8 Social Sector Developments

8.1 Overview

Macroeconomic stability and strong economic growth during the last few years enabled the country to show some progress in social sector development as well. In particular, the rising trend of unemployment rate since FY93 has been reversed during FY02-FY04, despite a faster growth in the labor force. In fact, the improved labor demand itself helped in increasing the economic participation rate, which along with the rising share of working age population, led to the faster growth in the labor force. Similarly the improvement in fiscal position, through sustained efforts in recent years, allowed the government to substantially increase spending on health, education and other social sector areas. As a result, according to the recently conducted *Pakistan Social and Living Standards Measurement Survey (PSLM) FY05*, the positive trends in most of the social indicators have gathered pace during FY02-05 compared to the FY99-02 period.

Pakistan also did reasonably well, relative to other counties at a similar level of human development, in terms of progress in the social sector. In the UNDP Human Development Report 2005[1] the country has been up-graded from among low human development countries (2004 report, based on 2002 data) to the list of medium human development countries. In the 2005 report, Pakistan has been ranked 135th among 177 countries, as compared to the 142nd position achieved in the previous report. Progress in all the three components[2] of the Human Development Index (HDI) contributed towards this achievement. The improvement in HDI ranking of Pakistan was the highest amongst SAARC members (see **Table 8.1**).

Table 8.1: UNDP Human Development Index

	2002		2003		Change	
	HDI value	Rank	HDI value	Rank	Absolute	Percent
Sri-Lanka	0.740	96	0.751	93	0.011	1.486
Maldives	0.752	84	0.745	96	-0.007	-0.931
India	0.595	127	0.602	127	0.007	1.176
Bhutan	0.536	134	0.536	134	0.000	0.000
Nepal	0.504	140	0.526	136	0.022	4.365
Bangladesh	0.509	138	0.520	139	0.011	2.161
Pakistan	0.497	142	0.527	135	0.030	6.036

Source: UNDP Human Development Reports for years 2004 and 2005

Having said this, the social indicators still do not show a satisfactory picture. Unemployment, despite declining to 7.7 percent by FY04, was still very high and, moreover, even the decline was not broad based. The mortality rates, in Pakistan, for infants and children under 5 year of age, are the worst amongst SAARC members. Similarly, education indicators are also not very encouraging and a majority of the population still does not have access to basic facilities such as sanitation and safe drinking water, etc. Moreover most of the social indicators show high regional and gender disparity.

In short, it is important to speed up the progress on human development in Pakistan, and the acceleration has to continue consistently to catch up with the backlog. In this regard, therefore, the sustainability of macroeconomic stability and maintaining the current growth momentum remain essential. Recognition of the above is implicit in the fact that social sector development is an integral part of the government's Medium Term Development Framework (MTDF) 2005-10, but effective implementation of designed policies will be vital to achieving both, the targets set in the MTDF, as

[1] Based on the data for 2003.
[2] Life Expectancy Index, Education Index & GDP Index.

well as the Millennium Development Goals (MDGs) of the United Nations. Clearly the government has to deliver on its promise to significantly augment development spending, increase efficiency of expenditures, and foster better partnerships with the private sector to improve delivery of services. The government's efforts could be complemented by the increased access of financial services to the populace (especially to the hitherto neglected SME and microfinance sectors). This could prove instrumental in improving the social sector indicators by raising employment and income generation opportunities.

8.2 Population

According to the Population Reference Bureau (PRB)[3] at the end of FY05, Pakistan had 2.5 percent of world total population, ranking as the 6th most populous country, after China, India, USA, Indonesia and Brazil (see **Table 8.2**). Although the population growth rate in Pakistan has been declining continuously since the early 1980s, reaching 1.9 percent by FY05 from 3.6 percent in FY82 (see **Figure 8.1**),[4] even this reduced population growth rate is the highest among countries listed above. As a result, according to PRB projections, Pakistan is expected to rank ahead of Brazil by 2050.

Pakistan's high population growth is mainly attributed to the country's relatively late entry in the second stage of demographic transition.[5] Hence, Pakistan needs to speed up its progress in order to catch-up with the other countries, which are at an advance stage of demographic transition.

Figure 8.1: Pakistan's Annual Population Growth Rate

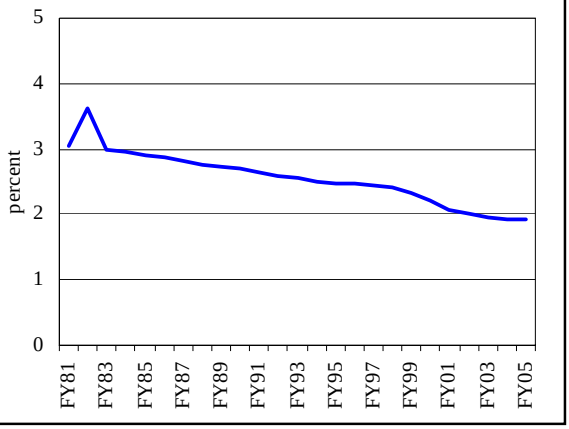


Table 8.2: Pakistan's Population Ranking in the World

Population in million

Year	Rank	Population
1950	14	33
1981	10	84
2001	7	143
2005	6	154
2050*	5	295

2005 World Population Data Sheet, Population Reference Bureau, Washington DC

*Projection by Population Reference Bureau

In this regard, the government has designed a "Population Policy of Pakistan" in 2002, which envisaged population stabilization by 2020 through completion of demographic transition, with a population growth rate of 1.3 by 2020 (see **Table 8.3**). Moreover, as short-term targets, the policy aimed at reducing the population growth rate and total fertility rate (TFR) to1.9 percent and 4 births per woman, respectively, by the end of 2004. The latest data available till June 2004 suggests that the country has done reasonably well in progressing towards these short-term targets. Specifically, by mid-2004 the population growth rate had declined to 1.92 percent from 2.1 percent in FY01, while in the same period the TFR fell to 4.07 percent from 4.8 (see **Table 8.3**).

Table 8.3: Population Policy Targets and Progress up to FY04

	Actual		Targets	
	FY01	FY04	2004	2020
Population growth rate	2.1	1.92	1.9	1.3
Fertility rate	4.8	4.07	4.0	2.1

Sources: Pakistan Economic Survey, Ministry of Finance

Population Policy of Pakistan, 2002; Ministry of Population

[3] 2005 World Population Data Sheet, Population Reference Bureau, Washington DC.
[4] According to the "Rule of 70", at current growth rate Pakistan's population will be doubled in the next 37 years.
[5] See "Asia's Demographic Miracle: 50 Years of Unprecedented Change", by Richard Leete and Iqbal Alam. Asia-Pacific Population Journal Vol. 14 No. 4 (1999).

However, achieving the long term targets of the population policy is a more serious challenge. It is important to mention here that due to high fertility rate in past years, a majority of the country's population is in the low age brackets and will be entering the reproductive age group in the coming decade. Thus in order to slow down the population growth rate to the desired level it is imperative to focus on reducing the TFR in the country. Therefore, the population policy aims to reduce the TFR to replacement level i.e., 2.1 births per woman by 2020, through increasing awareness of the adverse consequences of rapid population growth at national, provincial, district and community levels; promoting family planning as an entitlement based on informed and voluntary choice; and improving the access and quality of reproductive health services.

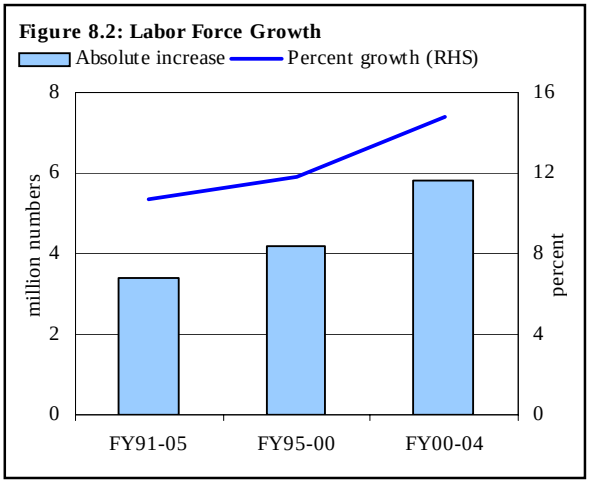
However, the experience of Bangladesh, which is a role model for reducing the TFR in a relatively short period,[6] suggests that the strategy of focusing on supply side factors such as family planning programs alone may not be enough.[7] The rapid fall in TFR in Bangladesh was a result of an integrated approach, where female education and empowerment played a vital role. As discussed in details in the SBP Annual Report for 2003-04, data in Pakistan also suggests negative correlations between the fertility rate and a number of factors, such as: (1) education of parents, especially of mothers; (2) infant mortality rate; (3) level of income; (4) mean age of marriage, especially for women; and, (5) female labor force participation rate (FLFPR). This suggests that a more integrated effort is required to achieve the long-term targets of the population policy. Additionally, given the key role of female education in bettering most of these indicators, this needs particular attention.

8.3 Labor Force and Employment

8.3.1 Labor Force

According to the "Pakistan Labor Force Survey 2003-04", the economically active population in Pakistan stood at 45.2 million, constituting 30.4 percent of the total population in FY04, and its growth is likely to accelerate. Indeed in the first four years of the new millennium, the country has already experienced a faster increase in labor force than in the previous five-year period (see **Figure 8.2**). Specifically, during FY00 to FY04, 5.83 million heads were added to the labor force (showing a 14.8 percent growth), against an increase of 4.17 million (or 11.8 percent) during the last five years of 1990s.

Figure 8.2: Labor Force Growth

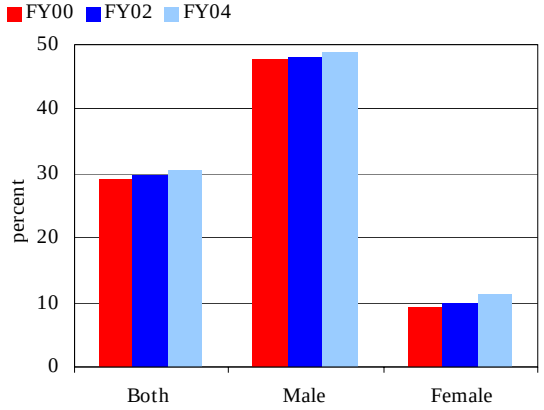


Certainly the demographic transition and higher economic participation both contributed to a rise in the crude activity rate, which rose from 29.0 percent in FY00 to 30.4 percent in FY04 (see **Figure 8.3**). This is evident in the simultaneously rising trend in Refined Activity Rate (RAR)[8] and share of population at age *10 years and above* (potential labor force) during FY00 to FY04 (see **Figure 8.4**). Both the phenomena (i.e., increasing RAR and rising share of working age population) were common in male and female groups, though latter saw larger increase in each.

[6] TFR in Bangladesh declined from around 7 children per woman in early 1970s to 3.4 children per woman by FY94.
[7] See "Demographic Transition in Bangladesh: What Happened in the Twentieth Century and What Will Happen Next?" by Radheshyam Bairagi and Ashish Kumar Datta. Asia-Pacific Population Journal, December 2001.
[8] RAR is a ratio of persons in labor force to the population 10 years of age and above.

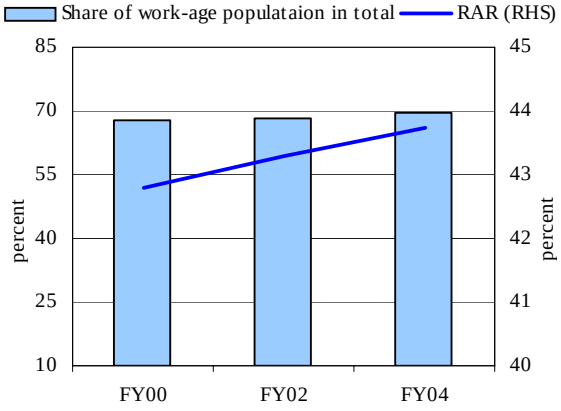
The greater improvement in the female activity rate[9] was an encouraging development, as the female economic participation rate is very low in Pakistan. In FY04, the CAR and RAR for female group was only 11.2 and 15.9 percent respectively. According to Human Development Report 2005, the female participation as percentage of male participation is the lowest in Pakistan among the SAARC members. The average of this ratio for the region (excluding Pakistan) was 65.7 percent in 2003,[10] while for Pakistan it was only 44 percent.

Figure 8.3: Crude Activity Rate



The rise in female economic participation since FY00[11] is a welcome sign, and it is vital that this be continued, as the CAR and RAR of female group is still very low. Given the fact that females shared almost half of the total, as well as working age population in the country, their current low participation rate provides an opportunity to substantially increase the share of economically active population, which could contribute to higher economic growth if appropriate employment opportunities are provided. Moreover, this would help in reducing the dependency ratio, which is currently very high in Pakistan, compared with other regional countries.[12]

Figure 8.4: Labor Force Participation



Also, the rising female economic participation would lead to improvement in other social sector areas. For example, as mentioned earlier, the data for Pakistan suggests a negative correlation between the fertility rate and female economic participation. Also, the rising female participation could help in incomes levels, with consequent improvements in education and health indicators. Moreover, as female economic participation has strong links with female empowerment, improvement in former could lead to lower degree of gender disparity, which is also an objective of the MDG. The key reasons of low female economic participation in Pakistan are discussed in **Box 8.1**.

[9] Specifically, CAR and RAR for female group rose by 1.9 and 2.2 percentage points, while male counterpart saw improvement in the two indicators by 1.1 and 0.2 percentage points, respectively.
[10] Ranging from 50 percent in India to 80 percent in Maldives.
[11] Both CAR and RAR of female group declined during FY98 to FY00.
[12] According to Asian Development Bank, in 2004 dependency ratio was 80 percent in Pakistan, which was the highest in the SAARC region.

Box 8.1: Female Economic Participation

As per the Labor Force Survey 2003-04, women represent almost 49 percent of the total population and working age group in the country, but their participation in the economic activity is very low at 11.2 percent. It is, in fact, the lowest in the South Asian region. As a result, the gender gap in economic participation is the highest in Pakistan amongst regional countries. In 2000, Female Labor Force Participation Rate (FLFPR) as percentage of male labor force participation rate was 50 percent in India, 64 percent in Bangladesh, 94 percent in Nepal and 65 percent in Bhutan, while for Pakistan this was only 18 percent.[13]

Table 8.1.1: Female Participation Rate 2003-04

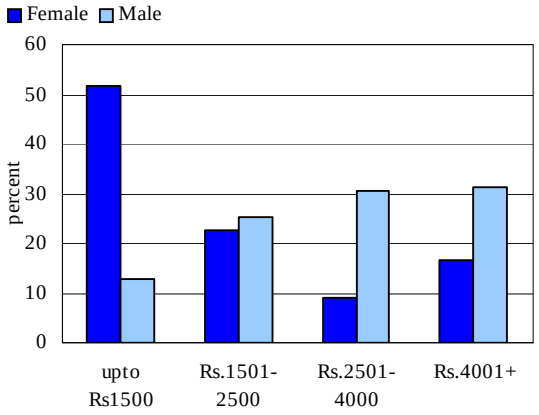
	Female	Male	As % of male
Pakistan	11.2	48.7	23
Balochistan	4.8	45	10.7
NWFP	6.9	42.3	16.3
Punjab	15.6	50.6	30.8
Sindh	4.6	48.8	9.4

Source: Pakistan Labour Force Survey 2003-2004

The provincial data also shows wide variation in female economic participation, with the highest in the Punjab at 15.6 percent and the lowest in Sindh, at 4.6 percent. The gender ratio of economic participation also shares the same pattern (see **Table 8.1.1**).

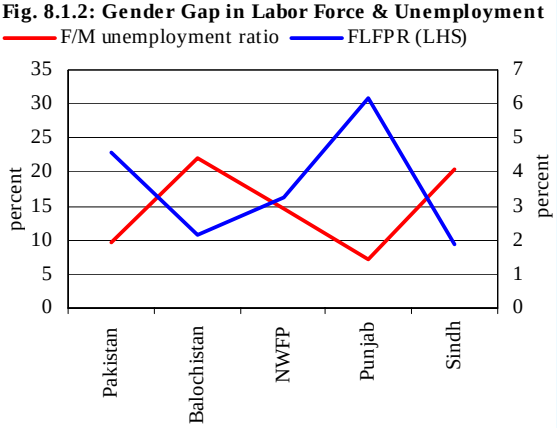
Socioeconomic and cultural factors are very important in determining the female participation in labor market in Pakistan. Women do not enter the labor market on equal terms in comparison with men. Their occupational choices are limited due to social and cultural constraints, inherent gender bias in the labor market and lack of supportive facilities such as child care, transport, and adjustment in the formal sector of the labor market. Moreover, their work is low paid, low status, casual, and lacks potential upward mobility.

Figure 8.1.1: Employees Distribution - Monthly Income



This is because females are generally engaged in low skill and low wage economic activities and also often work fewer hours per week than males. Data for FY04 shows that more than half of the female employees were earning less than Rs.1500 per month, whereas only 12 percent of male employees fall in this category (see **Figure 8.1.1**). Average income of female employees was Rs 2593 per month, against Rs 4323 per month for their male counterparts.

Fig. 8.1.2: Gender Gap in Labor Force & Unemployment



Another important factor that explains low FLFP in Pakistan is the high unemployment rate in females. During FY04, unemployment rate in female was around 13 percent against near 7 percent for male counterpart. The higher unemployment rate in females than males is common in all the four provinces. However, similar to the gender gap in labor force participation, there is wide variation in the gender gap in employment opportunities as well. The inverse relationship between gender gaps in labor force and unemployment (see **Figure 8.1.2**) supports the point that high unemployment is behind the low female participation rate in Pakistan.

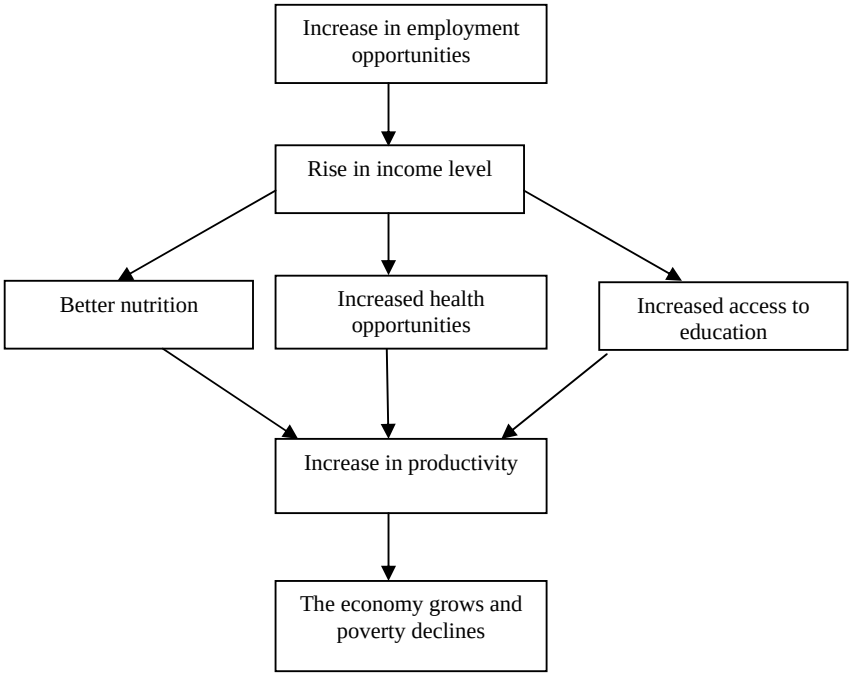
Yet another reason could be the low coverage and difficulty in collecting data of female group. Usually, male enumerators get information regarding working women from the male members of the family. So under reporting of female economic participation is very likely, mainly due to social and cultural reasons, and willingness to document lower house-hold income to avoid higher taxation. In fact, the improved female coverage in Labor Force Survey 2003-04 is also a reason for higher female participation rate reported for FY02-04.

[13] "Employment Challenges in South Asia", Mahboob-ul-Haq Human Development Center Report, 2003.

8.3.2 Employment

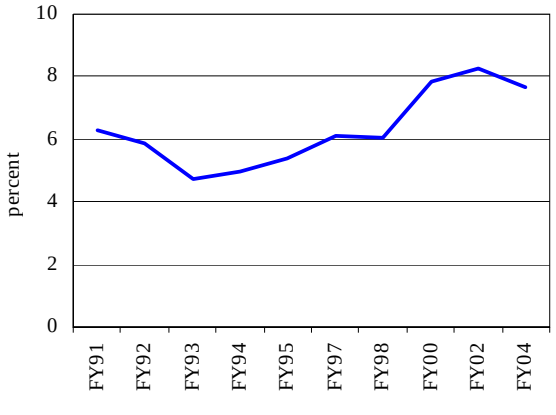
The importance of employment in improving the wellbeing of the population can hardly be over emphasized. For Pakistan, reducing the unemployment rate is essential to achieve the target set for economic growth and human development in MTDF 2005-10 (also in MDGs), as it has strong linkages with the other constituents of human welfare (see **Chart 8.1**).

Chart 8.1: Employment Generation Leads to Growth and Poverty Reduction



During FY02-04, Pakistan finally saw a modest decline in unemployment rate, which was on rising trend since FY93, except FY98 (see **Figure 8.5**).[14] Faster growth in labor demand than in labor supply, even in absolute terms, led to a fall in unemployment rate from 8.3 percent in FY02 to 7.7 percent by FY04. Specifically, 2.9 millions new jobs were created against a net increase in the labor force of 2.8 million, during this period.[15] However, the fall in unemployment rate was not broad-based, being mainly confined to female unpaid family helpers, in rural areas.

Figure 8.5: Unemployment Rate



[14] The only exception was FY98, when unemployment rate remained almost stagnant at previous year level.
[15] In fact, the sharp improvement in employment rate during FY02-04 enabled the country to actually saw a decline in unemployment rate during FY00-04 despite a relatively fast growing labor force in this period (as discussed in the previous section), and an increase in unemployment rate during FY00-02.

Employment at the Regional Level

During FY02-04, the fall in unemployment rates was seen in both, rural and urban areas, but the former saw a much larger improvement (see **Table 8.4**). However, not all provinces experienced a decline in the unemployment rate (see **Table 8.5**); Sindh and Balochistan saw unemployment rates rising by 0.8 and 0.4 percentage points respectively. The increase in unemployment rate in both of these provinces was mainly because of much faster growth in labor force than in the other two provinces (see **Figure 8.6**). Moreover, despite the increase, unemployment rate in Sindh remained the lowest among all the four provinces during FY04 as well (see **Table 8.5**).

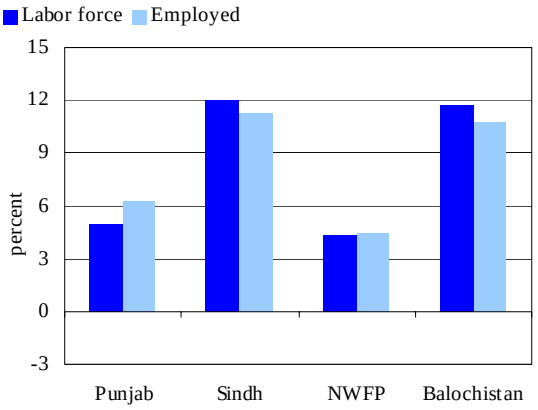
Table 8.4: Unemployment Rates

percent

	FY00	FY02	FY04
Overall	7.8	8.3	7.7
Rural	6.9	7.6	6.7
Urban	9.9	9.8	9.7

Source: Pakistan Labor Force Surveys

Figure 8.6: Growth in Labor Force during FY02-04



Gender-wise Employment

The fall in the unemployment rate was more evident for females; specifically, during FY02-04 the unemployment rates of males and females declined by 0.1 and 3.8 percentage points, respectively. In absolute terms, during the FY02-04 period, 1.37 million additional females were employed compared to the creation of 1.50 million new jobs for males.[16] Female employment rates recorded an improvement in all the four provinces during the period under review,[17] while unemployment rate in male group has declined only in the rural areas of the Punjab and NWFP.

Table 8.5: Unemployment Rates at Provincial Level

percent

	FY02	FY04	Absolute change
Punjab	8.52	7.36	-1.15
Sindh	5.17	5.87	0.69
NWFP	13.2	13.0	-0.2
Balochistan	7.60	8.38	0.77

Structure of Employment

During FY02-04, the agriculture sector shared 56.6 percent of the net addition in the employed labor force. As a result, the share of the sector in the total employed labor force increased from 42.1 in FY02 to 43.1 in FY04 (see **Table 8.6**), against a decline of 6.3 percent during FY00-02. It is important to note that during FY00-02 agricultural sector saw a decline in output (negative growth) before registering a 4.2 percent growth in the next two year.[18] This reversal in agricultural growth during FY02-04 helped the sector to partially recover its share in employment. However, this is true only in case of females - during FY02-04, agriculture sector's share in total employed males marginally declined by 0.1 percentage points, while for female group it increased by 2.7 percentage points.

Wholesale and retail trade was the second largest sector in employing the additional labor force during FY02-04, accounting for 14.8 percent of increase. This was in proportion to the share of this

[16] As females account for even less than 20 percent of the entire labor force, larger improvement in this category only partially translated into overall fall in unemployment rates.
[17] Female unemployment has declined in both the rural and urban areas of all the provinces, except rural area of Sindh.
[18] Period growth, i.e., during FY02-04.

Table 8.6: Distribution of Employed by Major Industry Divisions

Major Industry Division	FY02			FY04		
	Total	Male	Female	Total	Male	Female
Agriculture, forestry, hunting & fishing	42.1	38.2	64.6	43.1	38.1	67.3
Manufacturing	13.8	13.6	15.2	13.7	13.5	14.7
Construction	6.1	7.0	0.3	5.8	7.0	0.3
Whole sale and retail trade	14.8	17.1	1.9	14.8	17.5	1.7
Transport, storage and communication	5.9	6.9	0.4	5.7	6.9	0.1
Community, personal and social services	15.5	15.2	17.4	15.0	14.8	15.8
Others	1.8	2.0	0.2	1.9	2.2	0.1

Source: Pakistan Labour Force Survey 2003-2004

sector in GDP during FY02. In contrast, while the *manufacturing sector* witnessed the highest growth among all the sectors of the economy during FY00-02, it contributed only 12 percent to the rise in employment, leading to a fall in its share in total employment.

Data shows that unpaid family helper category contributed most of the additional employment during FY02-04, as a result, the share of this category in total employment increased from 20.8 percent in FY02 to 24.1 percent in FY04 (see **Table 8.7**). Indeed, unpaid family helpers accounted for 68.8 percent in total employment gain during the period under review (for detail see **Box 8.2**).

Box 8.2: Unpaid Family Helpers

As per the definition of Labor Force Survey, unpaid family helper is "a person who works without pay in cash or in kind on an enterprise operated by a member of his\her household or other related persons".

In Pakistan, mainly females in rural areas work as unpaid family helpers. In FY04, around 62 percent of female labor force in rural areas was employed by this category compared to only 22 percent in urban areas. On the other hand around 23 percent and 10 percent males were working as unpaid family helper in FY04.

During FY02-04, unpaid family helpers accounted for more than 68 percent of the increase in employed labor force and around 77 percent of total gain in female employment. A possible reason for the increase in unpaid family helper may be due to increased activity in the agricultural sector during the period under review.[1]

Another reason could be the better coverage of females, which has improved in the Labor Force Survey (LFS) FY04. Specifically, male to female coverage ratio has reduced from 107 in LFS-FY02 to 105 in LFS-FY04.

1-The agricultural growth rate increased from -0.1 percent in FY02 to 4.1 percent in FY03 and 2.6 percent in FY04.

Future Outlook

Reducing the unemployment rate in future looks even more challenging given the expected acceleration in the growth of the labor force due to both, an improving economic participation rate and the rising share of the working age people in total population.

Maintaining macro-economic stability and the growth momentum of the economy will be essential for success, as will be increased emphasis on raising government spending on development, especially on infra-structure. Moreover, there is need to focus on the quality of the labor force as well.

Table 8.7: Employment Status of Labor Force

percent

	2001-02			2003-04		
	Both	Male	Female	Both	Male	Female
Employer	0.8	0.9	0.3	0.9	1.1	0.1
Self employed	38.5	42.4	15.7	37.1	41.4	15.9
Unpaid family helpers	20.8	16.4	46.9	24.1	18.3	52.8
Employees	39.9	40.3	37.1	37.9	39.2	31.2

Source: Pakistan Labor Force Survey 2003-2004

Education and training can play an important role here, and these should be based on the future demand of domestic as well as foreign labor markets. Also there is a strong need to reduce the gender disparity with regard to economic participation. Policies should aim to encourage female participation in labor market by providing them respectable job opportunities and a suitable working environment.

The government has launched a Khushal Pakistan Program (KPP) as a social intervention aimed at generating economic activity through public works and temporary employment covering 17 sectors including farm to market roads, water supply, repair of existing schools, small rural road, streets, drains, and electrification in villages. Under this scheme provinces, in close collaboration with the local authorities and communities, completed almost half a billion dollar valuing small projects creating about 1 million job opportunities along with essential infrastructure in rural and low income urban areas. According to MTDF (2005-10), special initiatives to revive KPP are underway which will further benefit 3.2 million households living in 2000 rural union councils across Pakistan.

8.4 Health Status

It has been established by empirical studies that an improvement in the health sector plays a vital role in the economic growth and development, especially in developing countries, by increasing productivity of the labor force, reducing the poverty, and optimizing the return on investment in other social sector such as education. Households with incomes close to poverty line, both below and above, are especially vulnerable to major illness, often falling into poverty trap as a consequence. According to the National Human Development Survey 2003 in Pakistan, 55 percent of the poor and 65 percent of the extremely poor were ill. Recognizing this strong link between health and poverty, government has identified the former as the important area for its poverty reduction strategy.

Table 8.8: Health Indicators

	Life expectancy (years)			Mortality rate (per 000 live births)					
				Infant			Under 5 year age		
	2000	2002	2003	2000	2002	2003	2000	2002	2003
Pakistan	63	64	64	83.3	82	74	110	105	98
India	63	63	63	69.2	67	63	88	93	87
Bangladesh	61	62	62	60	52	46	83	77	69
Maldives	65	67	70	15	16	13	18	19	15
Sri-Lanka	73	74	74	15	16	13	18	19	15
Bhutan	62	63	64	57.6	54	70	na	92	85
Nepal	59	60	60	73.6	60	61	105	91	82

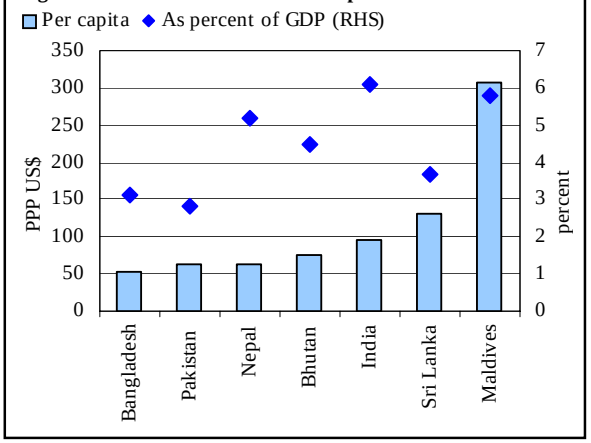
Economic Surveys 2002-03, 2003-04, 2004-05

Despite a steady improvement over time, Pakistan's health indicators do not depict a very satisfactory picture. Mortality rates in the country, both for infants and for under five year age, are significantly higher than the average of South Asia region;[19] they are, in fact, the highest among the SAARC countries (see **Table 8.8**). Also, the maternal mortality rate, in the range of 350 to 400 (per 100,000 live births) during FY04, was very high compared to many countries in South Asia. Similarly, according to UNDP Human Development Report 2005, in Pakistan 38 percent of the children under five years of age were classified as underweight, while 37 percent were stunted. On the other hand, Pakistan enjoyed a relatively better position in life expectancy – this had reached to 64 years by 2003 compared to the average value of 63.2 years in South Asia – which is the second highest in the

[19] According to the UNDP Human Development Report, in 2003 average infant and under 5 year age mortality rates were at 66 and 91 per 1000 births, respectively.

SAARC region. Further it is encouraging to note that the mortality indicators improved in 2003 but the continuity of this trend is vital to improve the health sector to a satisfactory level.

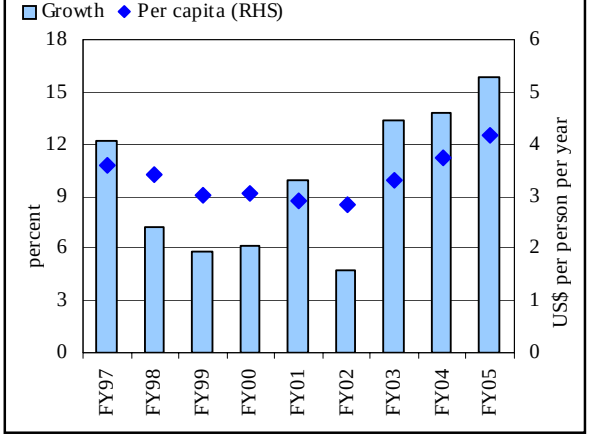
Figure 8.7: Total Health Sector Expenditures



The dismal performance of health sector in Pakistan can be attributed to many factors such as poverty, inadequate and inefficient allocation of resources, malnutrition, unhealthy living environment and unequal distribution of health facilities.

According to UNDP in 2002, *overall expenditure of health* (including both public and private spending) sector in Pakistan was considerably low compared to other regional countries in SAARC (see **Figure 8.7**). In fact this was primarily because of the very low public sector expenditures in Pakistan. Looking as the ratio of GDP, the public health expenditures were at the lowest in Pakistan among SAARC countries.

Figure 8.8: Public Sector Expenditures on Health



Encouragingly FY05 saw a trend reversal with public spending on health witnessing double-digit growth for the first time since FY97, and spending has further accelerated in the next two years (see **Figure 8.8**). As a result of this strong growth, per capita public health expenditures saw a trend reversal, rising FY03 onwards. While the rising allocation of funds by the government for health sector is a welcome development, efficient utilization of funds is more important to optimize the benefits from investment in health sector.

Progress in some leading health indicators has accelerated during FY02-05 compared to FY99-02 period (see **Table 8.9**). According to PSLM survey,[20] during FY02-05 period immunization ratios, both in children and pregnant women, has gone up substantially. Similarly the medical treatment and consultation rates have improved significantly. Continuity of all this is imperative to achieve MDG. However, it is important to note that while the treatment rate has gone-up, the incidence of diarrhea (only

Table 8.9: Health Leading Indicators

percent

	PIHS		PSLM
	FY99	FY02	FY05
Children aged (12-23 months) that have been immunized	49	53	77
Children under 5 years suffering from Diarrhea	14	14	16
Treatment of Diarrhea under 5 years	82	83	91
Women visiting health facility for pre-natal consultation	31	26	50
Pregnant women that have received Tetanus Toxoid injection	39	46	51

Source: Federal Bureau of Statistics

[20] For the year 2004-2005.

disease for which data is available) has also increased during FY02-05.[21] While expanding the health facilities is important, the government should also focus on preventive measures to reduce the incidence of illness.

Malnutrition has been an important cause of illnesses in Pakistan. The most vulnerable groups affected by malnutrition are children and women.[22] National nutrition Survey 2001-02 reports that 38 percent of children (6-59 months) were underweight, 36.8 were stunted and 13.8 percent were wasted. Moreover findings of the survey suggest that malnutrition was higher in females than males; higher in rural areas than urban regions, higher in households in lower income brackets, and higher in households with illiterate mothers.

Healthy living environment can also play an important role in reducing the probability of getting ill. Unsafe drinking water and unhygienic sanitation is particularly dangerous for infants and children. According to the latest estimates,[23] 250,000 children die annually in Pakistan mainly due to unclean drinking water and unhygienic sanitation, which is not available to a majority of population (for detail see **Section 8.6**).

Another source of concern is the unequal distribution and poor quality of health services, which are more concentrated in urban centers. Despite the fact that a significantly large majority of overall and poor people (generally more vulnerable to illness) are living in rural areas, both the availability and quality of health services is very poor in rural areas. Only 27 percent of the private sector total health establishments are in rural sector,[24] while public health units working there are not very efficient; lacking in necessary medicines and modern equipment. Moreover, health professionals are often reluctant to work in rural areas due to non-availability of better living facilities and other incentives. Some innovative experiments such as the clustering of Basic Health Units offer attractive prospects of resolving this problem.[25] In fact, the quality of public health service, even in urban area, is below the satisfactory level. This quality factor gets people to hire private services, as the utilization of private health services in the country is around 70 percent and 58 percent in urban and rural areas,[26] respectively.

In the given scenario where the public resources are limited and not being utilized properly, there is a need to encourage private sector, not-for–profit organization, civil societies, and community organizations to provide health services, while government should concentrate on the policy formulation, monitoring and regulation of health sector.

The availability of drugs at affordable prices to the poor is another issue that acts as a drag on the access of health care. The present regulatory framework, that worked well in the past needs to be modified in light of the experiences of the other countries to resolve this problem.

8.5 Literacy and Education

Access to quality education is one of the basic rights of people living in a country. It can play a pivotal role in growth and development through improving the productivity of labor force and enhancing the ability of people to get the benefits from innovations and technological advancement. Moreover education could play a strong complementary role in improving the other social sector areas; such as health, political set-up and social environment. Many studies have found strong

[21] Percentage of children suffering from Diarrhoea in past 30 days of survey indicates that this number has increased from 14 in 2001-02 PIHS to 16 in 2004-05 PSLM.
[22] Mother's nutritional status and health care impact the health of child as well.
[23] "Human Development in South Asia 2004: The Health Challenges", Mahbub ul Haq Development Centre.
[24] Source: Human Development in South Asia 2004 – the Health Challenge, Mahbub-ul-Haq Human Development Center.
[25] See SBP First Quarterly Report for FY04.
[26] Medium Term Development Framework 2005-2010.

positive externalities associated with education, i.e., social return of education were significantly higher than private returns.

Table 8.10: Education Indicators of Pakistan in FY05

percent

	Male	Female	Overall
Literacy rate	65	40	53
Gross enrolment rate			
Primary	94	77	86
Middle	51	40	46
Matric	53	35	44
Net enrolment rate			
Primary	56	48	52
Middle	20	16	18
Matric	11	10	11

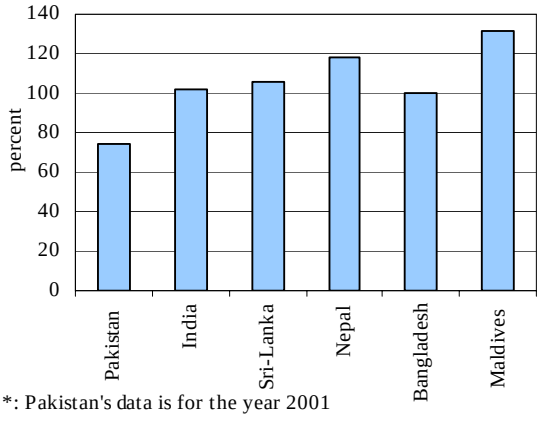
Source: PSLM 2004-05

8.5.1 Backdrop of Pakistan's Education System

Unfortunately, Pakistan's track record in literacy and education has not been satisfactory. As shown in **Table 8.10**, the education system in the country is characterized by high illiteracy rate; low gross and net enrolment at all level of education; high dropout rates from schools;[27] a wide disparity at gender and regional levels; and a poor quality of education.

Indeed, education status of Pakistan is very low compared to other countries at similar level of per-capita income. In the UNDP report for 2005 (based on 2003 data), with respect to education index Pakistan was ranked at 165th position out of 177 members compared to 130th position with respect to GDP Index. Similarly, by the year 2000 the gross primary enrolment rate was above 100 percent mark in all the SAARC members, except Pakistan (see **Figure 8.9**).[28] Even the current GPER at 86 percent is well below the 100 percent mark.

Figure8.9: Gross Primary Enrolment Rates in 2000*



*: Pakistan's data is for the year 2001

According to PIHS (2001-02) and National Reconstruction Bureau (NRB) Baseline Survey 2002, the poor performance of primary and secondary enrollment as well as high dropout rate in Pakistan was primarily attributed to the high cost of education; parental disapproval, especially in case of females, due to social and cultural norms; low quality of education, shortages of trained and qualified teachers, dissatisfaction with government schools and lack of proper physical infrastructure.

8.5.2 Policy Environment and Progress since 2000

Since FY00 the government has taken several initiatives to improve the education status in the country. While, at national level the government has started administrative reforms such as Devolution of Power and Education Sector Reforms, it agreed to put serious efforts to achieve the goals of MDG of United Nations announced in 2000. Also at provincial level, Punjab has initiated a Punjab Education Sector Reforms Program (PESRP) since 2003 (see **Box 8.3**) followed by the Sindh governments. Both the provinces have made the education up to matric levels compulsory and free. The thrust of these measures is to achieve universal primary education and adult literacy by reducing the gender disparity and improving the quality of education in Pakistan.

[27] Dropout rate is defined as the percentage of students who leave the school before reaching grade five. According to Pakistan Integrated Household Survey (PIHS), the average dropout rate was 15 percent in 2001-02, declined only marginally from16 percent in 1995-96.

[28] Source: Human Development in South Asia 2003, MHHDC.

Box 8.3: Punjab Education Sector Reforms

Punjab Education Sector Reform Program (PESRP) began in 2003-04. There are three strategic pillars of the PESRPP: (1) public finance reforms to ensure increased public spending for education; (2) devolution of public sector management reform; and, (3) improvement in access, quality and governance of education. The PESRP is supported by the World Bank through a grant of US$300 million over a period of three years from 2004-06. The first two pillars of the reforms are also being supported by the Asian Development Bank.

Issues pertaining to education in the Punjab include the lack of infrastructure facilities, low participation rate, enrollment of out of school children, gender gap and low learning achievement. The Punjab government has taken various steps to solve these issues and for the improvement of access to education in the province. Some of the initiatives taken by the government of Punjab are following.

- As lack of basic infrastructure is one reason for low attendance at schools. Missing infrastructure facilities mainly include the shelter less schools, buildings and schools without boundary walls and drinking water etc. PESRP has a plan for provisioning of missing infrastructure facilities to schools in Punjab. Total[1]number of missing facilities given in the district profile of all 34 districts was 118,274. Total missing facilities prioritized by the districts for the first year were 36,911 and are under completion. In this regard in FY04, Rs. 150 million have been given to each of the 34 districts for the provision of basic facilities in primary schools.

- To boost enrolment and bring children into schools, Punjab government has not only waived the fee at the public sector schools but has also provided free textbooks. In 2004, the Punjab government provided free textbooks to all the students (7.25 million students) from grade one to five on a timely basis. This facility will extend up to grade eight in 2005 while by the next academic year, the PESRP will be extended to all the students up to grade ten or matriculation level.

- In order to promote female participation, Punjab government introduced a monthly stipend of Rs 200 for female students in 15 low literacy districts across the province. About 200,000 girl students of grade 6-8 with 80 percent and above school attendance have been regularly receiving stipend in targeted districts.

- To improve the quality of education, authorities in Punjab have also been taking steps to ensure the availability of teachers and to improve the quality of existing teaching staff. In this regard, 13,000 new teachers (on contract) have been recruited on school specific assignments. As a result, fifty percent of closed or non functional schools (due to unavailability of teachers) reopened in 2004.To improve the quality of teaching staff, government has launched refresher courses for 90,000 teachers against the target of 150,000 teachers in 2004.

Table 8.3.1: Literacy Rate (10 years and above) in Punjab

Year	Both	Male	Female
1998*	46.6	57.2	35.1
2002**	47.0	57.0	36.0
2005***	55.0	65.0	44.0

Source:* census data,** PIHS,***PSLM

An evaluation of PESRP shows very encouraging results, as the overall literacy rate in the Punjab has improved significantly after implementation (see **Table 8.3.1**), for example, within one year of inception, enrollment[2]in government primary schools increased by 13 percent as compared to the previous trend of an annual 1.5 percent increase for the past decade. According to PSLM, net primary enrolment rate increased from 45 percent in 2001 to 58 percent in 2005, indicating the increase of one million more children enrolled in Punjab schools since the launch of the program. Similarly enrollment rate for girls in grade 6-8 in low literacy district areas are increased by 20 percent. Other indicators related to education sector also showed improvement in Punjab (see **Table 8.3.2**).

Table 8.3.2:Education Indicators in Punjab

	1998-99 PIHS	2001-02 PIHS	2004-05 PSLM	Change during	
				1999-02	2002-05
Population that has ever attended school (%)	53	54	58	1	4
Population that has completed primary or higher education (%)	38	40	46	2	6
Gross enrollment rate at Primary level	75	76	95	1	19
Net enrollment Rate at Primary Level	44	45	58	1	13
Gross enrollment at Middle level	43	45	49	2	4

[1] www.punjab.gov.pk/education/pesrp.htm
[2] PRSP, Second Quarterly Report 2004-05.

These government efforts have started yielding positive results. According to the PSLM survey 2004-2005, Pakistan saw a significantly larger progress in the standard education sector indicators since FY02 (see **Table 8.11**). Following are a few of the key findings from the survey:

Table 8.11: Progress in Health Indicators
values in percent; change in percentage points

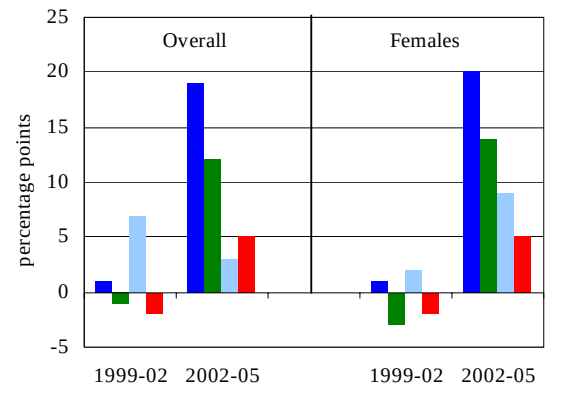
	PIHS		PSLM	Absolute change	
	1998-99	2001-02	2004-2005		
	(a)	(b)	(c)	(b)-(a)	(c)-(b)
Literacy rate	45	45	53	0	8
Gross enrolment rate					
primary	71	72	86	1	14
Middle	40	41	46	1	5
Matric	40	42	44	2	2
Net enrolment rate					
Primary	42	42	52	0	10
Middle	16	16	18	0	2
Matric	9	9	11	0	2
Gender ratio					
Literacy rate	28	26	25	-2	-1
Gross primary enrolment rate	19	22	17	3	-5
Urban-rural disparity					
Literacy rate	29	28	27	-1	-1
Gross primary enrolment rate	31	25	25	-6	0

Source: PSLM 2004-2005

- Literacy rate (10 years and older) in FY05 was recorded at 53 percent. During FY02-05, it has increased by 8 percentage points against remaining stagnant during FY99-02 at 45 percent. The improvement was across the board; all the four provinces, both rural and urban areas, and the gender groups shared the increase in literacy rate. Moreover, gender and regional gaps have declined by a percentage point each.

- Gross enrolment rate at primary level saw a sharp jump during FY02-05. It has increased by 14 percentage point to reach at 85 percent in FY05. Similar to literacy rate, improvement in gross primary enrolment rate has been broad based. While the rural and urban areas equally shared the improvement, the gender gap has fallen from 22 percentage points in FY02 to 17 percentage points in FY05. Similarly, gross enrolment rate at middle and matric level has also improved during the period under review.

Figure 8.10: Gross Primary Enrolment Rates



A look at the provincial data suggests that while all provinces registered improvements in the education indicators, Punjab saw significantly better progress (see **Figure 8.10**). In particular,

education indicators for females in rural Punjab have improved substantially. This significantly larger progress in the province can be attributed to the PESRP (see **Box 8.4**).

The positive response even by the poor and uneducated parents of school going girls in Punjab debunks the myth that there is cultural or religious resistance against girls' education. The lessons learnt from this program indicate that if the physical infrastructure facilities can ensure secure environment for the girls in the school, financial constraints can be eased and committed quality teachers are employed then the parents are quite keen to send their daughters to schools.

While the rapid progress, seen in the education sector indicators during FY02-05 is an encouraging development, maintaining at least the same pace is essential to achieve the objectives of reform process and MDGs for education sector. A significantly higher improvement in Punjab suggests that other provinces should also initiate education sector program similar to PESRP. This could also be complemented by encouraging the private sector participation in education, especially as it brings a positive externality - these institutions typically hire more female teachers, and may therefore attract more female students.

The government is also focusing on higher education in the country. In this regard, a Higher Education Commission (HEC) has been established in September 11, 2002. Also, various programs have been initiated such as: increased number of scholarships for both national and international universities; faculty development through training and opportunities for higher education; curriculum revision, equipping laboratories and libraries; etc. Although, these measures will help in promoting the higher education in the country, it is essential to ensure that skill acquired through education should be in accordance to current and future requirement of the labor markets both in and outside Pakistan.

8.6 Environment

A clean and healthy environment is one of the major constituents of human wellbeing. This fact is increasingly being recognized and incorporated in the development plans of many countries, especially since the introduction of MDGs in 2000. Although, environmental protection came under discussion on many international forums since early 1970s (see **Box 8.4**), MDGs played a vital role in highlighting the importance of good environment and its complementarities with other constituents of human wellbeing such as health and poverty.

As in many other developing countries, there is a great scope for improving the wellbeing of people in Pakistan, by ensuring a good environment. It is especially true in the case of poor segment of the society that relies more on environmental resources than the rich counterpart.[29] As discussed in **Section 8.4**, sustainable improvement in health sector in Pakistan not only required better health facilities, but preventive measures against factors causing poor health are vital, as well. Improving living environment is one such measure that can reduce the probability of getting sick. As there is a strong positive correlation between poor health and poverty, the improvement in the environment could also prove instrumental in reducing poverty in the country.[30]

[29] The United Nation in one of its publications: "Exploring the Links: Human Well-Being, Poverty and Ecosystem Services", the United Nations Environment Program 2004", explained this by giving simple examples such as "the rich can buy clean water or the technology to filter and purify water if it is contaminated. The poor, on the other hand, have limited resources to pursue these options and usually have no choice but to depend on natural water systems and/or public water supply systems, many of which do not meet the minimum standards for human consumption, especially in developing countries".

[30] National Human Development Survey 2003 suggests that 55 percent of the poor and 65 percent of the extremely poor were ill in Pakistan.

Box 8.4: The Environmental Discourse: From 'Human Environment' to 'Millennium Development Goals' (MDGs)

At the international level environmental issues began gaining importance in the 1970s when a lot of concern was raised about the impact of industrial activities on the natural environment of countries. Interestingly, given the Cold War context of those times, most of the 'stories' which came out internationally about environmental degradation were from developing countries which were following a socialist or state-led model of growth, e.g. Chernobyl in the former USSR and Bhopal in India.[1] However, it was the developed countries that took initiatives to put environment on the world agenda in the form of the "UN Conference on the Human Environment at Stockholm" in 1972. This first attempt was mainly concerned with building a framework for action on environmental matters and recommendations for action at an international level.

Since then the environment related issues remained on the agenda at international forums but did not get due importance until the discovery of the hole in the ozone layer in 1985. This discovery led to the "Montreal Protocol" in 1987, which aimed at curbing the discharge of chlorofluorocarbons and other substances that deplete the ozone layer. In the same year, the Brundtland Report was published, which added a new dimension in literature on environmental issues. This study was conducted by the World Commission on Environment and Development, bringing together an international group of politicians, civil servants and experts on environment and development under the aegis of the UN. This report was a partial response to the supply shocks triggered by the oil crises of the 1970s, which fostered the view that long-term growth not only depended on capital formation or skilled manpower, but also on the long-term availability of natural resources. One of the main conclusions of the report was that the industrialized countries were wrong in merely looking at the impact of economic activity on the environment and called for looking at the effects of environmental damage on economic prospects of countries, as well. The report suggested the inclusion of efficient management of natural resources as a part of development strategy.

Nevertheless, the first comprehensive declaration of international cooperation among UN member states, governments and major groups, locally and nationally, came at the "Earth Summit in Rio de Janeiro" in 1992. Different possible areas, which influence the relationship between man and his environment, were envisaged in the form of **Agenda 21**. The goals, set at this conference, were later reviewed in the "Rio Plus Five Summit" in New York in 1997. It was noted that the state of the environment remained adverse and differences between developed and developing countries on the issue was pointed out as main reason for no improvement.[2]

In December 1997, "Kyoto Protocol**"** was ratified by 153 countries, which asked the counties to reduce their collective emissions of greenhouse gases by 5.2 percent taking the level in 1990 as baseline. However, influence of this initiative to rescue the environment was undermined, by the exit of the United States, taking the position that adhering to the Kyoto Protocol would have adverse impacts on its economy.

The latest attempt to make the issue of environment still relevant was taken in the form of the "Millennium Development Goals in 2000" at New York, where Goal Number 7 refers to attempts by governments to achieve environmental sustainability, for which countries were asked for making an effort in 3 main areas: reverse loss of environmental resources, halve the proportion of people without access to clean water and sanitation, and improve the living conditions of slum dwellers by 2015. In order to measure the performance of member countries, a set of indicators and targets were identified in three areas: 7 indicators for measuring air pollution levels, 4 for water pollution and 1 for slum settlements.

In September 2005, a summit was held in New York to review the progress made by countries on their MDG commitments and it concluded that governments would have to work substantially harder to achieve the set goals by the requisite deadline.

[1] Few outrages that took place in more developed countries were often ignored.

[2] The main issue that divided the developed countries from the developing ones was that developing countries insisted that the developed world take more of the responsibility for reduction of pollution and conservation of environment owing to their privileged economic status while the developing world needed to be given more time to come up to the levels necessary for sustained commitments to environmental protection. These differences were to emerge at subsequent forums on environmental issues.

At present, environmental indicators are portraying a dismal picture in Pakistan (see **Table 8.12**). By FY05, while 65 percent of the country's population has access to clean water, clean drinking water was available to only 10 percent.[31] Similarly, adequate sanitation facilities are available to only 42 percent of the total population. Also, air and noise pollution has become a major issue in big cities, leaving citizens vulnerable to illness.

Table 8.12: Environment Indicators and Targets

Environmental Indicators	Unit	FY05	Targets	
			MTDF FY10	MDG FY15
Forest cover as % of total land area	percent	4.9	5.2	6.0
Area protected for conservation of wildlife as % of total land area	percent	11.3	11.6	12
GDP per unit of energy	Mega Watt	27,000	27,600	28,000
Access to sanitation	percent	42	50	90
Access to clean water	percent	65	76	93
Clean drinking water for all	percent	10	100	100
Improvements of katchi abadis/slums	percent	60	75	95

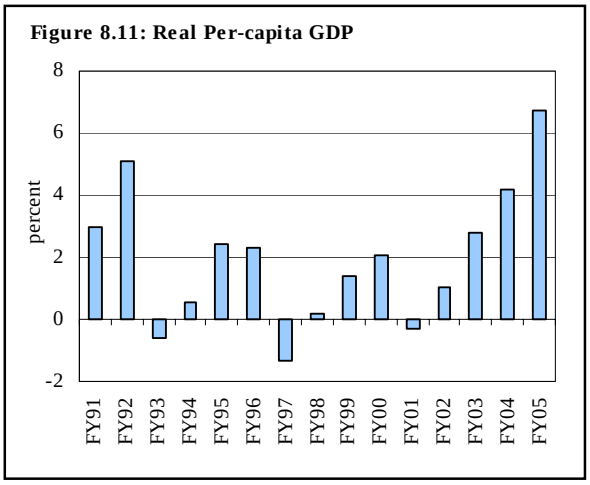
Source: MTDF 2005-10

Realizing the potential lying in environment sector for improving the human wellbeing, Pakistan has demonstrated its commitment by making legislation such as the Pakistan Environmental Protection Act (1997), and National Environment Policy (2005). Moreover, special focus has been made in Medium Term Development Framework (MTDF) for the period 2005-10. Selected targets set in MTDF 2005-10 and MDGs are given in **Table 8.12**.

8.7 Poverty

While the real per capita income in Pakistan saw a strong recovery since FY03 (see **Figure 8.11**), a legitimate question to ask is how much this recovery has helped in reducing the poverty in the country. Unfortunately, comparable data on poverty measures for the period of improvement is not available. In fact the Pakistan Living Standard Measurement Survey (PLSM), conducted by Federal Bureau of Statistics during April to May 2004 period can be used to drive latest poverty estimates, but due to its short duration and much smaller sample size, the data is not comparable with PIHS 2000-01. Although the Federal Bureau has tried to make the results of this quick survey of 2004 comparable with the survey of 2000-01 by adjusting the period,[32] still the sample issue can result in some biases regarding comparison of current poverty estimates with the past trends.

Figure 8.11: Real Per-capita GDP



[31] As mentioned in MTDF 2005-10 document: "A majority of the population is vulnerable to hazards of drinking unsafe and polluted water. The bacterial contamination in 2004 ranged from 48 percent in Islamabad to 100 per cent in Ziarat. Arsenic testing of drinking water supply has indicated that the districts of Bahawalpur, Liyah, Multan, Rahim Yar Khan and D.G. Khan, Dadu, Mirpur Khas, Khairpur, Nawabshah, Shikarpur and Ghotki were at high risk with several areas indicating Arsenic levels at over 50 parts per billion (ppb). Also the Nitrate and Fluoride contamination is more than 10 ppb in the districts of Risalpur, Chakwal, Jhelum, Mianwali, Khushab, Faisalabad, Bahawalpur, Loralai, Ziarat, Mastung, Mirpur Khas and Karachi.

[32] Also for inflation during the period under review.

The 2004 quick survey shows that poverty has declined during 2001 to 2004 period. Specifically, percentage of population below poverty line reduced from 27.3 in 2001 to 23.1 in 2004 (see **Table 8.13**). Both urban and rural areas shared the improvement, while the former saw significantly larger reduction in head count ratio. Moreover, the decline in unemployment and improved participation rate also support the view that poverty has improved in Pakistan during the last couple of years. However, to identify the extent of decline one has to wait till December 2005, when FBS is expected to release detail results of the comprehensive PSLM survey for 2004-2005 period.

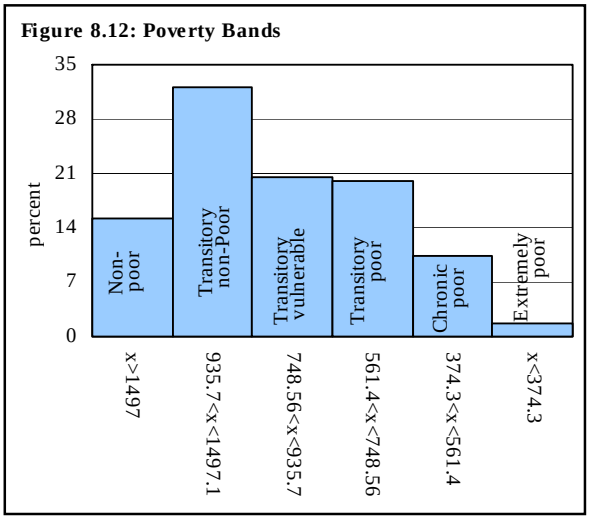
Table 8.13: Trends of Poverty(April 19 – May 6)

	2001	2004
Pakistan	27.3	23.1
Urban	23.1	13.6
Rural	30.6	28.35

Source: Economic Survey 2003-04

A study based on PHIS 2000-01 found interesting features of poverty in Pakistan.[33] The study suggested that 63 percent of the population below poverty line were transitory poor, while 32 and 5 percent were found in chronic and extreme poverty (see **Figure 8.12**).[34] Similarly on the other side, 13 percent and 21 percent of total non-poor (above poverty line) were classified as transitory vulnerable and transitory non-poor, respectively.[35] This distribution structure of household around poverty line presents both an opportunity and a threat. It suggests that a positive shock at macro level can push a majority above the poverty line, while a negative shock may drag a larger number of households into the category of poor people. This reemphasizes the importance of continuing with macroeconomic satiability and current growth momentum in improving the welfare of the majority in the country.

Figure 8.12: Poverty Bands



Poor people are also more prone to idiosyncratic shocks. Lack of access to financial services such as insurance or formal banking services limit their ability to save at good time for rainy days or limit their losses in case of negative outcome by getting insurance money or temporary borrowing against future income. In fact studies for other countries suggest that a significant portion of transitory group fall into poverty due to seasonality in their income and lack of appropriate income smoothing mechanism available to them. As mentioned above, a large portion of households in Pakistan fall in transitory group; thus increased access to micro-finance facilities may help in reducing the poverty in the country.

[33]The study was conducted by Centre for Research on Poverty and Income Distribution (CRPID).

[34]The standard definition of transitory poor includes those household that were below poverty line for most of the time but not always during a defined period. On the other hand chronic and extreme household are household that always below the poverty line all time during the defined period, while later is even below the subsistence level (see "Chronic Poverty Report 2004-05", Chronic Poverty Research Center, UK). The CRPID study defined the transitory poor as household with per capita per month consumption expenditure below 1.25 percent of the poverty line.

[35]In the standard definition transitory non-poor are defined as households that were not above the poverty line for most of the defined period but not always, while transitory vulnerable are transitory non-poor that have high probability of getting poor.