



## Poverty Reduction Strategy Paper Secretariat



Government of Pakistan  
Ministry of Finance

November 2008

### Poverty Reduction Strategy Paper (PRSP) - Secretariat

The *Poverty Reduction Strategy Paper (PRSP) Secretariat* in Ministry of Finance (MoF) was established in 2000 to prepare a holistic Poverty Reduction Strategy Paper. It also provides secretarial support to the National PRSP Implementation Committee. The Committee is headed by the Secretary Finance and comprises secretaries of Federal and Provincial PRSP partner government agencies, to oversee the implementation of Pakistan's anti-poverty strategy.

Accordingly, keeping in view the factors responsible for slowing growth and rising poverty at the start of the new millennium, PRSP secretariat after a thorough consultative process and discussions, from October 1999 to October 2001, with a diverse set of stakeholders that included the federal and the provincial ministries/departments, academia, NGOs and the general public, formulated its Interim Poverty Reduction Strategy Paper (I-PRSP) in November 2001, which after further refinement was evolved into the Poverty Reduction Strategy Paper (PRSP) - I in December 2003 for the period up till 2006. PRSP is not an evolving document; it is a dynamic process admitting institutional and policy adjustments at all levels as the time rolls on and new experience is gained. Pakistan's PRSP is entirely a participative process, amalgamating the views and suggestions of all stakeholders – government, development partners, civil society and the poor communities.

PRSP has been aligned with the United Nations Millennium Development Goals (MDGs).

Since the commencement of PRSP-I, pro-poor social indicators and expenditures have remained the basic framework and main vehicle to monitor and channel funds for poverty reduction. The pro-poor sectors were derived from the four salient pillars of PRSP-I including:

- i. Accelerating Economic Growth in a stable macroeconomic environment
- ii. Improving Governance and Devolution
- iii. Investing in Human Capital
- iv. Targeting the Poor and the Vulnerable

A critical input in achieving the targets set out in the I-PRSP is the effective utilization of anti-poverty public expenditures. For this purpose the PRSP Secretariat has institutionalized a mechanism for tracking budgetary and non-budgetary expenditures (input indicators) based on the civil accounts provided by the office of the Controller General of Accounts and the Provincial Accountant Generals on a quarterly basis. The PRSP-I budgetary expenditures covered the following 17 pro-poor sectors: Roads, Highways and Bridges; Water Supply and Sanitation, Education; Health; Population Planning; Social Security and Welfare; Natural Calamities; Irrigation; Land Reclamation; Rural Development; Rural Electrification; Food Subsidies; Food Support Programme; Tawana Pakistan, Low Cost Housing, Administration of Justice; and Law and Order.

The *Fiscal Responsibility and Debt Limitation Act (FRDLA) 2005* stipulates that social sector and poverty related expenditures should not fall below 4.5 percent of the GDP in any year and that budgetary allocations to the education and health sectors in terms of GDP should be doubled over a ten year period. During 2007-08, budgetary expenditure on pro-poor sectors was Rs. 572.6 billion, representing 5.46 percent of the GDP as compared to Rs. 167.2 billion in 2001-02 showing an increase of Rs. 405.3 billion over the period.

In addition, PRSP non-budgetary expenditures focus directly on social protection (Direct Transfers), currently being provided through the Zakat, Pakistan Bait-ul-Mal (PBM), Employees Old Age Benefits Institution (EOBI), Khushal Pakistan Programmes (KPP) and Micro-credit. Total PRSP non-budgetary disbursement in FY 2007-08 was Rs. 27,985 million<sup>1</sup> as compared to Rs. 7,669 million in 2001-02 showing an increase of Rs. 20,316 million.

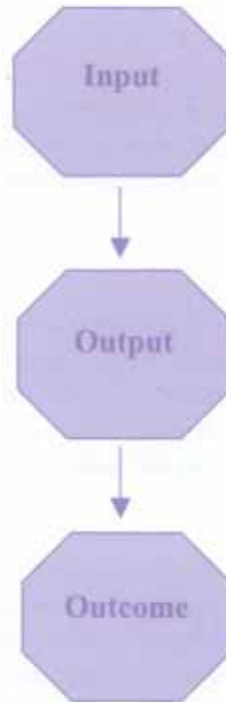
Both budgetary and non-budgetary expenditure are being reported regularly for each quarter in the PRSP progress reports. The Secretariat has so far produced six annual and sixteen quarterly expenditures profiles. A list of anti-poverty expenditures along with their functional classifications has been developed with provincial consultations and

<sup>1</sup> Excluding Food Support Programme of Pakistan Bait-ul-Mal, as it has already been included in PRSP budgetary expenditures.

PRSP expenditure reports are regularly posted on Finance Division's website (<http://www.finance.gov.pk/poverty>).

### Monitoring and Evaluation Mechanism

It comprises of three main components:



Well-targeted anti-poverty outlays and social safety transfers are essential ingredients of a comprehensive poverty reduction strategy. While anti-poverty public expenditures are essential for improving human capabilities, reducing income inequalities, and ensuring greater participation of the poor in the process of economic development, social safety transfers are necessary for creating an environment in which the most vulnerable segments of society are protected from the social and political costs of economic and structural reforms. The effectiveness of such outlays relies not only upon their levels but also their quality. Therefore, pro-poor public expenditures are regularly monitored to improve their efficiency and impact.

The PRSP Secretariat underpins the government's institutional mechanism for poverty monitoring. The PRSP Secretariat has been mandated with the overall lead in coordinating, monitoring, evaluating, and tracking the implementation of the PRSP; and reporting progress on anti-poverty public expenditures, intermediate social indicators, and final outcomes.

The PRSP outlines a framework for monitoring expenditures and outcomes, which includes the indicators to be monitored, identification of relevant data sources, and institutional arrangements for the monitoring system, and for providing feedback to policymakers. Therefore, the poverty monitoring framework of the PRSP-I focused on regular tracking of input, intermediate, and outcome indicators. The PRSP Secretariat - MoF in collaboration with its partners finalized the list of monitorable intermediate and outcome indicators in education, health, and population planning. Intermediate and outcome indicators related to the housing sector, employment, safety net interventions, credit disbursement, and environment were also added to this list. The outcome and intermediate indicators were linked with public expenditures or policy inputs in the PRSP tracking/monitoring matrix.

The M&E framework has been designed to measure the progress of the strategy implementation through systematic tracking of public expenditures (inputs), monitoring physical targets reached (outputs), and assessing improvement in the status and quality of life (outcome). The framework, based on seven pillars of the Poverty Reduction Strategy, contains 17 input indicators based on budgetary allocations to pro-poor sectors. For the monitoring of intermediate and outcome indicators, the PRSP secretariat relied on several sources including (1) management information systems developed by the Ministries of Education and Health; (2) other relevant ministries/departments; and (3) planned annual surveys to track intermediate outputs and every year collect data to track MDG outcomes, like PSLM<sup>2</sup> etc. For the outcome indicators the Government of Pakistan in conjunction with the UK Department for International Development (DFID) in 2005-06 conducted a Poverty and

---

<sup>2</sup> Pakistan Social and Living Standards Measurement Survey

Social Impact Analysis (PSIA)<sup>3</sup> of its microfinance policies. More impact studies are needed to make efficient use of resources being expanded. For this rationale the PRSP Secretariat plans to conduct more PSIAs on various sectors, such as Energy, Social Safety Net etc to analyze the impact of policies on poverty reduction.

The real test of public expenditures lies in their impact. Therefore, the policies outlined in the PRSP have been linked with the achievement of key social and human development goals. However, depending upon the variable in question, there is an implementation lag between expenditures incurred and outcomes achieved which makes it difficult to assess policy performance immediately. However, there are some key intermediate social indicators that may show the effect of policy interventions over a relatively short period of time. The government regularly reports information on such human development intermediate indicators, which is a valuable guide for evaluating the efficiency of public policies and public funds.

### Going Forward: Poverty Reduction Strategy Paper - II

Built around the lessons learnt from PRSP-I (2003-06), taking into account recent political, economic and social events, both domestic and international, final touches are being given to its successor - PRSP-II to continue the process of pro-poor development. The PRSP-II reflects the priorities and commitment of the government in reducing poverty, creating employment opportunities and increasing incomes of rural households.

To steer Pakistan on the path of sustained and broad-based economic growth and to create jobs and reduce poverty, Pakistan requires a prolonged period of macroeconomic stability, financial discipline and consistently transparent policies that place poverty reduction at the centre of the country's overall policy framework. Linking the economic growth-poverty reduction nexus are the very elements that the new PRSP focuses on.

<sup>3</sup> PSIAs are simply analytical exercises that attempt to understand the likely poverty and social impact of particular policy choices. PSIAs often draw on a wide range of analytical tools and data sources in attempting to understand policy impact. These tools range from those that are highly qualitative and participatory, to those that are quantitative and often driven by economic theory.

The PRSP-II strategy consists of the following ten pillars: (i) Macroeconomic Stability and Real Sector Growth; (ii) Protecting the Poor and the Vulnerable; (iii) Increasing Productivity and Value Addition in Agriculture; (iv) Integrated Energy Development Programme; (v) Making Industry Internationally Competitive; (vi) Human Development for the 21<sup>st</sup> Century; (vii) Removing Infrastructure Bottlenecks through Public-Private Partnerships; (viii) Capital and Finance for Development; (ix) Housing and Land Management; and (x) Governance for a Just and Fair System. Moreover, the government is determined to reduce gender disparities, which is a cross-cutting theme and is regarded, as an integral part of the programme and is woven throughout the PRSP-II.

The overall experience with monitoring of PRSP shows that while significant progress was made in finalizing indicators to monitor different dimensions of poverty reduction programmes, particularly in the priority sectors where investments were made; information has been available in varying degrees of regularity. Further strengthening of the Monitoring & Evaluation (M&E) system is thus a priority. For this purpose the government has put in place a stringent system, Strengthening Poverty Reduction Strategy Monitoring Project (PRSM), to monitor and evaluate the progress of the Poverty Reduction Strategy. PRSM has been discussed in a separate paper.

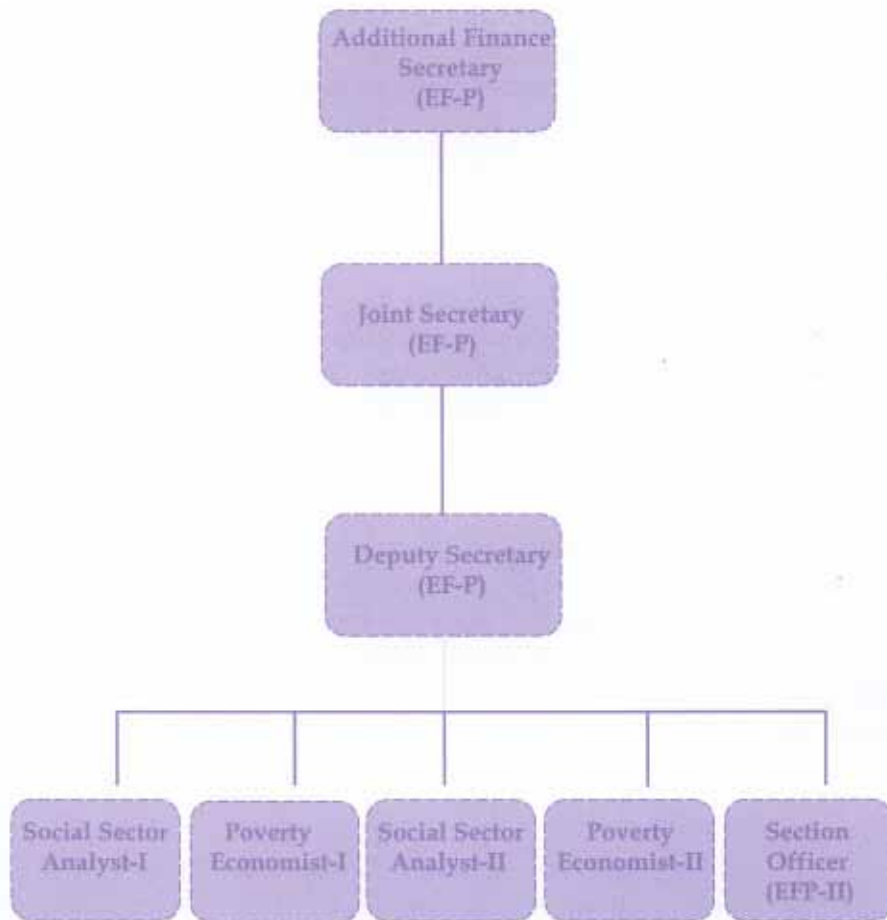
Institutional arrangements for M&E are also made. The federal PRSP Secretariat in the Ministry of Finance acts as a central point with focal points within the respective Provincial Planning and Development Departments. The federal PRSP Secretariat is also responsible for collaborating with these provincial monitoring units and other departments/agencies for poverty assessment, outcomes and impact analysis studies in addition to tracking budgetary and non-budgetary pro-poor expenditures.

The government has extended the practice of tracking budgetary expenditures to include all anti-poverty public outlays, budgetary expenditures as well as non-budgetary social safety transfers. By regularly tracking the flow of all anti-poverty public outlays the government seeks to improve the allocative efficiency of scarce resources and redirect public resources to the poor.

The PRSP-II attempts to bring related challenges and opportunities together within an integrated and holistic strategy to achieve the vision of a prosperous and poverty-free Pakistan.



### Organizational Chart of PRSP Secretariat



---

PRSP SECRETARIAT

3rd Floor, Room # 321

Q-Block, Ministry of Finance

Pakistan Secretariat

Islamabad

Website: <http://www.finance.gov.pk/poverty>

E-mail: [prspsecretariat@gmail.com](mailto:prspsecretariat@gmail.com)

Tel: 051-9204844

Fax: 051-9205219



Ministry of Finance - Government of Pakistan