

IV RESPONSES TO POVERTY

The government, NGOs and private sector are implementing programs aimed at improving governance and accountability of public institutions to be able to better respond to the needs of the poor, assisting them economically through creating income and employment opportunities, and improving their access to basic services.

There is no general or universal social protection system in Pakistan. Neither is there an umbrella institution that would extend social protection and social safety nets to the poor and the vulnerable. However, a number of programs aimed at improving governance and accountability of public institutions to be able to better respond to the needs of the poor, assisting them economically through creating income and employment opportunities, and improving their access to basic services are being implemented by the government, NGOs and the private sector. Each of these sectors operates in a distinct manner as discussed in this section.

A. PUBLIC SECTOR

To mitigate the causes of poverty, the Government has recently introduced several important governance-related reforms to improve the functioning

of State institutions and strengthen their capacity and accountability with an aim to provide greater public access to better quality social sector related, judicial, and other services. Historically, various other poverty-targeted policy interventions and programs have also been initiated from time to time in the public sector in Pakistan, which can be categorized into three broad sectors: public works programs for asset creation and employment generation; micro finance programs to promote income opportunities; and social protection programs. In the paras that follow, the major elements of governance reforms introduced by the Government are discussed first, followed by a discussion on the policies and programs undertaken within the latter three sectoral areas. An assessment of an ambitious public sector social sector development initiative, the SAP is then presented. The section concludes on a

discussion of the present Government's poverty reduction strategy.

1. Governance Reforms

a. Devolution Plan

The Devolution Plan announced in March 2000, is a fundamental governance reform that aims to replace the existing highly centralized and control oriented government with a three tiered local government system that institutes "people-centered, rights and responsibility-based, and service oriented" government structures. Under the aegis of the Plan, elected local governments took power on 14 August 2001 in 96 districts in the four provinces.

The bulk of basic 'poverty focused' services, like health and education, have been devolved to district and lower local governments under the Plan. Provinces, once predominantly responsible for service delivery, will assume new responsibilities to support and supervise the performance of local governments, not as administrative appendages of the provincial bureaucracy, but as independent corporate bodies accountable to the electorate through political leaders.

In addition to elected councils, the Local Government Ordinance 2001 provides a number of

institutionalized opportunities for citizen's participation in council affairs. Citizen Community Boards (CCBs), and Public Safety and Justice Committees will monitor local government activities. CCBs are also empowered to prioritize investments for up to 25 percent of the local development budget for basic infrastructures and services.

Given the need to utilize available resources more effectively in order to improve social indicators in the medium term, the Government is relying heavily on the Devolution Plan to make a difference by promoting competition, ownership and accountability in delivery of public services, and by involving people more actively in community issues. However, international experience has shown that devolution takes time to have an impact. Also, technical and institutional capacity at the district and local levels is extremely weak, and unless a major capacity building initiative to address this problem is implemented quickly the expected improvements will not be forthcoming.

b. Access to Justice

The Government has introduced several reforms, and is in the process of initiating others (Box 4.1), to improve the administration of, and access to, justice in the country. Foremost among them is the separation of the judiciary from the executive, and the placement of the executive magistracy under the judiciary

following the abolishment of the office of the Deputy Commissioner as part of the local Government reforms. Further, the Government has proposed building on the strengths of existing local conflict resolution systems such as the *Panchayats* to establish new institutions, to be called *Masalihat Anjumans* (Conciliation Committees), for quick resolution of private disputes at the respective local levels.

The Government has also committed to reduce the large time-lag between filing of court cases and finalization of case decisions that has historically existed in the judicial system. As a first step in this direction, priority attention has been paid to cases pending before the courts that were filed under the Family Laws. It is reported that, consequently, only those family law cases that were filed in year 2000 are still pending before the courts. Further, the proposed reorganization of the police system with an aim to upgrade its professional standards and enhance its accountability at the local level is a welcome step in the direction of improving access of the citizenry to better law and order and security services, and creating greater checks and balances to put an end to the often reported cases of police harassment of the poor and less influential people. These efforts to improve the functioning of the judiciary and the police are, however, still at their initial stages, and will require concerted action and commitment by the Government in the medium term to see them through.

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Box 4.1 Access to Justice Program

The ADB is supporting judicial and police reforms being carried out by the Government under its Access to Justice Program loan. The key objectives of the judicial reforms being supported are: improving policy-making for a more efficient and people-responsive judicial sector; strengthening the independence of the judiciary through effecting complete separation of the executive from the judiciary; ensuring dispensation of timely and inexpensive justice; legally empowering the poor and the vulnerable; and improving human resource management systems in the judiciary. Under police reforms, the main objectives are to ensure an independent and accountable police service; establishing an independent prosecution service; creating an independent police authority; fostering better police-citizen relations; and creating greater gender and human rights awareness in the police system.

c. Civil Service Reforms

A number of civil service reforms have been introduced by the Government to strengthen public sector departments and institutions and make them more accountable and responsive to the citizenry. In this regard, the issue of improving the financial management system in the country has received particular attention. Prominent actions taken by the Government to this end include the separation of audit and account functions and the appointment of a Controller General of Accounts under the Ministry of Finance; the setting up of ad-hoc federal and provincial Public Accounts Committees; the institutional strengthening of the Central Board of Revenue; the establishment of the National Accountability Bureau to check corruption and misappropriation; and the plan to publish fiscal accounts on a quarterly basis to facilitate public access to information on the state of Government finances. Further, as part of the reform agenda, the Government has committed itself to promote merit in recruitment for public service, and, for this purpose, the Federal Public Service Commission has been granted further autonomy and mandate to be able to discharge its functions without fear of political interference. Other civil service reforms are also underway. However, notwithstanding this good start, it is clear that the commitment to, and pace of, the reforms effort would have to be sustained in the medium term to achieve the desired results.

Governance reforms in Pakistan have been opposed by powerful pro-status quo vested interests and the severe fiscal constraint puts additional restraints on a reform agenda. However, the government's record of implementing reform commitments made in 1999, in particular providing a legal basis for devolution and police reforms, ensuring the complete separation of judicial and executive powers, and completing on schedule the local

government elections, suggests readiness to confront issues that eluded Pakistan since independence.

2. Public Works Programs

The history of public works programs dates back to 1953 when the first such program was launched under the name of Village AID (Agricultural and Industrial Development). Village AID was an income generation initiative and was started to utilize surplus labor in rural areas to increase agricultural production as well as village based industrial production. The program also included funding for schools, health centers and water supply and sanitation facilities. As governments keep changing, successive rural development programs were launched with essentially similar objectives. These have taken various names such as the Rural Works Program, Peoples' Works Program, Integrated Rural Development Program, Five Point Program and the Tameer-e-Watan Program. In this series of programs, the present Government most recently launched the Khushhal Pakistan Program (KPP), that is described in more detail in the following paragraph.

The KPP is an integrated small public works program. The program was initially launched for a period of two years (Jan 2000-Dec 2001), with a budget of Rs. 20 billion, but was extended till the end of FY2002. The program finances public works whose cost ranges from Rs 0.05 million to Rs 5 million per scheme in rural areas and Rs 0.05 million to Rs 8 million per scheme in urban areas. It targets employment creation through the construction of essential local infrastructure in rural areas and low-income urban areas. It is implemented through a three-tier government structure in collaboration with local authorities and communities. The program attempts to involve local people in the identification, management and implementation of these small projects and inculcate a spirit of ownership among the

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beneficiaries. The program funds are to be spent on productive purposes and not as administrative expenditure. At the end of 2001, a sum of Rs. 11.5 billion had been released for the program and a large number of farms to market roads, water supply schemes, and schools had been constructed or renovated. The program has provided job opportunities to around 2 million people. The budget allocation for the program for FY2002 was Rs. 7.5 billion and it was estimated that 0.5 million people would be provided employment under the program during the year. Following the events of 11 September 2001, the allocation for the project was doubled, and Rs. 8.5 billion has already been spent under the Program in the first eight months of FY2002.

3. Microfinance

In Pakistan, microfinance has historically been provided by NGOs, with the Aga Khan Rural Support Program (AKRSP) playing a pioneering role in this regard. In the early 1990s, the government supported the replication of the AKRSP model nationally by providing grant funding to set up the National Rural Support Program (NRSP) and the Punjab Rural

Support Program (PRSP). However these essentially operate as NGOs¹, and are discussed in the section on civil society.

More recently, the government has played a direct role in promotion of microfinance in Pakistan. Two major programs in this regard are the Pakistan Poverty Alleviation Fund (PPAF) and the Khushali Bank (see Box 4.2). PPAF was set up by the Government in 1997, with an initial equity of Rs. 100 million, and with a \$100 million loan from the World Bank assistance to set up a credit line. The objective of PPAF's credit and enterprise program is to enable the poor to gain access to capital to finance investment in income generating activities. Operating through NGOs and the Rural Support Programs (RSPs), PPAF provides loans to the poor that are in the range of Rs. 9,500 to Rs. 10,000 and have no collateral requirements. However, a market interest rate is levied on all loans. As of June 30, 2001 PPAF had disbursed Rs. 471 million worth of loans to 46,260 beneficiaries. Approximately 28 percent of loans were estimated to have directly benefited women. PPAF also has two other program components, community physical infrastructure and human resource

Box 4.2 The Khushali Bank

A key initiative of the Government in the microfinance sector is the creation of the Khushali Bank, a microcredit bank established in 2000 with ADB support. Its aim is to benefit the poor through income generation activities/small-scale enterprise and small infrastructure projects. Its mandate is to act as facilitator and micro finance manager to expand the network of microfinance in the country. It is expected that the Khushali Bank will be able to cover 30 districts, and have a loan portfolio of Rs 7.6 billion, covering 600,000 households throughout the country within the next five years. The average loan size of the Bank is in the range of Rs 3,000 - 30,000 and is provided in the form of individual and group loans without any collateral. By the end of 2001, the Bank had disbursed an amount of Rs. 100 million to 15,000 beneficiaries. 30 percent of the Bank's borrowers are women. The Bank also supports social mobilization activities within poor communities and development of infrastructure such as water channels and link roads in the neglected rural areas. The Bank has recently launched its urban program in the city of Rawalpindi.

1. However, AKRSP's microfinance portfolio is now part of the newly established First Microfinance Bank Limited; which has been established by the Aga Khan Development Network as the first private sector microfinance bank set up in the country.

development. By mid-2001, PPAF had supported 796 physical infrastructure schemes at a total cost of Rs. 252 million.

Amongst older institutions, the Small Business Finance Corporation (SBFC) was established to provide credit to borrowers from small and cottage industries. The SBFC also started the Youth Investment Promotion Scheme to disburse credit to unemployed youth. During FY2000, it disbursed Rs. 202 million to 492 beneficiaries and is estimated to have generated employment for 1,476 persons. SBFC and Regional Development Finance Corporation have been merged to form the Small and Medium Enterprises (SME) Bank, that has been set up to support the financing needs of small and medium scale enterprises. The financing limit of the SME Bank has an upper ceiling of Rs 30 million.

4. Social Protection Programs

a. Formal Systems of Pension and Social Security

The Employees Social Security Scheme introduced in March 1967 was the first formal initiative. Initially, this scheme specifically covered workers in the textile industry with the objective of providing protection against contingencies of sickness, maternity, work-related injury, invalidity and death. In 1969, the coverage of the scheme was expanded with the inclusion of workers from commercial and other industrial establishments having ten or more employees. The scheme was reorganized on provincial lines in 1970. Social security institutions in each province extend medical coverage to secured workers and their dependents. In addition to medical coverage which accounts for around 70 percent of the total benefits under these schemes, the secured workers are also entitled to cash benefits in the event of sickness, employment injury, partial and

total disablement pensions, and death grants to dependents.

The Workers Welfare Fund Scheme and the Worker's Children Education Ordinance were initiated during the early 1970s. These schemes provide for education, matrimonial and housing related benefits to workers in the formal sector. Through the Workers Welfare Fund, 6,900 houses and 3,950 flats for workers had been constructed, and 34,000 residential plots developed by May 2000. The estimated number of beneficiaries of those projects is about 45,000. In addition around 17,000 students are enrolled in the 50 schools run by the Fund.

In 1976, the Employees Old Age Benefits Institution (EOBI) was established as a federal scheme to provide old age benefits, invalidity and survivor's pensions as well as old age grants to those eligible. It covers formal sector establishments, employing ten or more workers. Presently the total number of establishments registered with the institution is 44,704. Since its inception in 1976, the EOBI had insured 1.6 million workers with Rs. 14.8 billion contribution as of May 2001. The employers contribute at the rate of 5 percent of the wages of the insured employees. From 1983-2001, approximately 133,000 workers benefited from pensions and around 56,000 workers benefited from survivor's pensions and old age grants from EOBI.

None of these schemes cover workers from the agriculture sector, the informal economy and those in the formal sector who are either employed temporarily or through contractors or are employed in establishments with less than ten workers. In 1991-92, the coverage of these schemes was approximately 3 to 4 percent of the total employed labor force and in 1998-99 this had declined to 2.3 percent. Permanent employees of the federal and the provincial governments, estimated to be

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about 4 million, receive pensions and other benefits such as provident fund, on retirement, at the age of 60 or after 25 years of pensionable service.

b. Zakat and Bait-ul- Maal

Zakat, a donation to charity obligatory for Muslims, is Pakistan's main social welfare or protection system. The formal system of collection of Zakat was initiated with the Zakat and Ushr Ordinance of 1980. An amount of 2.5 percent is deducted from bank deposits and other financial instruments annually for payment of Zakat. The Zakat fund is administered by an autonomous Zakat council that is responsible for the disbursement of funds to institutions at the national level. At the province and district level, local Zakat committees are responsible for determining needs and allocation of funds to the deserving. Local committees can provide grants of up to Rs 10,000 while an amount larger than that is approved by the district committee. Monitoring committees at district, tehsil and local levels are entrusted to report on the functioning of the Zakat committees. The central and provincial committees are supposed to have quarterly meeting to review progress and implementation. Zakat distribution covers institutions and individuals both. Fifty percent of Zakat disbursement goes to eligible social, health, education, and religious institutions, while the remaining to needy individuals.

In FY2001, the Zakat collection was estimated at Rs 5 billion, and the number of estimated beneficiaries were about 1.9 million. The disbursement figures for Zakat for 2001 show that the highest portion (60 percent) of Zakat funds consist of the *Guzara* (subsistence) allowance going to 1,324,268 beneficiaries, followed by 18 percent for educational stipends benefiting 354,254 students. Religious educational stipends constitute 8 percent of the disbursement and reach 56,604 persons,

while disbursements for health constitute 6 percent of the total and have reached 115,649 patients. Four percent each of disbursements are for social welfare and marriage assistance, and are estimated to benefit a total of 43,632 individuals.

In 2001, the Zakat system was revamped to focus more on rehabilitation rather than relief, with Zakat funds assisting in the establishment of small scale commercial activities, or trades. In FY2002, a special allocation has been made for rehabilitation grants for starting up small-scale business or trade in 44 specified categories or business sectors. The Zakat fund comprising of savings from Zakat proceeds, which is used primarily to disburse grants for rehabilitation, has risen to Rs 24 billion in 2001. An additional number of about 1.5 million beneficiaries are expected to be added to the list as Zakat recipients in FY2002.

Pakistan Bait-ul-Maal was established in 1992 to provide assistance to the needy not covered by Zakat, i.e. the minorities. Funds for the Bait ul Mal are allocated by the federal government in the form of non-lapsable grants and small grants from the Central Zakat Fund and the Provincial Governments. Pakistan Bait ul Mal provided support of Rs 327 million to the needy during the past financial year for a number of purposes such as medical support, and education stipends.

c. Food Support Program

The food support program runs on a small scale and has limited coverage. It is designed to mitigate the impact of the increase in wheat prices that has followed the withdrawal of subsidies on wheat flour. Wheat is the staple diet of the population, and a rise in its price can have a significant impact on household budgets, particularly of the poorest income groups. So far, 1.2 million poor households who have an income equal to or less than Rs 2,000 per

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month have been reached through the food stamp scheme. Under the program, a cash payment of Rs 2,000 is given to poor households in two bi-annual installments. Three percent of the total allocation is reserved for minority families. The program is implemented at the federal and district levels and is going to be linked with the Zakat system in future. The total disbursement under the food support program was Rs 837 million in FY2001 that had increased Rs. 1.08 billion in the first half of FY2002.

5. Social Action Program

A comprehensive program for improving social indicators was initiated by the government in 1992 in the form of the SAP². SAP focused on four major areas: elementary education (primary and middle schooling), primary health care, drinking water supply & rural sanitation and population welfare. The total estimated cost of SAP was \$7.7 billion that was financed with the help of multilateral donors such as the ADB, the World Bank, and the European Union and various bilateral donor agencies. The estimated cost for the first phase was \$4 billion, with the Government providing 76 percent of total cost and the balance being provided by the donors. Donor financial support for the Social Action Program Project (SAPP) was

estimated at \$418 million with a further \$552 million to be provided as disbursements from ongoing and planned projects in the SAP sectors. The donor funding was jointly used to reimburse a proportion of the operational expenditure of provincial departments (Departments of Education, Health and Public Health Engineering) and federal ministries delivering SAP services. The Ministry of Planning and Development was responsible for executing the project through the SAP Secretariat with the provincial departments as the implementing agencies. A multi-donor support unit was established to act as a focal point to assist in monitoring the SAP.

The first phase of SAP was completed in 1996 at a cost of Rs 106.4 billion, with 64 percent of the total funding allocated for primary education (see Table 4.1). The remaining funds were allocated between primary health care (19 percent); rural water sanitation (14 percent); and population welfare (3 percent).

The impact of the first phase of SAP was mixed (as would also appear from the analysis of the state of human development in Pakistan carried out in Chapter II of this report), with some improvement in health indicators but no appreciable development in primary education and rural water supply and sanitation. In spite of the problems encountered in the first phase, government

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Table 4.1: SAP-I Sectoral Allocation

Parameter	Percent Share
Primary Education	64
Primary Health Care	19
Rural Water Supply & Sanitation	14
Population Welfare	3

Source: SPDC, 1999.

2. SAP was the name given to the larger program of the Government of Pakistan, whereas the Social Action Program Project (SAPP) is a subset of SAP which is funded by donors.

Table 4.2: SAP-II Sectoral Expenditure

Parameter	Rs. Billion	Percent Share
Elementary Education	329.2	66.0
Primary Health	96.9	19.4
Rural Water Supply and Sanitation	49.0	9.8
Population Welfare	19.0	3.8
Participatory Development Program	2.4	0.5
Monitoring and Evaluation	1.4	0.3
Technical Assistance	0.9	0.2
Total	498.8	100.0

Source: SPDC, 1999.

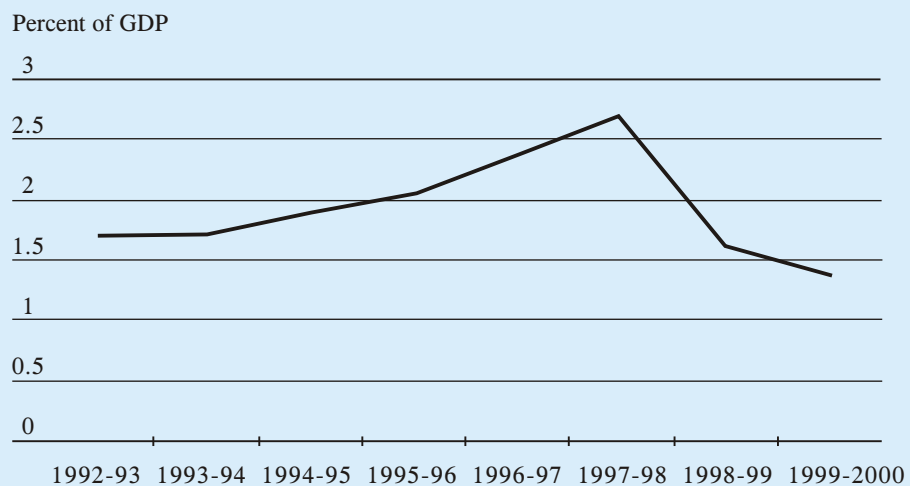
A policy shift was taken in SAP-II with emphasis diverted from expansion to consolidation and improvement in quality of service delivery at the grassroots level, with renewed emphasis on transparency.

and donors, recognizing the importance of continuing support to the social sectors, agreed to continue with the program. The second phase was formulated to cover a five and half year period (January 1997 to June 2002) and with a budget allocation of Rs 498.84 billion (Table 4.2), of which Government was financing 79.8 percent. A policy shift was taken in SAP-II with emphasis diverted from expansion to consolidation and improvement in quality of service delivery at the grassroots level, with renewed emphasis on transparency. The

physical scope was expanded to cover middle schools and non-formal education, health and nutrition, and water supply and sanitation in urban slums.

One of the overriding objectives of both SAP-I and SAP-II was to increase government spending on the social sectors, but as shown in Figure 4.1 below, expenditure on social sectors although having increased from FY1993 to FY1998, declined subsequently to pre-program levels.

Figure 4.1 SAP Expenditure Trends



Source: SPDC, 1999.

Table 4.3 SAP Achievements, 1991-99

Parameter	(Percent)		
	1991 (Baseline)	FY96	FY99
Primary Gross Enrolment Rate	73.0	75.0	71.0
Male	86.0	85.0	80.0
Female	59.0	64.0	61.0
Government Schools Enrolment (Percent of Total)	86.0	79.0	75.0
Male	87.0	80.0	76.0
Female	85.0	78.0	74.0
Full Immunization	25.0	45.0	49.0
Male	29.0	46.0	52.0
Female	22.0	45.0	47.0
Infant Mortality	102.0	101.0	89.0
Male		105.0	93.0
Female		97.0	85.0
Total Fertility Rate		5.6	4.5

Source: FBS. PIHS Round-3 (1997-98) and SPDC, 1999.

Successive Pakistan Integrated Household Surveys (PIHSs) show that while health indicators have improved somewhat over the SAP period, education indicators improved only marginally from 1991 to 1996, and deteriorated from 1996 to 1999. Thus, as is clear from Table 4.3, while immunization almost doubled between 1991 and 1999, and infant mortality and the fertility rate declined³, overall gross

enrolment rates fell in this period (although with some improvement in girls' enrolment). The overall outcomes of SAP were, therefore, mixed (Box 4.3).

By June 2001, the donors supporting SAP were expressing concern not only about low allocation and expenditure constraints in the social sectors, but also about major governance and financial

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Box 4.3 SAP's Mixed Outcomes

SAP was successful in terms of putting the social sector on the priority agenda of the federal and provincial governments, in building capacity at these levels and in improving planning and evaluation. SAP helped increase girls education and health and family planning services, often in combination with private services. However, the Government and donors did not fully anticipate the serious and entrenched neglect of public social services and how difficult it would be to improve implementation and efficiency. Social sector development requires a social transformation and a radical change in the way social services are managed, with full recognition of the roles of communities and the private sector, and this aspect of ownership and participation was missing in SAP. The SAP review in 2000 concluded that inadequate resources, lack of trained staff, absenteeism, inadequate and unreliable supplies of inputs and weak monitoring taken together at large contributed to the lack of significant improvement in social indicators.

3. However, as discussed in Chapter II, the PIHS report cautions that data on the fertility rate is unreliable due to reporting errors

The Strategy has identified five major areas of intervention for poverty reduction in the country. These are revival of economic growth, income generation, creation of employment opportunities, human development, strengthening of social safety net programs to reduce vulnerability, and improvement in governance.

management problems at the district and local levels. It was also clear that the project would have to be redesigned to ensure consistency with the proposed Devolution Plan. The SAP experience highlighted the need to have a strong system of governance, including improved financial controls, decentralizing control of services to district and community level and improved incentive for service providers. Most SAP donors, including the ADB and the World Bank, have decided not to continue funding the Program beyond June 2002, and to concentrate on working with the Government to strengthen capacity for social service delivery at the local level. This is because, the improvement of Pakistan's social indicators is an overriding concern for the Government and the donor community alike. The Government has reaffirmed its commitment to improving the level of human development in Pakistan during the Human Development Forum held in Islamabad in January 2002. The Government initiated the development of programs for education and health sector reforms in 2000, and launched both in 2001. The Education Sector Reforms aim to address issues of resource mobilization and utilization, in addition to introducing institutional reforms at all levels of education. The health sector reforms in turn, focus on ten specific areas for reform including the reduction of widespread prevalence of communicable disease, addressing inadequacies in primary and secondary health care services, promoting gender equity and reducing urban-rural disparities. These reform programs have now been incorporated into a broader policy framework for structural reform and poverty alleviation, the IPRSP, discussed in the next section. The IPRSP, in turn, is to be implemented in consonance with wide-ranging governance reforms, to be carried out under the Devolution Plan.

6. Poverty Reduction Strategy

The Government's medium term development agenda is focused on reducing poverty in Pakistan, and bringing about significant improvements in the level of human development. To implement this agenda the Government prepared its Poverty Reduction Strategy during 2001. The first draft of the Poverty Reduction Strategy Program on which the Interim Poverty Reduction Strategy Paper (IPRSP) is based, was released for discussion in February 2001. This formed the basis for consultations between the Government, civil society and donor agencies. The IPRSP, completed in November 2001, incorporates the results of these consultations, and formed the basis of the Government's negotiation of the PRGF with the IMF in December 2001. The IPRSP encapsulates the Government's medium term program of structural reforms. It is to be developed into a full Poverty Reduction Strategy Paper after the elections of October 2002.

The Strategy focuses on reforming formal institutions of governance while working towards attainment of specific human development goals in the areas of education, health, population welfare, water supply and sanitation. It incorporates the key features of the education and health reform programs launched in 2001, while addressing a broader agenda of structural reform. The Strategy has identified five major areas of intervention for poverty reduction in the country. These are revival of economic growth, income generation, creation of employment opportunities, human development, strengthening of social safety net programs to reduce vulnerability, and improvement in governance.

The Strategy identifies four sectors, agriculture, SMEs, information technology and energy (primarily gas and coal) to lead

the revival of economic growth. It also outlines an ambitious governance reform agenda, including reform of public audit and accounting systems, implementation of the Devolution Plan for improved social service delivery, judicial and legal reforms and reducing corruption. The Strategy also emphasizes the need to create more employment opportunities for the poor, and improve their access to credit, land and housing. It identifies Zakat as the Government's central social protection program and stresses the need to use Zakat funds for rehabilitation. To reduce vulnerability among the poor the Strategy also envisages more efficient utilization of Zakat funds in addition to the institution of a food support program.

The Strategy is a comprehensive one, but its implementation will depend on the provision of adequate financial resources for public sector interventions in the key areas identified. An elaborate framework for tracking pro-poor public expenditure and poverty monitoring has been established under the IPRSP. The monitoring system has three components including expenditure tracking, output mapping and outcome monitoring, all of which are relevant to track progress in the achievement of the Millennium Development Goals. A Center for Research on Poverty Reduction and Income Distribution has been established at the Planning Commission to monitor the progress and performance of the strategy, along with the Poverty Alleviation Section of the Planning and Development Division and the IPRSP Monitoring Cell in the Ministry of Finance.

B. NON-PROFIT SECTOR AND CIVIL SOCIETY

The non-profit sector has emerged as an important player on the development scene in Pakistan in the last two decades. Its emergence as an active development entity is widely perceived to be a response to the failure of the State in providing effective and efficient basic social services, and in its general suppression, especially during periods of previous military regimes, of organized activity and expression in the country. In relation to the latter issue, it could be argued that there continues to be a degree of dismissiveness and resistance among some Government circles with respect to the role of the non-profit and civil society sector as an important contributor to national development. Overall, however, today there is much greater general recognition and acceptance than ever before among all stakeholders, including Government, the society at large, and donors as regards the role of the non-profit sector in promoting participatory, equitable and sustainable development. This has resulted in a growing trend towards public-private partnerships in development that has, in turn, led to an increase in activities of NGOs and civil society organizations in the 1990s. Yet, the exact dimensions of the non-profit sector in Pakistan are not known because of multiple laws⁴ under which NGOs and civil society organizations can be registered with no centralized system of record-keeping in Government agencies, and because many organizations are not registered with any agency. A recent study conducted by the Social Policy and

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4. NGOs in Pakistan are able to register under five different legal sets of regulatory schemes. These are the Societies Registration Act of 1860; the Trust Act of 1882; the Cooperative Societies Act of 1925; the Voluntary Social Welfare Agencies Registration and Control Ordinance of 1961; and the Company Ordinance of 1984.

Box 4.4 SPDC Study on Pakistan's Non-Profit Sector

Preliminary findings of a study carried out by SPDC reveal important information on the dimensions of Pakistan's non-profit sector. Of the estimated 45,000 non-profit organizations in the country, 46 percent were projected to be working in the area of education and research; 18 percent in civil rights and advocacy; 8 percent in the social services; 6 percent in health; 5 percent in religion; and the remaining non-profits were dispersed in several other sectors in small percentages. It is important to note that of the non-profit institutions working in education and research, about 64 percent were classified as those that had their principal focus on mainly imparting religious education (although many of them could also be organizing basic primary education). The study also estimated that 78 percent of all non-profit organizations were based in the urban areas. In terms of provincial distribution, 56 percent of non-profits were projected to be based in the Punjab, 34 percent in Sindh, and 5 percent each in NWFP and Balochistan. Of the total estimated membership of 6 million in non-profit organizations, 35 percent were projected to be members of civil rights and advocacy organizations, 27 percent of business and professional associations, and 16 percent of education and research organizations. Relatively lower total membership levels were estimated in the other activity sectors. The study found that financial support for non-profit organizations came from community contributions, local and international donors, and the Government. Non-profits were estimated to raise almost 50 percent of their total cash revenues from fees and user charges (including membership fee; 37 percent from private indigenous philanthropy; 7 percent from private foreign philanthropy; and only 6 percent from Government sources.

Some NGOs are purely welfare oriented, others are involved in poverty reduction which includes mainly community-based strategies to improve income-generation opportunities, skills development, savings & credit type initiatives, and social sector development.

Development Center (SPDC), discussed in Box 4.4, has, however, attempted to systematically estimate the number of non-profit organizations. The study estimates that there are about 45,000 registered and non-registered non-profit institutions in the country that collectively employ 264,000 people and have an operating annual cash expenditure of Rs. 12,959 million.

NGOs are working throughout Pakistan in a wide-ranging set of activities, offering a diverse portfolio of opportunities. Some NGOs are purely welfare oriented, and were formed primarily as charity organizations. Many others are involved in poverty reduction which is a loosely defined objective that may include mainly community-based strategies to improve income-generation opportunities, skills development, savings and credit type initiatives, social sector development, and other activities falling under the broader objective of reduction in poverty of the target population. NGOs in this category are mainly engaged in direct service delivery as well as facilitating service delivery through linkages with Government line agencies. There are also some NGOs that exclusively

work on undertaking policy advocacy in specified areas. A discussion on these broad categories of NGOs follows.

1. Welfare Oriented NGOs

Welfare oriented NGOs are primarily philanthropic institutions working with vulnerable groups. Examples of leading welfare organizations in Pakistan are the Edhi Welfare Trust and the Ansar Burney Welfare Trust. The Edhi Welfare Trust, for example, runs a network of relief services all over the country and has been recognized internationally, while the Ansar Burney Welfare Trust started as a human rights advocacy group working for legal reform, particularly jail reforms, but has since branched out into a range of welfare activities targeted at prisoners and their families in particular.

2. Social Sector Service Delivery NGOs

NGOs and other civil society organizations focusing on social sector development, or those limited to a sectoral focus in health or education, are numerous.

These include such prominent organizations as the Family Planning Association of Pakistan, Social Marketing Pakistan, the Aga Khan University community health programs, Aga Khan Health Service, Aga Khan Education Service, the Society for Advancement of Health and Education, Bunyad Literacy Council, the Hamdard Foundation and many others. Most NGOs are engaged in direct service delivery as well as facilitating service delivery through linkages with Government line agencies. Besides these NGO efforts, there are other private initiatives such as the Shaukat Khanum Hospital, the Kidney Center, and the Layton Rehmatullah Benevolent Trust, which are very active.

3. Rural Support Programs and Other Development NGOs

A number of NGOs are implementing integrated rural and urban development programs in different parts of the country and provide a range of development services. Most of these have adopted a participatory approach and work closely with local communities. Amongst the more prominent development NGOs are the RSPs, Sungi Development Foundation, and the Orangi Pilot Project (OPP).

The RSPs include the AKRSP, NRSP, PRSP, Sarhad Rural Support Program (SRSP), the Baluchistan Rural Support Programme, and the Thardeep Rural Development Program.

The organizational model upon which the RSPs in Pakistan are based, consists of three key elements: a program, willing participants, and a support organization. The RSP approach is to bring these three components together by developing a participatory program that serves the needs of the beneficiaries or participants through fostering community organizations at the grassroots. The RSP itself serves as a support organization that provides interventions through these community

organizations. Interventions or "packages" are tailored to meet the needs of the rural communities through a process of participatory identification, planning, implementation and management that is undertaken through the community organization platform. Broadly, the RSPs use a threefold approach that emphasizes social mobilization or organization, building up of capital through regular savings, and human resource development to increase the capacities of the rural communities to undertake their own development. In recent years, this approach has broadened in scope to include a fourth component that is to promote and strengthen linkages between community organizations and other development partners (including Government).

The AKRSP, the first RSP, was established in 1982 by the Aga Khan Foundation, and is based in the Northern Areas and the Chitral district in NWFP. AKRSP's goal is to promote economic and social development to improve the quality of life of the local people of this region through developing an institutional and technical model for grassroots development. AKRSP has been involved in organizing village-level institutions, providing support for small infrastructure schemes, running a microfinance program, supporting small enterprise development, and implementing natural resource management and training programs. AKRSP has fostered more than 4,000 village and women's organizations that are providing collective platforms for local people to implement and manage activities for their self-development. Through the medium of these institutions, communities have been able to strengthen their financial base through accumulating Rs. 430 million in private savings. AKRSP has also extended loans worth Rs. 1450 million to members of village and women's organizations. In addition, the Program has implemented small infrastructure projects in collaboration with local communities,

Broadly, the RSPs use a threefold approach that emphasizes social mobilization or organization, building up of capital through regular savings, and human resource development to increase the capacities of the rural communities to undertake their own development. In recent years, this approach has broadened in scope to include a fourth component that is to promote and strengthen linkages between community organizations and other development partners (including Government).

Sungi operates through a range of inter-linked activities such as community-based institutional development, gender focus initiatives, natural resource management, small sustainable village infrastructure projects, health and sanitation interventions, capacity building, small rural enterprise development through savings, credit and crafts promotion among others.

which have benefited over 150,000 people. In this regard, land development projects have brought 21,000 hectares of land under cultivation. In terms of economic impact, the Farm Household Surveys of AKRSP show that per capita income in the program area increased by almost 55 percent during 1991-97. As a result, it is claimed that poverty declined from 49 percent in 1991 to 32 percent in 1997.

The AKRSP's success spawned a number of Programs seeking to replicate the AKRSP model in other parts of the country. The first such program was the Sarhad Rural Support Corporation, later redesignated as the SRSP which started operations in the NWFP in 1989. The establishment of the SRSP was followed by the establishment of NRSP in 1992 and the PRSP in 1998. NRSP, being the largest of the RSPs in terms of coverage, is discussed in more detail as follows.

The NRSP started operations in 1992, and was established with the help of a Rs. 500 million grant from the federal government. This grant set a unique precedent in the country's development history, as it was the first time that the Government had allocated funds for the establishment of an organization that was essentially to operate as an NGO. By establishing NRSP, the Government signaled its commitment to a new development strategy that would be more grassroots based, and could serve to form linkages between government institutions and communities. NRSP started work in nine districts of the country, and was set to expand coverage to eight more in the second year of operations, when a change of government occurred and the grant of funds to the Program was questioned at the highest levels. The Program was, however, eventually allowed to continue although no additional funding was provided to it, and its operations have now expanded to about 30

districts. NRSP has succeeded in forming and working with over 12,000 community organizations with a collective membership of over 260,000. NRSP also has the largest microfinance program of the RSPs and has advanced loans worth Rs. 2,504 million to beneficiaries in target communities.

At the end of 1999, the various rural support programs covered 62 districts. The Programs have developed a trained cadre of 107,257 activists with managerial, technical and vocational skills. They have mobilized savings of Rs. 697 million and disbursed credit worth Rs 3 billion.

Among the other prominent development NGOs are the Sungi Foundation and the OPP. Sungi was established in 1989 as primarily an advocacy oriented NGO, working on social development issues. After the floods of 1992, which caused widespread destruction in Hazara, the organization expanded into a development NGO implementing an integrated multi-sectoral rural development program in the Hazara division of NWFP. Sungi operates through a range of inter-linked activities such as community-based institutional development, gender focus initiatives, natural resource management, small sustainable village infrastructure projects, health and sanitation interventions, capacity building, small rural enterprise development through savings, credit and crafts promotion among others. Although it is a grassroots based program like the RSPs, its approach differs from that of the RSPs in that it does not seek to formulate village or community organizations in target villages, but works with existing CBOs. A discussion on OPP appears in Box 4.5.

4. Microfinance Institutions

The concept of using microfinance as a tool for poverty alleviation has gained

Box 4.5 Orangi Pilot Project (OPP)

Orangi is the largest squatter settlement of the city of Karachi, with an estimated one million inhabitants. The inhabitants of Orangi, like many other such settlements, have limited access to public services, particularly sanitation facilities. The OPP was started in 1980 with the objective to improve living conditions in the area, particularly with regard to development of a sanitation system, and to develop a model for replication in other areas. Known as one of the most successful NGO sanitation provision projects, this community-owned, community-managed infrastructure upgrading program has helped over one million people to improve sanitation facilities, leading to significant reduction in water borne diseases in the area.

Following its initial success with the sanitation system, OPP has developed a number of model programs for the area including a basic health and family planning program, a program to improve the housing construction industry in the area, a credit program for small family enterprises, a program to upgrade the physical and educational conditions in schools established in the area by the private sector, and a program for women garment workers to inculcate managerial skills and cooperative action. In 1988, OPP was upgraded into four autonomous institutions including the OPP-RTI which is the research and training institute of the OPP, the Orangi Charitable Trust which handles the OPP's microcredit program, the Karachi Health and Social Development Association which handles the public health program and the OPP Society which channels funds to the three institutions.

OPP's experience shows the importance of promoting concepts of self-reliance in communities and limiting dependence on the public sector. Nevertheless, OPP is now re-orienting its approach to work closely with Government agencies so that barriers faced by communities in this regard are gradually broken down. In the case of the provision of sewerage lines for example, OPP's efforts were in danger of being invalidated by the Government's inability to provide primary sewerage disposal lines and treatment plants. A more integrated approach, in which public agencies are more involved in the development program of a community can yield even greater dividends, without sacrificing the primary philosophy of self-reliance which drove the OPP initiative.

credibility following the example set by the Grameen Bank in Bangladesh. While microfinance is an important component of the development approach of RSPs and other institutions discussed above, there are several other NGOs in Pakistan that have concentrated on microfinance as the prime focus of their activities. Some of the main ones in this regard are the Kashaf Foundation, the Taraqee Trust, the Community Support Concern, Development Action for Mobilization and Emancipation, and the Awami Committee

for Development. Kashaf's pioneering microfinance program is discussed in more detail in Box 4.6.

An important recent development in the microfinance sector has been the establishment of the first private sector microfinance bank in the country by the Aga Khan Development Network. Licensed by the State Bank to operate nationally, the First Microfinance Bank will be providing both savings and credit services to clients through 30 bank branches that are planned

While microfinance is an important component of the development approach of RSPs there are several other NGOs in Pakistan that have concentrated on microfinance as the prime focus of their activities.

Box 4.6 Kashaf Foundation

Kashaf's major activity is microfinance and associated savings activities that are targeted to exclusively benefit women. Potential loan recipients are identified through door-to-door surveys and are then organized into groups of four to six members and registered. Functional training is a core component of the program. Mandatory half-day borrower training is given to all group members to define and agree on program objectives as well as terms and conditions of borrowing. Leadership training is given for group management, record keeping and program monitoring. Kashaf also provides groups with marketing support in the form of information on market opportunities. Savings are compulsory for group members at the rate of not less than Rs. 30 per month. Groups must complete two monthly savings cycles before they become eligible for loans.

Many NGOs mobilize communities in order to channel their interventions through a participatory method. However, the CBOs also include local welfare- and development-oriented groups that emerge out of organic local processes through the initiative of local community leaders.

to be setup in various parts of the country in the next five years. AKRSP's microfinance program in the Northern Areas and Chitral will also now form part of the Bank's portfolio of operations.

5. Community Based Organizations

In addition to the major NGOs some of which have been described above, community-based organizations (CBOs) and other forms of grassroots and local development institutions are large in number and widespread. The majority of CBOs are based in rural areas. The nature of CBOs is such that many NGOs implement their interventions through CBOs and other local institutions at the community level.

Some CBOs can be characterized as simple village-level institutions that are organized around a set of project interventions to be the "receiving mechanism". Many NGOs mobilize communities in order to channel their interventions through a participatory method. However, the CBOs also include local welfare- and development-oriented groups that emerge out of organic local processes through the initiative of local community leaders. It is this latter kind which often proceed to register formally.

6. Advocacy Groups

A number of advocacy groups became active in Pakistan in the 1980s, during the martial law period. As political activities remained suspended, NGOs and advocacy groups took on the role of "watchdogs" and formed pressure groups to lobby on specific issues. Subsequent to the elections of 1988, advocacy groups continued to disseminate information on a range of issues, and a number of new NGOs were formed as restrictions of freedom of speech and expression were lifted. Advocacy groups broadly deal with human rights, women's and child rights and environmental issues, although some have broader development

agendas in addition to their advocacy-related activities.

Amongst the more prominent advocacy groups is the Human Rights Commission of Pakistan that works on a broad range of human rights issues in the country. In addition, there are several NGOs working exclusively on women's rights issues such as the Women's Action Forum, Aurat Foundation, the All Pakistan Women's Association, and Shirkat Gah, although Shirkat Gah is also working on women's general development issues as well. Some institutions like Bedari and War Against Rape are providing counseling services to female victims of abuse. More recently, child rights have become a focus of attention: NGOs like Sahil are dealing with issues of child abuse.

NGOs such as the Society for the Conservation and Protection of the Environment and the Urban Resource Center have been active in raising awareness on urban environmental issues. A number of other NGOs like the Sungi Development Foundation, and the Sustainable Development Policy Institute, a policy research organization, are also active on environmental advocacy issues in addition to other human rights issues. Finally, institutions such as The Citizen Alliance in Reforms for Efficient and Equitable Development, which was formed in response to the proposed privatization of the Karachi Water and Sewerage Board, and the Pakistan Institute of Labor Education and Research focus on advocacy on issues such as the impacts of deregulation on society and the economy.

7. Key International NGOs

Several leading international NGOs have operations in Pakistan, of which some focus more on direct implementation, others on capacity building of local institutions, while some attain to balance the two approaches. Invariably, however,

international NGOs undertake most of their work in conjunction with local CBOs and NGOs. Key international NGOs active in Pakistan include the two major environment and conservation NGOs, World Conservation Unit and World Wide Fund for Nature, development NGOs such as Action Aid, Save the Children Foundation, and the Asia Foundation; and those in social service provision such as the Marie Stopes Society and Medecins du Monde.

The regulatory environment for international NGOs is flexible and undefined. Those receiving bilateral donor funds in Pakistan are, however, required to obtain a protocol agreement with the Economic Affairs Division. They are all registered in their respective countries of origin.

8. Umbrella/Support Organizations

As more NGOs have come into operation, donors have increasingly come to rely on umbrella or support organizations to channel funds to grassroots organizations and development NGOs. Organizations such as the Trust for Voluntary Organizations, the Aga Khan Foundation, the Asia Foundation, and the Pakistan Poverty Alleviation Fund provide financial and technical support to local CBOs and NGOs for implementation of development activities.

There are other non-Government umbrella organizations that do not provide funding, but undertake policy, research and advocacy, and training activities for, and on behalf, of their respective member organizations. One example of such an organization is the Pakistan Microfinance Network (PMN) that was established in 1999, comprising of all major non-profit microfinance providers in the country. The

PMN has been active on policy and regulatory issues as well as training and capacity building related to provision of sustainable microfinance services. Another such umbrella support organization is the RSP Network, which was set up to meet the need for program quality guidance and strategic support to the RSPs, and is also emerging as a technical guidance, research, and policy-oriented organization. In addition, there are also a number of coalitions, such as the Pakistan NGO Forum and Punjab NGO Coordinating Council that work on specific development and advocacy issues.

9. Indigenous Philanthropy

As estimated in an SPDC study (Box 4.4, page 64), private indigenous philanthropy accounts for 37 percent of the revenue base of NGOs, and after fees and user charges, is the largest source of their income. Given, therefore, the importance of national philanthropy as a source of funding for the NGO sector, a brief discussion on its trends is presented here. Based on a recent report on indigenous philanthropy in Pakistan, it is estimated that in 1998 alone, individual contributions amounted to Rs. 41 billion in cash and goods (Table 4.4)⁵. This amounts to about two-thirds of public spending on social sectors which is estimated to be about Rs. 60 billion annually. In addition to this, it is estimated that about Rs. 30 billion were given in terms of time through volunteerism during the same period, which shows that there is a significant spirit, tradition and capacity of volunteerism in Pakistan that could potentially be harnessed to further contribute towards poverty reduction efforts.

Much of the philanthropic giving is ad hoc and through informal channels, often by

As more NGOs have come into operation, donors have increasingly come to rely on umbrella or support organizations to channel funds to grassroots organizations and development NGOs.

5. Aga Khan Development Network, 2000. *Enhancing Indigenous Philanthropy for Social Investment*, Islamabad.

Table 4.4 Estimates of Philanthropic Contributions by Individuals in 1998
(Rs. Billion)

Forms of Giving	Given to:		
	Organizations	Individuals	Total
Monetary Giving (1+2)	15.144	25.972	41.116
1. Money (1.1+1.2)	10.353	19.444	29.797
1.1 Non-Zakat	9.369	6.647	16.016
1.2 Zakat	0.984	12.797	13.781
2. Gifts in Kind (value)	4.791	6.528	11.319

Source: Arshad Zaman Associates, 1999.

There is a lack of an institutional mechanism to advise and guide this philanthropic giving so that it can be channeled to well-meaning public sector efforts.

individuals and groups of individuals directly to relief and social welfare efforts, but more often to local initiatives where there is a sense of knowing that the money is being used for the purposes intended. There is a lack of an institutional mechanism to advise and guide this philanthropic giving so that it can be channeled to well-meaning public sector efforts⁶. However, any "institutional" or formal body should not "control" the indigenous philanthropic efforts and traditions, but rather it should undertake policy-driven research that can advise on effective programs that require funding support. The Government and such institutions should work together to make use of the local philanthropy tradition and sources to give them options for funding viable and transparent poverty reduction initiatives.

10. Other Transfers

Information and analysis on other transfers, which may have significant impacts on poverty, particularly when they extend beyond the nuclear family, has been reported in the year 2000 annual report of the Social Policy Development Center. Based on available data⁷ at the time, the report estimates that total informal transfers received by households in Pakistan

amounted to over Rs 71 billion (3 percent of the GDP) in FY1997. About 84 percent of informal transfers were estimated to be in the form of remittances. Of these, internal remittances amounted to a total of Rs 36.1 billion in FY1997, of which 78 percent was estimated to have accrued to households in the rural areas. The reason for this significant inflow to the rural areas is that these remittances are largely sent by workers who have migrated to cities in search of jobs. External remittances amounted to Rs 23.5 billion FY1997, of which 48 percent was found to have been remitted to rural households.

C. PRIVATE SECTOR

The provision of basic social sector services is by and large the constitutional mandate and responsibility of the public sector. However, due to various reasons such as efficiency, quality, and reliability, the private sector has started to play an increasing role in the delivery of social sector services. Although in urban areas there has always been a small presence of private provision, usually catering to the better off, this in recent years has expanded to service the middle class and even low income groups, as well as the people in peri-urban and rural areas. In particular, the

6. Recognizing this gap, the Aga Khan Development Network has recently conceptualized and set up the Pakistan Center for Philanthropy.

7. Federal Bureau of Statistics, 1998: *Household Integrated Economic Survey 1996-97*. Islamabad.

mushrooming of private schools throughout the country is astonishing, as families are opting for an education service where there is reliability of teacher availability and some semblance of a quality-oriented teaching environment. The health sector has also seen a growth of private sector practitioners, medical dispensaries and drug stores in urban, peri-urban and in rural areas.

1. Private Sector Role in Education

Non public institutions involved in the provision of educational facilities may be profit-oriented enterprises or non-profit ones. To keep the analysis simple, both types of enterprises are discussed under the heading of 'private sector institutions' in this section. The following sections describe the profile of and trends in the provision of education services in urban and rural areas.

Based on FY1999 PIHS data, 25 percent of Pakistani children attending primary level schools were estimated to be attending private for-profit schools⁸. The proportion of children attending private schools was 47 percent in urban areas, and 14 percent in rural areas, notwithstanding the fact that private education hitherto had been thought of as a primarily urban phenomenon. In Punjab, for example, 19 percent of children enrolled in primary schools in rural areas were found to studying in private schools, while in NWFP the corresponding proportion stood at 12 percent.

According to an FBS census of private educational institutions, there were 33,893 general education (i.e., non-technical, non-vocational) institutions in Pakistan, out of which 14,748 are primary schools, 12,550 middle schools, 5,940 high schools, 407 higher secondary schools, and the

remainder were universities and other institutions. In Punjab, 58 percent of the private educational institutions were found to be in urban areas, while in Sindh, Balochistan and NWFP, the corresponding proportions were 89 percent, 72 percent, and 59 percent respectively.

Besides, for-profit private schools, there are schools that are run as public - private partnerships between the Government and NGOs, CBOs, and private foundations, or are run by development institutions or CBOs with support from the communities. Although the number of such schools is not known, NRSP alone is running more than 200 schools catering to about 10,000 children in rural areas. The Northern Areas have 500 formal community schools in partnership with Government throughout the five districts, and many other self-help basis schools being managed entirely by communities.

Many of these types of schools have self financing systems (such as community-managed endowments, Government-supported per child subsidy, and recovery through user fees), and also have mechanisms to include support for the poorer segments of the community through tuition waivers, local scholarship funds, and collective financial contributions. These types of innovative financing schemes need to be further reviewed for replication on a larger scale.

2. Private Sector Role in Health

The private sector is an important actor in the provision of health and family planning services in Pakistan. The private sector accounts for almost two-thirds of all health expenditure. It is mainly based in the urban areas, although there is evidence of growing private sector provision of health

The mushrooming of private schools throughout the country is astonishing, as families are opting for an education service where there is reliability of teacher availability and some semblance of a quality-oriented teaching environment.

8. The PIHS does not give data for enrolment in private schools at secondary or tertiary levels.

Mobilization of communities in such institutions and groups builds their capacity and confidence and creates appropriate mechanisms at the local level through which public sector services could be channeled with a greater degree of efficiency and cost-effectiveness.

services in the rural areas as well. Additionally, however, it could be argued that the 'effective' outreach of the private sector even in the rural areas, defined in terms of access and availability of health services and facilities, is higher than that of the public sector. The private sector includes registered practitioners (allopathic specialists, hakims, and homeopaths), and public sector paramedics/doctors who operate as private practitioners. Pharmacies and other retail stores selling pharmaceuticals and family planning products also play an important role in health provision. Household expenditure on private services is estimated at three times the corresponding expenditure on public health services. As mentioned in Chapter II of this report as well, the relative preference of households for private sector health services can be gauged by the fact that only 19 percent of diarrhoea cases (according to PIHS data) nationally were first reported to a Government health practitioner. The main reasons cited by households for visiting a private practitioner includes the routine absence of doctors and nurses employed in Government facilities and unavailability of medicine especially in the rural areas, and the increased availability of private sector practitioners and facilities.

The not-for-profit programs in the health sector include those of NGOs focusing on health service delivery, particularly in the reproductive health/family planning sub-sector. These NGOs, some of which are mentioned in Section B, while constituting a small proportion of the total private healthcare sector, are, however, playing an important role in terms of outreach and low cost programs to supplement the public sector system.

D. POTENTIAL FOR PUBLIC-PRIVATE-CIVIL SOCIETY PARTNERSHIP

The above descriptive analysis has brought out the rich diversity of the NGO and civil society sector in the country as well as the vibrancy of its private sector in the provision of social services. There thus exists a basis to argue for a more active, formal, and recognized role for institutions working in these sectors to complement the work of the public sector in undertaking development programs and activities in the various areas of their operations.

As summarized in the preceding paras, there are several 'niche' areas in which the NGOs and the private sector have been able to prove their capacity to deliver and within which, therefore, their role and work might be expanded to allow them to operate and have an impact at a bigger scale. Among these areas, the first and foremost is fostering social capital through mainstreaming the participation of communities in the development process and organizing them into broad-based institutions and groups. Mobilization of communities in such institutions and groups builds their capacity and confidence and creates appropriate mechanisms at the local level through which public sector services could be channeled with a greater degree of efficiency and cost-effectiveness. This is thus a useful way for the NGO/private sector and the public sector to work together in which the former helps create the enabling institutional conditions at the local level, by virtue of which the social and other services provided by the latter become better targeted and more accessible by local communities.

NGOs and the private sector have also demonstrated their usefulness in becoming contractors to the Government to facilitate community-based implementation of small-scale infrastructure and public works schemes. Recently, for example, under the KPP, the Government of Punjab, instead of hiring private contractors as per routine, requested the Punjab Rural Support Program to undertake responsibility for implementing small infrastructure schemes under the KPP in collaboration with local communities in some selected districts. To take another example, AKRSP was contracted by the Government of the Northern Areas to help local communities build a number of irrigation channel schemes for land development; whereas it is generally the Department for Local Bodies and Rural Development, working through private contractors, that is tasked with the construction of such schemes. Recognizing the effectiveness of NGOs and their ability to deliver, the Government set up the PPAF to provide a formal institutional mechanism through which NGOs are directly receiving public funds to undertake small infrastructure projects throughout the country. The main reason and rationale for this model of infrastructure provision is its much greater cost-efficiency as compared to the Government executed schemes, and the greater degree of local ownership and responsibility for maintenance it inculcates through making local communities in-charge of these schemes. Based on these success examples, in future, NGOs could play an even bigger role in provision of small-scale infrastructure that could allow the relevant Government line departments to accordingly refocus and rationalize their own work programs for better operational and institutional efficiency.

The role of the NGO and private sector in the delivery of social services also offers several opportunities for complementarity with the public sector, and allows public

sector agencies to focus more on those functional areas and geographical locations where the private sector is less active. For example, as was stated earlier, 47 percent of all primary school going children in the urban areas today are enrolled in private sector schools and are perceived to be receiving better quality education relative to those in public schools. Thus, for example, by allowing and actively encouraging the private sector to expand its role further in the delivery of quality primary education in the urban areas, the public sector could focus more of its own efforts, and direct greater resources, to the under-served rural areas. However, in the urban areas, the government could provide education vouchers and stipends to the poor to ensure their equitable access to private sector education. Similarly, various NGOs and private sector organizations are actively providing primary health services and evolving new models of community-managed service delivery. Here again, possibilities for public-private partnerships might be explored and systematically put into place to attain better allocative efficiency of public resources and provide cost-effective and qualitatively better health services in the country.

Microfinance is another niche area for NGOs, in which they are running programs in both rural and urban areas. Inspired in part by the success of these programs, the Government established the Khushali Bank to provide microfinance services at a wider scale in the country. Following this, the Aga Khan Development Network has set up the First Microfinance Bank in early 2002, which is the first private sector microfinance bank established in the country. With both private and public sector microfinance agencies now actively engaged at the national level, there is significant scope and need for partnership to maximize outreach, avoid duplication, and share resources in the interest of efficiency

The role of the NGO and private sector in the delivery of social services also offers several opportunities for complementarity with the public sector, and allows public sector agencies to focus more on those functional areas and geographical locations where the private sector is less active.

and cost-effectiveness.

Finally, the NGO sector has an important role to play in the devolution process through mobilizing and linking up local communities and community organizations to the various tiers of local Government to ensure their effective access to the locally provided social sector and other public services. NGOs could also take the lead in organizing Community Citizen Boards that would, under the Local Government Plan, be entitled to 25 percent of the development funds in each district to undertake small schemes and activities in their respective areas.

It is clear that the growth and evolution of roles and areas of activity of the NGO and private sector has made them a valuable partner of the public sector in the provision of development services. This has important implications on the future framework of public-private partnerships in the country that need to be carefully analyzed. Notwithstanding, however, the considerable achievements of the NGO and private sector institutions to-date, there are

a number of on-going concerns as well regarding their operations that would need to be tackled as they become a bigger and better recognized part of the development mainstream. First, and foremost, the collective outreach and scale of NGOs is still limited and would have to increase substantially for them to have a more marked impact on poverty reduction at the national level. Second, the question of long-term sustainability of the work of most NGOs would have to be addressed given their reliance on short-term donor funding and on uncertain voluntary contributions. And finally, many NGOs themselves have gaps in institutional and governance-related capacity that would need to be filled if they are to perform to their full potential. To all these ends, NGOs need continued external support and assistance to emerge as a stronger and influential player in the development sector nationally. In this regard, the role of the Government, in particular, would be important in systematically promoting an enabling framework and providing necessary space for civil society growth in the country.

The question of long-term sustainability of the work of most NGOs would have to be addressed given their reliance on short-term donor funding and on uncertain voluntary contributions.