8 Social Sector Developments

Although gradually declining since FY81, Pakistan still has a relatively high population growth rate of 1.9 percent per annum. Such a high population growth creates unsustainable demands on already scarce resources, and is one of the important factors contributing to the worsening of social indicators in the country. The negative impact of the high population growth is compounded by neglect of the social sector, in particular health and education, which meant that the productivity of the country's large labor pool has remained low.

If this situation is to change in the long-run, Pakistan has to focus on reducing its population growth rate to sustainable level, while seeking to benefit in the medium term from its growing labor force (since the demographic transition of the 1980s)[1] by investing heavily in human capital development.

In this backdrop, this chapter examines important issues in social sector as well as the policy actions followed by the government in its recently adopted Full-Poverty Reduction Strategy Paper to improve the human development outcomes in Pakistan.

8.1 Pakistan's Demography

Pakistan's share[2] in the total world population is 2.5 percent, which makes it the sixth most populous country after China, India, USA, Indonesia and Brazil. The population growth rate is still among the highest in the region.

The demographic scene in Pakistan shows that while it appears to have made a breakthrough in achieving a declining trend in fertility and population growth rate, these changes are modest. More specifically, the total fertility rate (TFR) in Pakistan has declined from 4.8 children per woman in FY00 to 4.1 children per women in FY04. The lowering of fertility rate is significant but is well above the replacement level (2.1 children per women), which is the long-term target of population policy (see **Box 8.1**). To achieve these targets of Population Policy 2002, there is a need for sustained efforts to further reduce the population growth.

Fertility transition is strongly associated with number of living children. Infant mortality rate (IMR)[3] is positively linked with TFR. IMR has fallen from 108 per 1000 in FY88 to 85 in FY02 while TFR from 6.5 per woman

Box 8.1: Population Policy of Pakistan

Population policy 2002 is designed to achieve social and economic revival by curbing the rapid population growth and thereby reducing its adverse consequences for development.

The overall vision of the population policy is to achieve population stabilization by 2020 through completion of demographic transition. It is possible through attaining balance between resources and population, creating awareness of adverse consequences of rapid population growth and through attaining reduction in fertility rate with access and quality of reproductive health services.

The short term objectives of population policy include reducing population growth to 1.9 percent per annum by 2004. Similarly to reduce the fertility rate to 4 births per woman during the same time period. Long term objectives of population policy are to reduce population growth rate to 1.3 percent per annum by 2020, reduce fertility rate to replacement level (2.1births per women) by 2020 and attain universal access to safe family planning methods by 2010.

Focused areas of population policy are population mainstreaming, incorporation of population factor in development plans, service delivery expansion, and improvement of quality through decentralization and coordination among government and various stakeholders. For financing purpose planning commission has allocated an amount of Rs 9.5 billion for three years development plan (2002-05) an average of over 3 billion per annum.

There is need of proper implementation and monitoring of the policy to achieve the desired result of population stabilization.

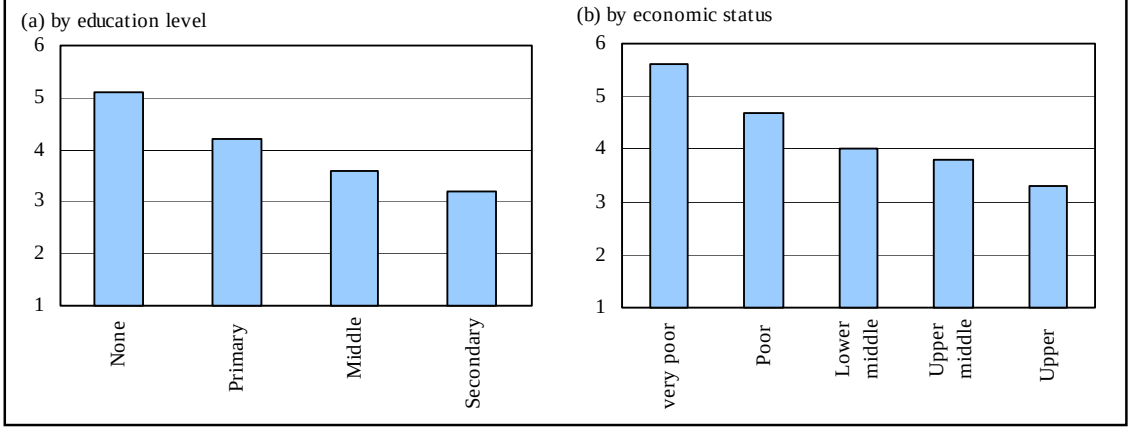
[1] The share of working-age population has increased by 2 percentage points over the last two decades.
[2] 2004 World Population Data sheet, Population Reference Bureau, Washington DC.
[3] The number of deaths of children under one year per 1000 live births in a year.

to 4.7 during the same time period.[4] By the standards of comparable countries both these ratios are still relatively high and need to drop rapidly.

There are various factors which lead to decline in population growth rate and to fertility transition. First, increase in the mean age of marriage is a crucial factor that influences the fertility rate. The average age at marriage of female has risen from 21.7 years in FY98 to 22.1 in FY00; whereas the corresponding rise for males has been 25.8 to 26.3 years. The rise in age at marriage is probably due mainly to expansion of female education. As a result the proportion of females being single in the age group 15-19 years increased from 47 percent in 1972 to 83 percent in 2002.

Second, increase in the literacy rate on the part of the parents is also one of the contributing factors for lower fertility rate because of the increased awareness on the benefits of maintaining a smaller family size. Fertility rate is inversely linked with education, as the level of parent's education increases, the fertility rate declines. The level of education exerts its influence both directly and indirectly by increasing the age at marriage. Education of females is more important than that of males in influencing the fertility rates (see **Figure 8.1a**).

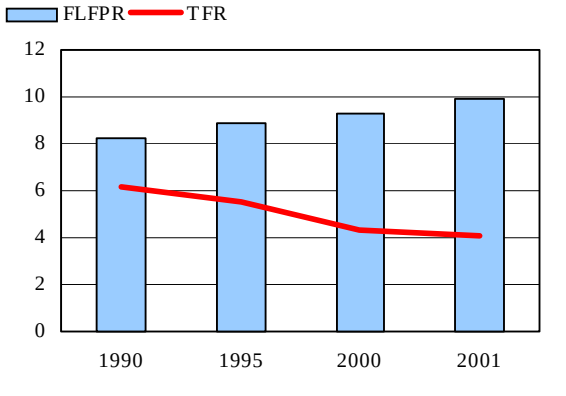
Figure 8.1: Fertility Differential



Third, high differential in fertility rate is observed with respect to economic status of the household. High fertility rates are more common in poor families than in the middle and higher income group families. This is because a large family size ensures more earning hands for poor families. Wide differential exists among the poor and the well off with respect to TFR (see **Figure 8.1b**).

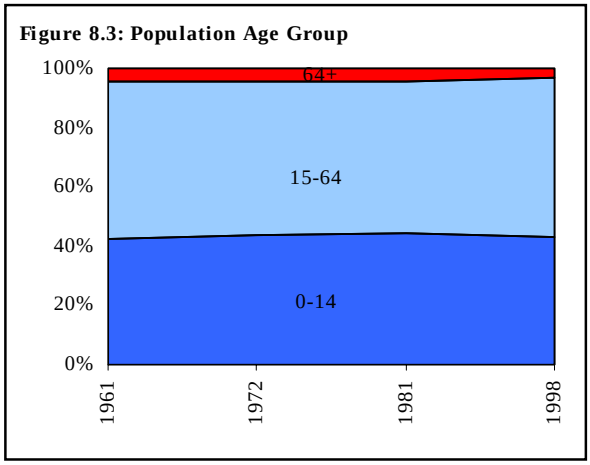
Fourth, female labor force participation (FLFP) impacts the fertility rate negatively. With the increase in female participation in the labor market, their family size reduces (see **Figure 8.2)** FLFP impact fertility rates directly by increasing the opportunity cost for working women (well paid jobs) to stay at home and having more children. It empowers them to take active part in family decisions and they become less dependent on children for old age security.

Figure 8.2: Fertility Transition & Female Economic Participation



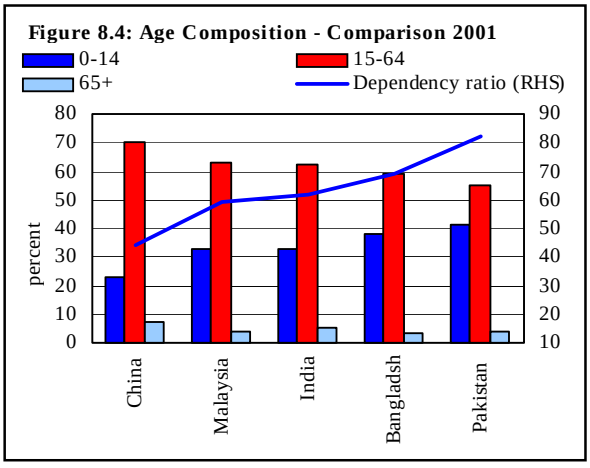
[4] Pakistan Integrated Household Survey 2001.

Contraceptive prevalence rate[5] (CPR) is another indicator, which curtails the fertility rate. CPR increased from 23.9 percent in FY97 to 31.0 percent in FY02. However knowledge about contraceptive has become almost universal, i.e., 96 percent in FY02. In fact, the unmet need for family planning services is estimated at 33 percent[6] indicating the huge potential for further fertility decline.



The demographic transition (movement from high birth rates and death rates to lower birth rates and death rates, see **Box 8.2**) has various implications for the demographic scene of the country. The impact of the slow pace of fertility transition in Pakistan can be examined by looking at the age structure of the population. The age structure of population is an important feature of any population as specific needs of population are determined by the age distribution. Due to persistently high birth rate in the past, the overall age structure of the population is heavily skewed towards the younger age group (below 15 years), which constitutes around 43 percent of total population in 1998 (see **Figure 8.3**). According to Pakistan Demographic Survey FY01, 42.8 percent of males and 42.7 percent of females lie in the category of below 15 years age group.

Share of the productive age group increased from 39 percent in 1981 to 41 percent in 1998. High proportion of active population through their added productivity can produce a "demographic dividend" for economic growth. The demographic dividend refers to a feature of age structure described as the tendency for the working age population to grow more rapidly than the overall population, once fertility has begun to decline. As a result of fertility transition, the share of labor force in total population has increased (see **Section on Employment**). There was a marginal decline of 1.5 percentage points during FY99 to FY02 in the share of old age population. The effects of the larger proportion of elderly people are similar to those of a very young population because they are also dependent, so a large proportion of resources are needed by relatively less productive segment of the population, which can inhibit economic growth.



Comparison of Pakistan in age distribution with other selected countries shows that the share of working age population is the lowest in Pakistan due to its low pace of fertility transition. Secondly, the proportion of younger age group is also the highest in Pakistan (see **Figure 8.4**). Proportion of old age group in population is lower in Pakistan due to lower life expectancy than in other countries.

The above comparison demonstrates that the speed of fertility transition is quite moderate in Pakistan, which resulted in higher

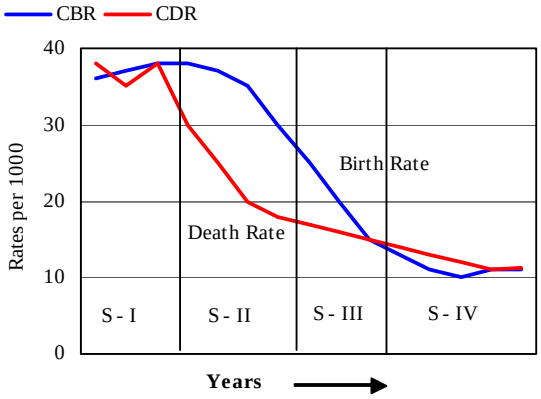
[5] The percentage of currently married women aged 15-49 years who are currently using a family planning method.
[6] PIHS 2001.

Box 8.2: Demographic Transition

The process of change from rapid population growth to slow population in human population is called demographic transition. It is the process of change from population with both high birth and death rates (that are at or near equilibrium) to a situation in which both birth and death rates are low (that are at or near equilibrium). Natural increase or decrease in population is produced from the difference between the number of births and deaths.

Demographic transition takes place through four stages. In first stage both birth and death rate are very high. In second stage death rates began to fall due to improvement in medical facilities' but birth rates remains very high. Third stage is characterized by a simultaneous decline in both death rates and birth rates. In the last stage, both (birth as well as death rates) reach at subsistence level (see **Figure 8.2.1**)

Figure 8.2.1: The Demographic Transition



Reduction in the mortality rate occurs through development in terms of physical infrastructure. Factors responsible for decline in mortality rates are nutritional Improvements, medical Care (curative), environmental health, access to sanitation and clean water and communication and transport.

Reduction in birth rate occurs through development in terms of economic, social and political infrastructure, where communities have some control over their future. Lower birth rate is associated with socio economic changes, economic development and industrialization, financial security in old age, women education and their given role in economy, government commitment to family Planning, political stability in preventing disaster/civil war and equity (land reforms, distribution of wealth), and some security for future.

The pace of demographic change in a country varies depending upon its culture, level of economic development and other factors. As countries pass through the various stages of transition, population growth from natural increase (birth rate minus death rate) accelerate or decelerate depending upon the gap between death rates and birth rates. Demographic transition results in change in age structure. Economic behaviors vary with the change in age structure. Higher proportion of population in productive age can result in "Demographic Dividend" in the form of high savings, increase in labor force, and increase in female participation rate.

However, only an increase in labor supply does not guarantee a high economic growth rather it also depends on the quality of labor force that includes education, skills, experience and most of all better job opportunities for them. Otherwise there will be an increase in the army of unemployed and crime rate. In fact the combined effect of large working age population and health, family, labour, financial and human capital polices can create virtuous cycle of wealth creation.

Source: P.Todaro, Micheal, "Economic Development", 8th edition, 2002

proportion of dependent population than the other selected countries. Due to high proportion of young and old age population in total population the "dependency burden" remained very high. The dependency ratio[7] is a simple measure indicating the likely impact of age composition on the economic potential of the population. In FY01, the dependency ratio for Pakistan is at 85.5 percent, showing the high burden on the economically productive segments of the population. At provincial level the highest dependency ratio was in Balochistan followed by NWFP (see **Figure 8.5**).

8.1.1 Future Outlook

Despite the fall in the population growth rate, it will take several decades to reach country's population at stabilization level. According to population projections[8] of United Nations Population

[7] Dependency ratio measures the dependency burden on economically active population of age 15-64 years of dependent population (below 15 and above 65).

[8] World Population Prospects: The 2002 Revision, United Nation Population Division.

Division, Pakistan's population size will increase significantly in coming decades (see **Figure 8.6**). Future expectation of increase in population size may be attributed to the following factors: (1) high proportion of adolescent population (age 15-24) is around 20 percent. This means that a sizeable cohort will very soon be reaching childbearing age; (2) the large proportion of females in their reproductive life span (46 percent) also adding to the built-in inertia of population growth; and (3) increase in life expectancy at birth and fall in mortality rate.

Figure 8.5: Dependency Ratio-2001

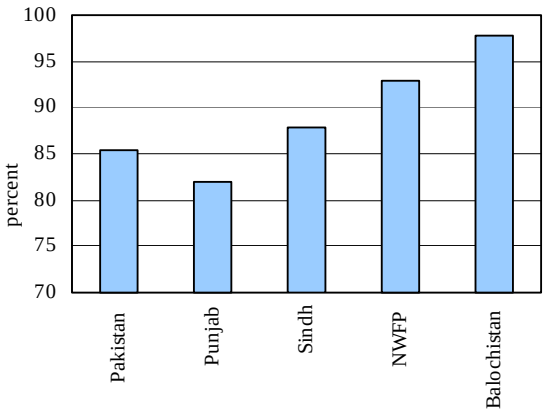
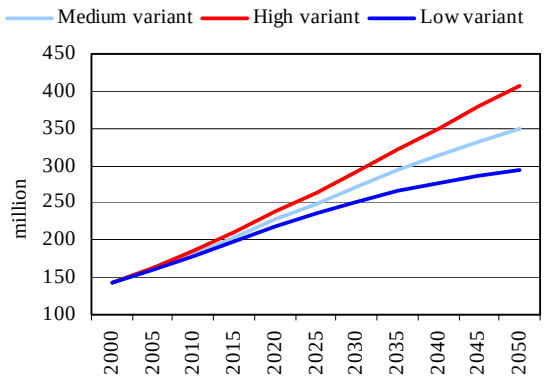


Figure 8.6: Paksitan Population Projection



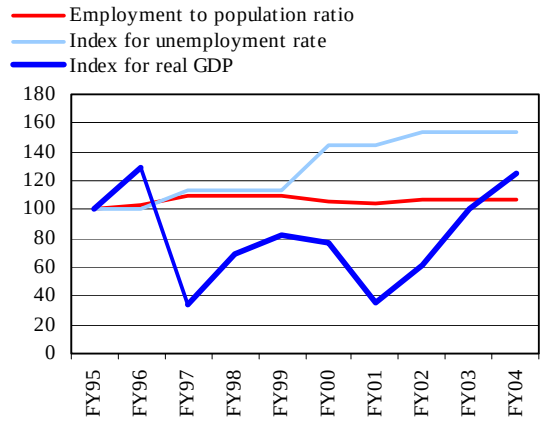
8.2. Employment and Labor Force

Effective utilization of human capital is an essential pre-condition for sustainable growth. The performance of Pakistan's labor market has not been satisfactory. High population growth and lower GDP growth impact the employment scenario negatively.

Employment to population ratio reflects the capacity of an economy to provide employment for working age population. It can also be interpreted as an indication of how efficiently an economy makes use of productive potential of their working age population. In Pakistan employment to population ratio remained almost stagnant and 27.7 percent for FY02. Employment generation has not kept pace with the increase in population.

Performance indices (1995=100), employment to population ratio, unemployment rate and real GDP shows that as a result of poor performance of GDP growth and low employment to population ratio, unemployment rate kept on increasing (see **Figure 8.7**).

Figure 8.7: Pakistan Employment to Population Index



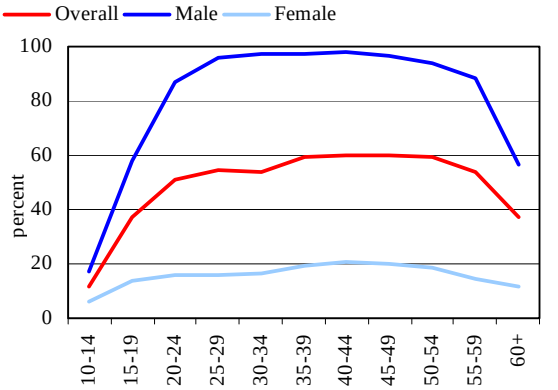
8.2.1 Labour Force Participation

The labour force participation rate (LFPR) gives an indication of how many people of working age are actively participating in the labor market. It is expressed as share of employed plus unemployed people in comparison with the working age population. According to labor force survey FY02, LFPR has increased from 29 percent in FY00 to 29.6 percent in FY02. Disaggregated analysis of data indicates that participation rate (29.9 percent) in rural areas is higher than in urban areas (29.1 percent).

Gender disparity is clearly visible with respect to economic participation rate. LFPR for men is 48 percent in contrast to only 9.9 percent for women. In Pakistan for every 100 men in the labor force only around 21 women are economically active. For south Asian region this ratio is hundred to forty.

Age specific participation rate analysis gives better idea of variation in LFPR by different age groups. It is the highest between age groups of 20-59 years for overall as well as male and female categories. Female participation rate for all age groups is lower than male (see **Figure 8.8**)

Figure 8.8: Age Specific Participation Rate 2001-02



8.2.2 Structure of Employment

The trends in structural changes taking place in the employment situation are very much in consonance with the historical cross-country experience. Agriculture sector loses its share while non-agriculture sector gains. Within the latter, informal sector is the major provider of new jobs. Self employment and unpaid helpers are slowly and gradually replaced by the employees. Structure of employment by major industry shows that agriculture sector is still the largest contributor towards employment generating activities although its share has gone down by 6.3 percentage points as compared to FY00. Non-agriculture sector experienced a gain in employment. As a result manufacturing, services, construction and trade related activities have shown increasing trend in employment generation. Further, within the non-agriculture economy, the informal sector accounts for 64.6 percent of total employment. Informal sector has accommodated more male workers than females. Moreover informal sector classification by occupational groups shows that majority 34 percent are engaged in *wholesale & retail trade* activities followed by *manufacturing* (20.9 percent), *services* (18.9 percent), *construction* (13.9 percent) and *transport* (11.7 percent).

The employment status indicates that employee's category has increased from 35.6 percent in FY00 to 39.9 percent in FY02. In contrast, the other three (unpaid family helper, self employed and employers) categories experienced a downward trend. Majority of female workers are engaged in unpaid family helper category, as they are involved in farm activities in rural areas. On contrary for male workers, self-employment is dominating category.

8.2.3 Regional Comparison

Pakistan's regional comparison in employment performance indicators depicts disappointing results. The **Table 8.1** shows the poor standing of Pakistan in South Asian region with respect to employment indicators.

Pakistan's GDP growth has been the lowest in region, whereas labor force growth is the highest due to high population growth during 1980s, resulting in low employment growth and high unemployment rate. Strikingly, the country has the lowest female participation rate as percentage of males in the region.

8.2.4 Unemployment Rate

According to labor force survey 2001-02, Pakistan labor force stands at 43.17 million and 3.6 million people are out of active labor market, looking for a job. Recent trend indicates that unemployment rate increased from 7.8 percent in FY00 to 8.3 percent in FY02. Regional as well as gender disparity is evident with regard to unemployment rate. Urban unemployment rate (9.8 percent) was higher than the rural one (7.5 percent). This may be related to disguised unemployment in agriculture sector in the

form of unpaid family helpers. Similarly, unemployment rate among female was substantially higher than the male since 16.5 percent females and 6.7 percent male were unemployed in 2001-02.This relatively high prevalence of unemployment among females induces some withdrawal from labor markets and thus lower female participation rates. Unemployment rate has increased for males during FY00 to FY02, but marginally declined for females. The reduction in female unemployment rate may perhaps reflect better data coverage of females in surveys.

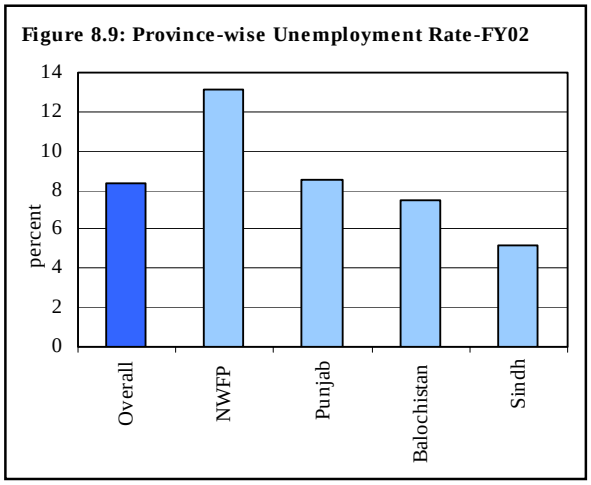
Table 8.1: Employment Indicators for South Asia

	Annual GDP growth rates (%)	Annual labor force growth rates (%)	Annual employment growth rates (%)	Unemployment rates (%)	Female LFPR (% of male)
	1995-2000	1995-2000	1995-LY	1999-2001	1995-2000
Pakistan	3.8	3.4	1.0	7.8	18
India	6.6	2.0	3.2	7.3	50
Bangladesh	5.1	2.6	1.6	3.3	64
Nepal	4.5	2.6	5.9	8.2	92
Sri Lanka	5.0	1.8	2.4	1.1	50
Bhutan	6.9	2.6	-	1.4	65
Maldives	6.7	3.4	4.2	2.0	38

Source: Human Development Report 2003,UNDP

At provincial level, wide disparity exists with regard to unemployment rate (see **Figure 8.9).** It is the highest for NWFP (13 percent) where out of 4.95 million labour force, 0.6 million labour are unemployed and the lowest for Sindh province (5.2 percent).

Figure 8.9: Province-wise Unemployment Rate-FY02



Age specific unemployment rate illustrates the variation in unemployment rate with regard to different age groups. Higher rates of unemployment are observed in the ages between 10-24 and 60 years and above in FY02. Same pattern is observed for both males and females. Unemployment among females is higher than males in all age groups. High unemployment in early age is due to new entrants in the labor market and increased competition with already unemployed labor force in order to get jobs. Old age unemployment may be partly due to the re-entrance of aged people in labor market due to non-availability of social protection.

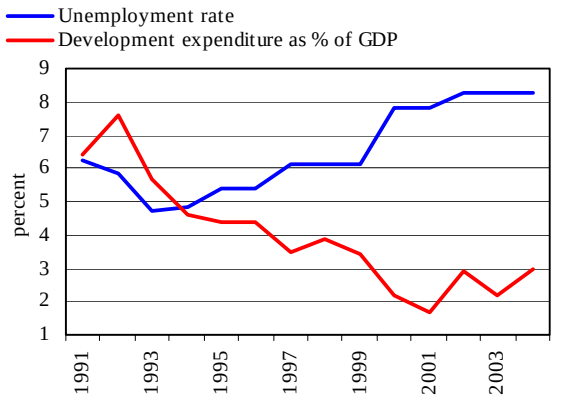
Parallel to the unemployment rate, the underemployment rate (the proportion of employed persons who worked less than 35 hrs in a week) is fairly high in Pakistan's labor market. It is 13.3 percent for Pakistan with significant regional disparity of 15.4 percent for rural areas in contrast to 8.9 percent for urban labor force. At provincial level it is the highest in Punjab (15.1 percent) and the lowest for Sindh province (8.4 percent) with 14.5 percent and 12.4 percent for NWFP and Balochistan respectively.

8.2.5 Link Between Unemployment Rate and Development Expenditures

To minimize the severity of unemployment problem, in the absence of adequate private sector investment, the government has filled in the gap by creating jobs in the past.

It is noteworthy that an inverse relationship between unemployment rate and development expenditure as percentage of GDP is observable in **Figure 8.10**. Analogously, higher development spending would result in lower unemployment rate. Thus, there is a need to raise development spending which will increase economic growth and also reduce prevailing high unemployment. As long as the development expenditure creates opportunities for productive employment, the government has a role to play but creating artificial jobs has serious pernicious effect on the economy.

Figure 8.10: Unemployment and Development



To remain competitive in the international economy and to avoid increasing unemployment and social unrest, there is a need to put more attention towards employment generation through skill development and training for the work force.

Table 8.2: Literacy Rate

percent of population

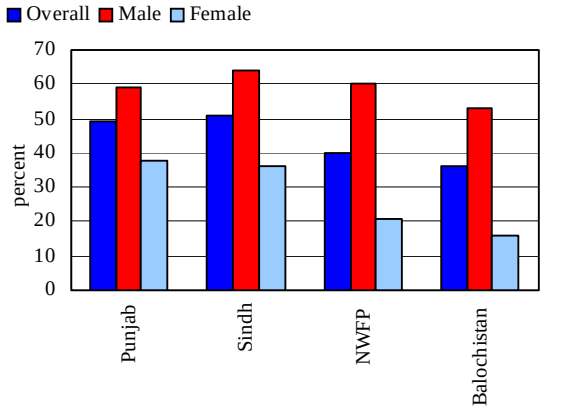
		Male	Female	Overall
Overall	FY99	59	31	45
	FY02	60	34	48
	FY04*	66.3	41.8	54
Rural	FY99	52	20	36
	FY02	54	23	38
Urban	FY99	73	56	65
	FY02	75	61	68

Source: PIHS 2001-02,*Economic Survey 2003-04

8.3 Literacy and Education

Educational deprivation is one of the major contributing factors for low human development in Pakistan. Pakistan is placed at 142nd position out of 177 countries with respect to human development index (HDI), worse is the situation shown by the education index where it stands among the bottom 10 countries.

Figure 8.11: Province-wise Literacy Rates FY02

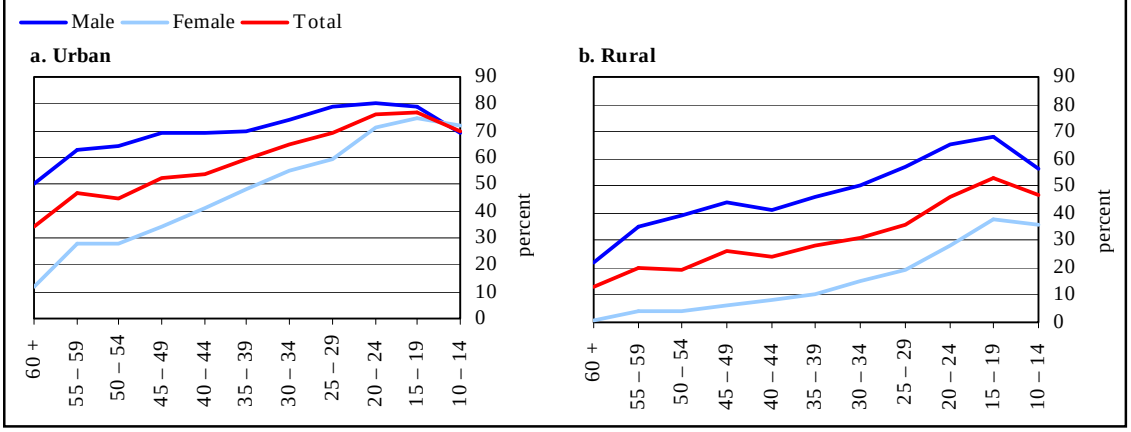


Literacy rates for both men and women increased at a very slow pace between FY99 and FY02 (see **Table 8.2**). The overall literacy rate is estimated at 54 percent in FY04, probably due to the increased emphasis on basic education in the country to achieve Millennium Development Goal (MDG) of universal primary education. However, still 68.4 million people are illiterate in the country. The literacy profile depicts a substantial gender specific and rural urban disparity. Though the gap has declined between FY99 and FY02, it is still large especially in case of rural-urban literacy rate.

Similar kind of gender and regional disparity also exists at provincial level. Between the provinces, literacy ranges from 36 percent in Balochistan to 51 percent in Sindh (see **Figure 8.11**). The lowest literacy rate at 16 percent prevails among rural females of Balochistan, while the highest rate at 64 percent among the urban males in Sindh.

The analysis of literacy by age profile for rural and urban population provides useful insights. In urban areas, literacy rate decreases with age (higher literacy for lower age group). Gender disparity has almost eliminated for 15 to 19 year age group (see **Figure 8.12a**, Urban). In contrast, rural literacy rate is increasing and gender gap is very prominent for all age groups. The gender gap is the highest for 25-34 year age group (38 percentage points) and the lowest for 10 to 19 year age group-20 percentage points (see Figure **8.12b,** Rural). The gender gap indicates the non-availability of appropriate education facilities to girls in rural areas. Similarly, rural-urban gap for male literacy rate declines with lower age group whereas it widens for female literacy rate with lower age groups.

Figure 8.12: Literacy Age Profile FY02



8.3.1 District Level Indicators

At district level, analysis of educational deprivation confirms the relationship between lack of education and low human development. The ranking with respect to human development index is worse for the districts having lower literacy rate (see **Table 8.3).** The table indicates that the 20 districts at bottom in terms of literacy rate and their ranking with respect to human development index.

Substantial regional disparities also exist at district level within the same province. In Punjab literacy rate varies from 70 percent for Rawalpindi to 19.6 percent for Hafizabad. Similarly for Sindh it varies from 68.2 percent for Karachi to 18.3 percent for Tharparker. Abbotabad district is at top with 56.6 percent literacy rate and Kohistan at bottom with 11 percent in NWFP. While in Balochistan the highest-ranking district in terms of literacy rate is Ziarut (34.3 percent) compared to the lowest ranking district of Dera Bugti (11.7 percent).

Table 8.3: Bottom 20 Districts' Literacy Rates

District	Literacy (%)	HDI Ranking
Awaran	14.8	81
Barkhan	15.7	71
Batgram	18.3	83
Bolan	15.7	84
Dera Bugti	11.7	91
Hafizabzd	19.6	46
Jafferabad	18.5	62
Jhalmagsi	12.3	87
Kalat	19.8	74
Kharan	15.1	86
Killa Abdullah	16.1	79
Killa Saifullah	17.5	61
Kohistan	11.1	89
Kohlu	12.2	85
Loralai	20.5	13
Nasirabad	12.7	45
Shangla	14.7	90
Tharparker	18.3	88
Upper dir	21.2	82
Zhob	16.8	68

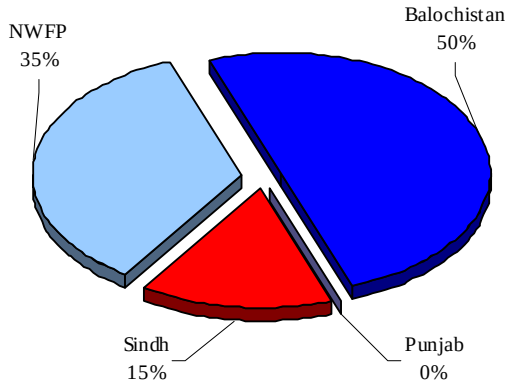
Source: Pakistan National Human Development Report 2003

Province wise share in bottom 20 district shows that Balochistan accounts for 70 percent followed by NWFP (20 percent), Sindh (5 percent) and Punjab (5 percent). As a result of which Balochistan share in HDI in bottom 20 districts is also dominating (see **Figure 8.13**).

8.3.2 Gross Primary Enrollment Rate

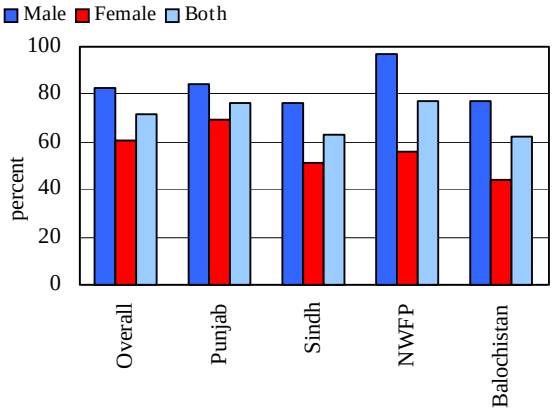
The gross primary enrolment rate (GPER) is another important indicator to judge the performance of educational sector in the country. The growth of the GPER is not very encouraging only a one percentage point increase from 71 percent to 72 percent during the FY99-FY02 period. Due to the persistent low level of primary enrolment and high population growth, 5.8 million children of 5-9 age group are still out of schools; over half of them are girls (see **Box 8.3)** on gender disparity with respect to primary enrolment rate.

Figure 8.13: Province-wise Share in Bottom 20 Districts in Terms of HDI



High drop out rate of children from the schools further worsen the situation Majority of students leave the schools before reaching grade five due to lack of access to education facilities, high opportunity cost of education etc (see **Box 8.4**).

Figure 8.14: Gross Primary Enrollment Rate FY02



The GPER low performance is mainly attributed to low enrollment in government schools, worsening quality of education, shortages of trained and qualified teachers and lack of proper physical infrastructure and rising poverty level.

Gender as well as regional disparity is also apparent in the GPER. Females of Balochistan have the lowest rates and males of NWFP have the highest **(**see **Figure 8.14).** To meet the targets of Educational Sector reforms (ESR)[9] as well as the National Education Policy (NEP), there is a need to pay more attention on this issue.

By now,the emperical basis for low education sector outcome is quite well established. First, low public expenditure on education is one of the major causes for the poor performance of educational indicators. During the 1990s, public expenditure on education has been around 2.3 percent of GNP, which was considerably lower than the minimum of 4 percent of GNP recommended by the UNESCO for developing countries. Second, the inability of poverty stricken people to bear the expenses of the education of their children is another reason. According to PIHS 2001-02, 40 percent of boys and 26 percent of girls never attended schools because of the expensive education. Moreover 36 percent of girls' parents in contrast to 4 percent of boys parents did not allow them to attend schools. The main reason behind is the very high opportunity cost of education for them. Punjab's recently introduced District Education Program which provides cash stipends to female students, offers a promising avenue for raising the enrollment rates among the females. Third, non-availability of schools is one of the important issues in this regard. In 1992-93 one public school was available for 248 children in the 5-14 age groups. This increased to 264 children in 1999-2000, indicating a relative decline in the availability of schools.

[9] To achieve 100 percent gross primary enrolment rate up to year 2005.

Fourth, access to school is another important dimension and is relatively more important concern for girls whose families don't allow them to attend the school situated far away from home. According to PIHS (2002), only 66 percent villages had a school for girls within one kilometer of the village centre.

Box 8.3: Gender Disparity in Education

Despite the well recognized importance of female education, wide gender disparity is observed at all levels of education. As a result literacy rate in females is lower (41.8 percent) in contrast to males (66.3 percent).

There are various social and economic reasons for low female enrollment. Some of the contributing factors for low enrollment rate of female include: (a) Parents don't want to send their girls to schools as they considered that it is just wastage of resources because female have to play typical role of housewives in future. On the other hand, boys are their earning hands,36 percent of females in country are unable to attend the schools because their parent didn't allow them to do so. At provincial level this rate is the highest in Balochistan (55 percent) due to high social constraints in this province; (b) Education is expensive and parents can't afford the expenses of education of their children. Whenever there is trade off between boys and girls for sending schools. Parents prefer to expend on boy's education; 26 percent of female students unable to attend the schools due to high cost of education; (c) Another reason for wide gender disparity is non availability of schools for girls in nearby place. Their families usually don't allow them to attend the school situated far away from home, 14 percent girls in the country are unable to attend the schools because schools are too far from their homes. And last but not least is the (d) physical conditions of schools also matters. Parents feel insecure to send their girls to a premise which is without boundary wall and other facilities, 10 percent of female students don't attend schools due to poor school building and non availability of female teaching staff.

There is need to stress on female education because the benefits of female education are manifold, directly by social empowerment of females and higher economic participation rate and indirectly through better child care and decline in fertility rates.

Fifth, private sector participation in provisioning of educational services can't be overlooked. Share of the private schools in Pakistan is 18.4 percent. At provincial level it is 27 percent for Punjab, 14 percent for NWFP and 12 percent for Sindh. It is the lowest in Balochistan at 4 percent. The low share in Balochistan may be due to poor infra-structure facilities in the province. There is a need to encourage the Private sector and NGOs by facilitating them particularly in Balochistan to target the bottom 20 districts with respect to literacy rate. The National Commission on Human development (NCHD) which has successfully carried out some innovative work in the field of promoting primary education should focus its attention on these bottom 20 districts. Finally, the quality of educational services provided by the government is not satisfactory. According to National Reconstruction Survey 2002, overall 45 percent of households showed their dissatisfaction with government services available in their areas.

Table 8.4: Education Indicators for South Asia

	Adult literacy ratio(% age 15 and above)	Female literacy rate(% age 15 and above)	Gross enrolment ratio for all levels	Expenditure as % of GNP
	2001	2001	2000-01	1998-2000
Pakistan	**44**	**29**	**36**	**1.8**
India	58	46	56	4.1
Nepal	43	25	64	3.7
Bangladesh	41	31	54	2.5
Sri Lanka	92	89	63	3.1

Source: Human Development in South Asia 2003,MHDC

Pakistan's performance in the educational sectors has not been satisfactory when compared with the other countries of South Asian region (see **Table 8.4**). Not only gross enrollment rate but also female literacy rate remained lagging behind other south Asian countries. The public expenditure on education as percent of GNP was the lowest (1.8 percent) in Pakistan compared to other countries of the region.

Given the fact that adult literacy rate and gross enrollment ratio are education related indicators used for computation of Human Development Index (HDI), the progress in these indicators can contribute significantly in improving the HDI ranking of Pakistan, which is at present very dismal and the lowest in the South Asian region.

Box 8.4: Drop out Rates

The drop out rate is defined as the percentage of students who drop out from school before reaching grade five. It is one of the serious issues in education sector because high drop out results in reduced enrollment rate and pull away from the target of achieving 100 percent enrollment rate. Drop out also increases the unit cost of school graduates and in turn, internal inefficiency of the education system.

According to PIHS (2001-02), the drop out[1] rate is at 15 percent. It has declined marginally from 16 percent in FY96 to 15 percent in FY02. Provincial level analysis shows that it is the highest among NWFP females and the lowest for Balochistan males. Moreover females drop out rate is higher or equal to male drop out rate in all provinces except Punjab where the situation is reverse (see **Figure 8.4.1**). The drop out rate increases with the increase in the class level.

One possible reason for the high rural drop out rate is non availability of schools in the villages, particularly for females. As a result female drop out rate is 17.7 percent for class five in rural areas in contrast to only 7 percent for urban areas. It increases further at alarming rate of 47 percent for class 6, which indicate the poor/non availability of secondary school facilities in rural areas.

There are various reasons for high drop out rate (see **Table 8.4.1**).Poverty of opportunity is also clear from the fact that 29 percent of boys and 19 percent of girls are unable to continue their education because their parents were unable to bear the expenses of their education. Nearly one fifth of the girls were unable to continue the schools as their parent s didn't allow them. It is a point of serious concern that for boys the dominating factor for drop out is that they are not willing to attend the schools. The "other" includes poor teaching behaviors, no female staff, child sick/handicapped and child too young etc.

Inequality in the income distribution is also reflected in access to education opportunities. The drop out rate is the highest among the lowest quintile[2] and vice versa (see **Figure 8.4.2**).

Figure 8.4.1: Province wise Drop-out Rates

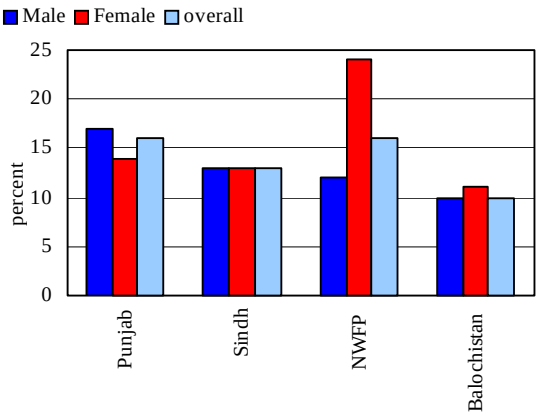
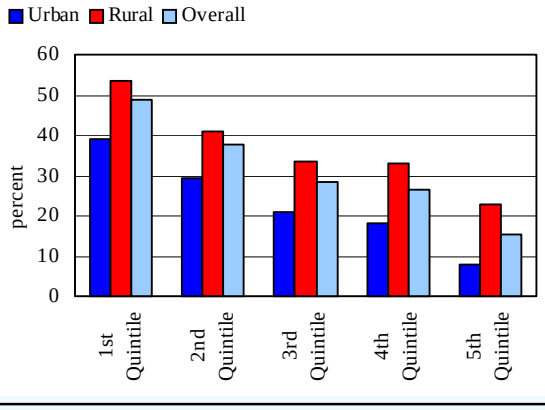


Table 8.4.1: Reasons for Leaving School Before Completing Primary

	Boys			Girls		
Reason	**Urban**	**Rural**	**Overall**	**Urban**	**Rural**	**Overall**
Parents didn't allow	4	2	3	16	18	17
Too expensive	35	26	29	24	17	19
Too far	0	2	2	1	7	6
Had to help at work/home	9	10	10	9	10	10
Child not willing	39	49	46	28	24	25
Other	11	11	11	20	22	21

Source: PIHS 2001-02

Figure 8.4.2: Drop Out Rate by Income Group



[1] Children aged 10 -18 years that left school before completing primary level, expressed as a percentage of all children aged 10-18 years that have attended school in the past, or are currently attending school, but excluding those children currently attending school that are presently enrolled in Class 5 or lower

[2] The 1st quintile contains individuals with the lowest consumption level, whereas the 5th quintile contains individuals with the highest consumption level.

To achieve the goals of various education polices and remain competitive in the world economy, it is important to pay adequate attention to formation of human capital through education enhancement. To overcome the education sector deficiencies, it is necessary to increase allocation on education along with improved governance and strengthening of management. Keeping in view the scarcity of resources and weaknesses of the public sector, public-private community partnership to achieve goals of human welfare can be a wise choice.

8.4. Health Status

Indicators of health status do not depict an impressive picture. Though the performance of life expectancy and mortality rate followed a positive trend (see **Table 8.5**) over the years but needs further improvement at faster pace. Life expectancy improved from 55 years in FY 1980 to 64 years in FY04, which is an encouraging sign as it is close to the average for developing countries i.e. 64.4 years. Infant mortality rate declined from 105 per 1000 in FY80 to 85 in FY02 but it is still the highest in the region. Although medical facilities have been increasing continuously but seem far behind the required level (see **Table 8.6**). Availability of one doctor for 1466 and one bed for 1517 person reflect the poor condition of services available in the country.

Table 8.5: Health Status Indicators

	1980	1990	1995	2001	2002
Life expectancy	55	59	61	63	64
Mortality rate (per 1000 live births)	105	96	90	81	82
Mortality rate, under 5(per 1000 live births)	156	138	125	108	105

Source: World Bank Data Base

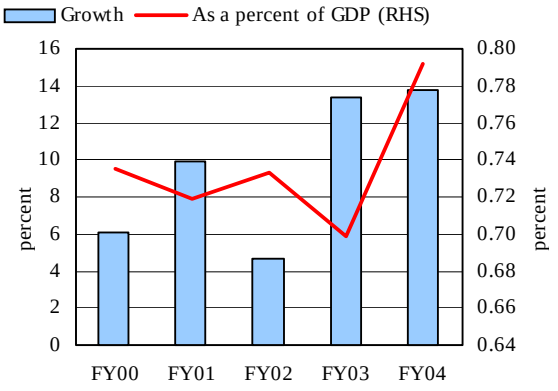
Table 8.6: Health Service Indicators

	1998	1999	2000	2001	2002
Population per doctor	1590	1578	1529	1516	1466
Population per nurse	3992	3822	3732	3639	3347
Population per bed	1450	1492	1495	1490	1517

Source: Economic Survey 2002-03

The dismal condition of health sector in Pakistan is mainly attributed to inadequate resource allocation. Though over the last two years, growth in public health expenditure jumped from 4 percent in FY 02 to 13 percent in FY 03 and followed almost the same trend in FY 04. A decline in overall allocated amount for health is observable in FY 03 but a sharp increase in FY04 (see **Figure 8.15**) depicts that the importance of this sector has been realized and more likely will be one of the most focused areas of the government in future.

Figure 8.15: Trends of Health Expenditure



Though in most of the low-income countries of the world, the health sector typically accounts for 3-4 percent of GDP that is considered low and needs to be enhanced (see **Box 8.5**). However in Pakistan it is towards the lowest side even among the developing countries (see **Table 8.7**). Public spending of the country on health as percent of GDP is too low as compared to its peer group while the private sector participation is comparable. Private sector spending is 65 to 70 percent of the total health[10] expenditure. This sector provides the services through a network of 21000 clinics, 450 diagnostic laboratories and 520 small to medium size hospitals. But Private sector always works for the maximization of its own benefits and ignores the welfare aspect. It thus results in efficiency (provision of quality services) but at the cost of equity.

[10] Pakistan Human condition Report 2002

Box 8.5: Public-Private Partnership in Pakistan
In most developing countries, the public sector lacks the capacity to deliver services to entire population. Thus the issue is to raise the public financing, as it is too low. Typically public sectors in developing countries do not have capacity to cater large population. In this situation public-private partnership is a viable option. So far no theory has defined an optimal level of overall funding or share of public and private participation. In low-income countries, the health sector typically accounts for 3-4% of GDP while in high-income countries it is 6-15%. In 1990 (Jonson & Mosgrov in Schieber 1997), developing countries accounted for 78% of the world population but only 10% of its health expenditure. Within Low-income countries, there's very uneven distribution of health care in low-income countries between richer and poor groups.

8.4.1 Health Poverty Linkages

Health sector can not be analyzed in isolation especially when the link between Health and poverty has been recognized internationally as three out of Eight Millennium Development Goals (see **Box 8.6**) are aimed directly at improving health as a way to fight world poverty. These two sectors have two-way Cause and effect relationship.

Table 8.7: Health Expenditures as Percent of GDP

	Public	Private
Turkey	3.6	1.5
China	2.0	3.4
Sri-Lanka	1.8	1.9
Iran	2.8	3.6
India	0.9	4.2
Bhutan	3.6	0.4
Bangladesh	1.6	2.0
Pakistan	1.0	3.0

Human development dimension of poverty also defines poverty as deprivation of the basic necessities of life, explaining a close link between health and Poverty. Ill health leads to lower efficiency and so lower returns resulting in aggravating poverty. Moreover the poor have to spend more on this unavoidable need due to low standards of living. Therefore improving nutrition and health conditions are important for poverty alleviation that in turn will leave a positive impact on health indicators by enabling them to spend more on quality of life.

Box 8.6: Millennium Development Goals
The members of United Nations broadened the vision of development by emphasizing on Human development and Global Partnership for Development in Sep 2000 at Millennium Declaration. The goals have been commonly accepted as a framework for measuring development progress. Achieving the MDGs by 2015 will require more focus on development outcomes and less on inputs, to effectively measure national progress towards meeting the MDGs, and to engage even more closely with our partners in helping governments to improve human development. The first seven goals are mutually reinforcing and are directed at reducing poverty in all its forms. The last goal-global partnership for development- is about the means to achieve the first seven.
The importance of Health in all the plans relating to Poverty Reduction and Economic Development was realized at the time of Millennium Declaration and three (4,5 and 6) out of eight Goals are about Health.
GOAL 4: Reduce Child Mortality:
Target 5: *Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate*
GOAL 5: Improve Maternal Health:
Target 6: *Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio*
GOAL 6: Combat HIV/AIDS, Malaria, and Other Diseases:
Target 7: *Have halted by 2015 and begun to reverse the spread of HIV/AIDS* Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

In Pakistan, health has been a neglected sector. Almost 45 percent women (45 years of age and above) of low income of rural areas suffer from poor health and over 80 percent suffers from poor to fair health while 60 percent men of the same social set up suffer[11] from poor to fair health. Almost 17 percent of the urban and 47 percent of the rural population don't have access to clean drinking water contribute to 30 percent of hospital cases and 60 percent of recorded infant[12] deaths. So improvement

[11] NHRD/PIDE report 2001
[12] Pakistan Economic Update Asian Development Bank 2004

in health sector is not only important to have positive impact on health indicators but also enable people to break this vicious circle of poverty with better health conditions.

8.4.2 Policy Implications

Public sector has been providing basic health care, secondary health services, dealing with issues like high population growth; mal nutrition etc and expansion of physical infrastructure but the limited resources results in inefficiency. Government has admitted its limitation and aimed at encouraging the private sector to increase its participation in this sector (see **Box 8.7**). The present public and private partnership in this sector can be very effective but needs to be implemented wisely.

Box 8.7: Development of Health Sector in 5 years Plans

The **First Five-Year** Plan emphasized on infrastructure, research centers, medical schools and anti-malaria and anti-tuberculosis program. The **Second Plan** assigned priority to the preventive over the curative services. Mostly the targets were achieved but indicators depicted the deteriorated conditions due to the higher rate of population growth during the plan period. The primary health care and rural areas' health remained neglected and under funded until the basic rural health programmes received a greater focus in Seventies. **Third Five Year** was aimed to make the most essential health services available to all the members of the community and to develop an integrated health service with greater emphasis on Public Health and especially in rural areas, but the scheme for rural health centers registered slow progress. This plan also included a large Family Planning Programme to reduce the population increase in the country being the major cause of worsening situation of the sector. This plan also focused on encouraging the active participation by local communities in the formulation and implementation of health programmes. As in Third plan, the targets for rural health care centers were not achieved so in **Fourth Plan**, the main focus was on rural health centers and a balance between preventive and curative services. This plan had been suspended due to war of 1971but the policies, which were formulated after that and before Fifth Five Year plan, emphasized on the same rural health centers and higher medical education. During this period the main concern was on curative measures. **Fifth Plan** tried to reduce the shortcomings of fourth plan by focusing on Preventive measures. The **Sixth Plan** has successfully changed the direction by giving due importance to preventive and promotive aspects and primary health care. The importance of private sector was widely recognized and planned to make environment conducive for this sector. Though this sector grew slowly during the period but concessions like soft loans helped the private sector to pick up. During the **Seventh Plan**, the major focus was again on removing urban rural imbalance, providing care to vulnerable groups, establishment of school health services, and the incentives to private sector for effective role in preventive and promotive health care and to improve the quality of services. More than forty percent of total spending was earmarked for rural health programmes. Private sector couldn't fully achieve its targets as given in the Seventh Plan due to unregulated private practice and lack of proper financial and technical incentives in the establishment of private clinics and providing preventive and promotive health services. Realizing the out reach access of private sector, it was encouraged to maximize its role in the provision of curative services in Eighth Five Year Plan as well. The achievements of targets for public sector in this five-year plan are quite encouraging as indicated by maximum utilization (96 percent) of financial resources of Rural Health programs.

In the given scenario where outreach access of private sector is much more than public sector but inequality is an externality, negatively affecting the indicators of health. The private sector though extensive in Pakistan but is concentrated in urban sector and on secondary health facilities. Here the need is of the supervisory role of government. Though the public sector is already providing the regulatory services but it needs to strengthen its capacity for regulation and monitoring as the prevailing monitoring system is not very effective and doesn't cover the private sector fully. Public sector may also focus on provision of basic health while the private sector may emphasize on provision of quality of health services. Even for the provision of basis health care, government has to focus on the policies those can encourage medical staff to work in areas where quality of life is low and need for those services are higher. The medical staff can be moved to those rural areas for provision of basic health if they are compensated against all those difficulties. The competition in private sector will induce the improvement in the quality of services provided while government regulation may minimize the effects of inequality. Not-for-profit and non governmental organizations who are doing intensive work in the field of health care should also be given full support and encouragement. They must move out of big cities to rural areas particularly in the 20 backward districts.

8.5 Poverty Reduction Strategy

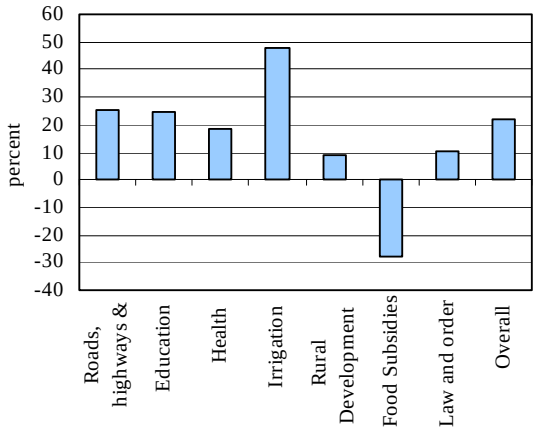
The Government recognized the rising trends of poverty in the country during the 1990s and adopted a comprehensive strategy for poverty reduction in November 2001, which is further strengthened by adopting the full Poverty Reduction Strategy Paper (PRSP) in January 2004. The full PRSP illustrates a more comprehensive strategy including policies to accelerate pro-poor economic growth. The poverty reduction strategy is centered on the following five areas (see **Figure 8.16**): a) accelerating economic growth and maintaining macroeconomic stability; b) investing in human capital; c) augmenting targeted interventions; d) expanding social safety nets; and e) improving governance.

The acceleration of growth in manufacturing sector and the achievement of the real GDP growth rate of 6.4 percent in FY04 indicate that government strategy started giving its fruits and promise good prospects for poverty reduction. Higher economic growth will cause higher public expenditure in education. At the micro level, the growth will enable household to send their children to school and to spend more on good quality of life. At the macro level, growth will generate greater resources enabling the government to increase spending on education, health, water and sanitation Thus higher growth provides fiscal space for increasing the pro-poor budgetary expenditure.

8.5.1 Pro-Poor Expenditures

The government is committed to raising poverty reducing public expenditure at least by 0.2 percent of GDP per annum starting FY 2001-02. Despite the fiscal adjustment and containing the budget deficit, the government raised its pr-poor expenditures from Rs.208.5 billion in FY03 and to Rs. 253.9 billion in FY04 indicating an over all increase of 21.8 percent in pro-poor expenditure. Even, the spending of Rs.254 billion in FY04 is higher than the PRSP target of Rs.238 billion for FY04. The pro-poor expenditure in FY04 was 4.3 percent of GDP compared to 3.8 percent of GDP in FY03. This clearly reflects a greater focus of government policy in raising the budgetary expenditure that will more likely to benefit the poor.

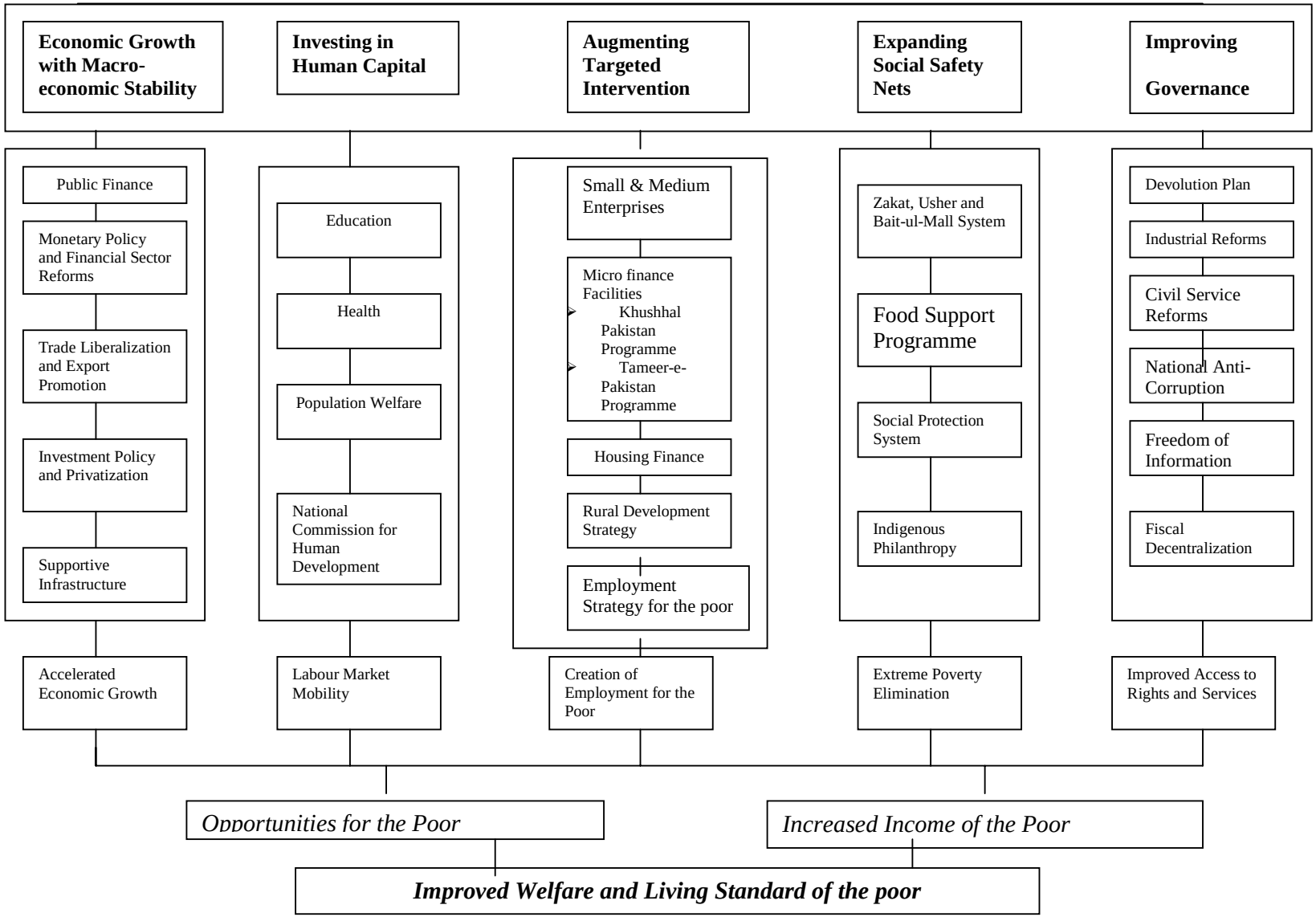
Figure 8.17: Growth in PRSP Expenses During FY04



The pro-poor budgetary expenditures increased in thirteen out of fifteen sectors. An increase in PRSP expenditure is observable in all sectors with the exception of food subsidies and Tawana Pakistan Programs. Although the government released the funds for Tawana Pakistan programs but it could not be utilized. On the other hand, food subsidies could be sustained at the previous level in FY03. The government has also expanded the range of PRSP expenditure in FY04. The law and order, administration of justice and rural electrification has been included due to their close link with determinants of poverty.

The highest percentage increase was in social security (218 percent), followed by Population Planning (57 percent), Irrigation (47 percent) and Food support (39 percent). In contrast to this, the percentage increase in education was relatively low (see **Table 8.8 and Figure 8.17**). The expenditure in these sectors, which account for more than 48 percent of pro-poor budgetary expenditure, grew by 24 percent and 18 percent, respectively in FY04. Although the increase in education and health is a welcome development, it is still low relative to other developing countries. As a result country's education and health indicators remained poorer than the countries with similar level of development. The spending on education and health is vital and plays a key role in building human capabilities to come out of poverty. To reduce poverty, it is essential to address the root causes

Figure 8.16: Pakistan's Poverty Reduction Strategy: 2003



of poverty adequately such as deprivation of education and health. This is also critically important because economic growth and socioeconomic indicators are interlinked. Greater access to education and health facilities contributes to higher rates of economic growth, which, in turn, enables the government to increase spending on building human capacity to come out of poverty. The increased fiscal space due to higher economic growth and restructuring of external debt should be utilized for raising spending on education and health further in FY05.

Table 8.8 : Pro-poor Budgetary Expenditure

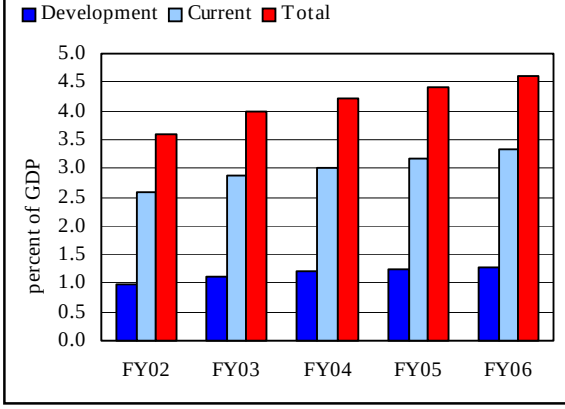
				Expenditure as % of GDP*	
	FY03	**FY04**	**% change**	**FY03**	**FY04**
Sectors					
Roads, highways & bridges	13145	16455	25.2	0.14	0.27
Water supply & sanitation	3421	4176	22.1	0.11	0.07
Education	78447	97959	24.9	1.51	1.63
Health	22368	26581	18.8	0.44	0.46
Population planning	3120	4913	57.5	0.03	0.06
Social security & other welfare	1301	4142	218	0.08	0.03
Natural calamities & disasters	410	543	32.4	0	0.01
Irrigation	15535	22938	47.7	0.23	0.32
Land reclamation	1733	1997	15.2	0.04	0.04
Rural development	16883	18379	8.86	0.28	0.35
Rural electrification	0	1977	0	0	0
Food subsidies	10859	7845	-28	0.13	0.23
Food support program	2017	2804	39	0.05	0.04
Twana Pakistan	800	400	-50	0.02	0.02
Low cost housing	0	423	0	0	0
Administration of justice	2196	2444	11.3	0.05	0.05
Law and order	36293	40000	10.2	0.7	0.75
Overall	208528	253976	21.8	3.8	4.33

*Based on new GDP base 1999-2000

The PRSP projects an increase at the rate of 0.2 percent of GDP per annum in pro-poor expenditures during FY04 to FY06 (see **Figure 8.18**). Allocation of these resources while controlling fiscal deficit is a major challenge that the government will face in coming years. For that, the country would need concessional lending, grants and debt swaps to release resources for achieving desirable targets for human development and poverty reduction.

While pro-poor expenditures are essential elements of a poverty reduction strategy, the real test of these expenditures lies in their impact on poverty. Keeping in view the lag between expenditures incurred on human development and outcome realized it is difficult to assess policy performance immediately. To monitor the outcome and impact on poverty and human development, the government has established a set of intermediate and final outcome indicators linking public expenditures with the results on the grounds. The government needs to speed up the process of conducting Core Welfare

Figure 8.18: PRSP Budgetary Expenditure (projections)



Indicators Questionnaire Survey to determine baselines, which should be updated on annual basis to monitor the outcome. There is also a need to expedite the Pakistan Integrated Household Survey to monitor the final outcome indicators and impact on poverty. However, consistency and continuity in polices have set the stage for rapid growth which eventually will improve the conditions of the poor. Nevertheless, the findings[13] of Household Consumption Expenditure Survey (HCES) conducted in April and May, 2004 suggests that macroeconomic polices and pursuance of poverty reduction seems to have started yielding positive results in the form of higher GDP growth. The rising poverty trend in the country has been arrested and social sector indicators and living condition indicators have also shown improvement. However, before drawing a conclusion from the findings, one should bear in mind that HCES, 2004 has certain limitations because of its smaller sample size and shorter duration relative to PIHS 2001-02. In order to draw an unambiguous conclusion about the trend in poverty between 2001-02 and 2004, one needs to wait for the findings of Pakistan Social and Living Standards Measurement Survey (PSLM) 2004-05, which is being carried out in the country.

[13] Economic Survey, 2003-04, Government of Pakistan.