | 0.8          | 0.6          | 0.6          | 0.1          | 0.0          | 0.0          | 0.0          |
| iv. Low Cost Housing            |              | 0.1          | 0.4          | 0.3          | 0.3          | 0.3          | 0.4          |
| <b>Governance</b>               | <b>33.0</b>  | <b>38.5</b>  | <b>41.8</b>  | <b>50.5</b>  | <b>65.2</b>  | <b>78.1</b>  | <b>84.6</b>  |
| i. Administration of Justice    | 2.0          | 2.3          | 2.4          | 3.1          | 5.6          | 5.1          | 7.3          |
| ii. Law and order               | 31.0         | 36.3         | 39.4         | 47.4         | 59.6         | 73.0         | 77.3         |
| <b>Total</b>                    | <b>167.3</b> | <b>208.8</b> | <b>261.3</b> | <b>316.2</b> | <b>434.6</b> | <b>497.5</b> | <b>597.5</b> |
| <b>As % of GDP</b>              | <b>3.8</b>   | <b>4.32</b>  | <b>4.6</b>   | <b>4.8</b>   | <b>5.6</b>   | <b>5.7</b>   | <b>6.0</b>   |

Source: Finance Division

### An Update on Social Indicators from PSLM 2006-07 Survey

Since the late nineties and early part of this Millennium, Pakistan followed a two-pronged strategy: - a) reduce income and consumption poverty and b) to increase access to education, health and better quality of living. The second part of PSLM surveys, i.e., CWIQ (Core Welfare Indicator Questionnaire) surveys are specifically designed to monitor the progress of social indicators at the district level. The first large scale survey of 77,000 households was conducted in 2004-05. Its findings were reported in the Economic Survey 2004-05. The results from the second survey of its kind based on approximately 74,000 households and conducted in 2006-07 are compared with its exact earlier counterpart to provide short-term assessment of government's success in improving population's access to social

services and living standard indicators. Although PIHS 2001-02 results are based on sample size of only 14,000 households, it provides a reasonable interval to assess improvements since the beginning of the twenty-first century. In interpreting the results one needs to be aware that in contrast to macroeconomic indicators that vary within intervals of month/quarter/year, social indicators may not exhibit similar changes even with a gap of two years. In many cases the ratios may remain stable. However, over the medium to longer-run the success of any intervention/investments should translate into discernible improvements.

Table-13.8 compares the living conditions in 2004-05 and 2006-07. Broadly speaking they have remained unchanged, except in case of large households. Population living in houses with 5 and more rooms has declined from 7.1 to 6.6 percent.

In interpreting these numbers we need to be aware that housing standards of a population change very slowly, as they are guided by demographics, migration and internal working of housing markets in cities, towns and villages. On average, the living conditions are marginally better as the share of population living in households with 2-4 rooms inched up from 68.7 to 69.1 percent in two years; however, population living in houses with five and more rooms has declined from 7.1 to 6.6 percent. The population's access to electricity also improved significantly from 83.9 in 2004-05 to 86.6 percent in 2005-06. Due to higher

consumption, investment in immovable assets might also have declined as population owning housing units has declined from 86.6 to 85.9 percent.

**Table-13.8: Comparison of Living Conditions PSLM 2004-05 & 2006-07**

| Major Indicators                        | PSLM 2004-05 | PSLM 2006-07 |
|---|--------------|--------------|
| Housing Units with one room (%)         | 24.2         | 24.3         |
| Housing Units with 2-4 rooms (%)        | 68.7         | 69.1         |
| Housing Units with 5 & more rooms (%)   | 7.1          | 6.6          |
| Owned Housing Units                     | 86.6         | 85.9         |
| Electricity (as source of lighting) (%) | 83.9         | 86.6         |
| Gas (as cooking fuel) (%)               | 29.5         | 30           |

**Table 13.9: Comparison of Selected Social Indicators (%)**

| Indicators                                   | 2000-01 | 2004-05 | 2006-07 |
|--|---------|---------|---------|
|  | PIHS    | PSLM    | PSLM    |
| Major Source of Drinking Water (Tap Water)   | 25      | 34      | 36      |
| Types of Flush used by households            |         |         |         |
| - Flush                                      | 45      | 54      | 58      |
| - Non- Flush                                 | 12      | 20      | 15      |
| - No Toilet                                  | 43      | 26      | 27      |
| Population Ever Attended school              | 51      | 55      | 57      |
| Gross Enrolment at Primary level (5-9 Years) | 72      | 86      | 91      |
| Net Enrolment at Primary level (5-9 Years)   | 42      | 52      | 56      |
| Gross Enrolment at Middle level(10-12 years) | 41      | 46      | 51      |
| Net Enrolment at Middle level(10-12 years)   | 16      | 18      | 18      |
| Gross Enrolment at Matric level(13-14 years) | 42      | 44      | 48      |
| Net Enrolment at Matric level(13-14 years)   | 9       | 11      | 10      |

In Table-13.9 trends of selected social indicators at three points in time, i.e., 2000-01, 2004-05 and 2006-07 are compared. In a longer term perspective, comparing 2001 and 2007, most of the indicators show discernible improvement, e.g., access to drinking water through taps, use of flush and gross enrolments for most levels of schooling. However, the rate of improvements has slowed down in the last two years as compared to speed of improvements achieved during 2001-2005. In case of net enrolment in middle schools and at matric level, there has been no improvement in the last two years. The trend of rising gross enrolments with almost very marginal improvements in net enrolment indicate rising tendencies in dropout rate at least at the middle and matric level. This reinforces the need for improving targeting of and expending the size of pro-poor expenditures.

Table-13.10 profiles the trends in literacy rates of population 10 years and above and 15 years and above. Over the longer period 2001-2007,

significant improvements took place in literacy across gender and regions. However as in the case of enrolment, the pace of improvement considerably slowed during last two years as compared to previous four years, even on an average annual basis. The gender and urban-rural divide also failed to close if one compares 2001 with 2007.

**Table-13.10: Literacy and Adult Literacy**

|  | PIHS 00-01 | PSLM 2004-05 | PSLM 2006-07 |
|--|------------|--------------|--------------|
| <b>i) Literacy Rate(Aged 10 years and older)</b> |            |              |              |
| Overall  | 45         | 53           | 55           |
| Male   | 58         | 65           | 67           |
| Female   | 32         | 40           | 42           |
| Urban Areas                                      | 64         | 71           | 72           |
| Male   | 72         | 78           | 79           |
| Female   | 56         | 62           | 65           |
| Rural Areas                                      | 36         | 44           | 45           |
| Male   | 51         | 58           | 60           |
| Female   | 21         | 29           | 30           |
| <b>ii) Adult Literacy (15 years and older)</b>   |            |              |              |
| Overall  | 43         | 50           | 52           |
| Urban Areas                                      | 63         | 69           | 70           |
| Rural Areas                                      | 34         | 40           | 41           |

Source: Federal Bureau of Statistics



Since 2001, health indicators, specifically in the area of child health and in rural areas, have improved significantly as indicated by estimates from various surveys given in Table-13.11. Significant improvements in immunization, and treatment by ORS took place during the period 2001-2007. At the national level immunization coverage went up from 53 percent in 2001 to 76 percent in 2007. In rural areas it improved faster, thus reducing the urban-rural gap from 24 to 12 percentage points during the period. Similarly in the percentage of cases where a Practitioner was consulted went up from 81 to 93 percent in rural areas, closing the urban-rural gap from 6.5 to 1.2 percentage points.

A common thread that runs in the short-term assessment of social indicators is the slow down in the rate of improvement. This phenomenon suggests that at higher levels of indicators, greater

investments are needed for per unit improvement in indicators along with more effective governance and implementation.

**Table-13.11: Health Indicators**

|  | PSLM<br>2000-01 | PSLM<br>2004-05 | PSLM<br>2006-07 |
|--|-----------------|-----------------|-----------------|
| <b>i) Children Aged 12-23 Months Immunized.</b>                |                 |                 |                 |
| <b>Overall</b>   | <b>53</b>       | <b>77</b>       | <b>76</b>       |
| Urban Areas  | 70              | 87              | 85              |
| Rural Areas  | 46              | 72              | 73              |
| <b>ii) Treatment of Diarrhea in Children 5 years and Under</b> |                 |                 |                 |
| <b>Cases where a Practitioner was consulted</b>                |                 |                 |                 |
| <b>Overall</b>   | <b>82.4</b>     | <b>90.9</b>     | <b>93.7</b>     |
| Urban Areas  | 87.3            | 92.2            | 94.5            |
| Rural Areas  | 80.7            | 90.1            | 93.3            |
| <b>Cases where ORS was given to Child</b>                      |                 |                 |                 |
| <b>Overall</b>   | <b>53.6</b>     | <b>77.8</b>     | <b>76.4</b>     |
| Urban Areas  | 57.0            | 78.2            | 80.0            |
| Rural Areas  | 52.4            | 77.5            | 75.0            |

