

SOCIAL DEVELOPMENT IN PAKISTAN

ANNUAL REVIEW 2009-10

Social Impact of the Security Crisis



SPdC

SOCIAL POLICY AND DEVELOPMENT CENTRE

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SOCIAL POLICY AND
DEVELOPMENT CENTRE
KARACHI

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FOREWORD

The South Asia region in general and Pakistan in particular are confronted with the daunting task of addressing the issues of terrorism, extremism and violence. Pakistan, undoubtedly, has been most adversely affected by the response of the policies initiated by the United States following attacks on the twin towers of World Trade Centre. The international political behavior not only created an urgency to redefine the security framework amid fears of transnational threats but have had its affect on the global economic development. Today, seemingly the international relations and domestic policy have become increasingly similar and intermingled.

Though the regional political developments are blamed for the internal political developments in Pakistan, the failure of the respective governments in addressing the socio-economic disparity (visibly disturbing) cannot be overlooked, neither can its role in breeding violence and extremism be undermined. The Annual Review of Social Development 2009-10 deals with the various facets of the existing security related problems confronted by the government and society and its consequences for the socio-economic development.

Chapter 1 examines the nexus that exists between the regional and the internal developments and its consequential repercussion that caused a change in the ways societies either see or interpret themselves. The chapter also discusses the systemic failure of the respective governments that have caused despondency, violence and lawlessness besides creating space for the emergence of militant groups. Chapter 2 quantifies the cost of the war on the economy of Pakistan. Characterising the crises as multidimensional, the chapter also examines the dislocation of economic activity, high losses of life and property and its impact on the investment climate besides the higher expenditure incurred on defence and police. Chapter 3 look into its impact on the budgetary priorities of federal and provincial governments. It focuses on the government's security related spending and provides a careful province-wise disaggregated examination of budgetary priorities.

Chapter 4 highlights that the higher public spending on security has reduced spending on social services and have caused a slowdown in the pace of social development. It also discusses in detail the progress made in meeting the MDG targets. Whereas, Chapter 5 looks at the consequential repercussions of the conflict on the lives and livelihoods, and provision of normal public services to the local population. The chapter also looks at the direct and indirect cost of the war on the provincial economy. Chapter 6 is based on the findings of a household survey in the selected districts of Khyber Pukhtunkhwa province. The chapter also discuss the impact of conflict on socio-economic status of the household in the affected areas besides looking at its impact on poverty and unemployment, household economic status, child education and labor force participation and mental health of the affected. Chapter 7 helps in bringing forward the difficulties encountered by the civil society due to the changed security environment and their responses to the challenges caused by the on-going conflict and terrorism and its impact on social development. The chapter also helps understanding the civil society perspective on the increasing violence, intolerance and terrorism. The concluding chapter stresses the need for a consensus based nations strategy for addressing the issue in totality. We earnestly hope that the analyses presented in the report would benefit both the government and society.

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SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10

SOCIAL POLICY AND DEVELOPMENT CENTRE

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LIST OF ACRONYMS

ACGR	Average Cumulative Annual Growth Rate
ADB	Asian Development Bank
ADP	Annual Development Programs
AHQ	Agency Headquarter Hospital
AJK	Azad Jammu and Kashmir
APMMPIEA	All Pakistan Marble Mining, Processing, Industry and Exporters Association
ARO	Aid for Refugees and Orphans
BISP	Benazir Income Support Program
BOP	Balance-of-Power
CBO	Community Based Organization
CH	Community Health
CMI	Census Manufacturing Industries
CPI	Consumer Price Index
CSF	Coalition Support Fund
DFI	Direct Foreign Investment
DHQ	District Headquarter Hospital
DNA	Damage Needs Assessment
FATA	Federally Administered Tribal Areas
FBR	Federal Board of Revenue
FCD	FATA Contiguous Districts
FCR	Frontier Crimes Regulation
FED	Federal Excise Duty
GDP	Gross Domestic Product
GDS	Gas Development Surcharge
GoP	Government of Pakistan
GPI	Gender Parity Index
GRP	Gross Regional Product
GST	General Sales Tax
HIES	Household Income and Expenditure Survey
IDB	Islamic Development Bank
IDMC	Internal Displacement Monitoring Centre
IDPs	Internally Displaced Persons
IMF	International Monetary Fund
IMR	Infant Mortality Rate
INGO	International Non Governmental Organizations
IPP	Institute of Public Policy
ISAF	International Security Assistance Force
JCDS	Jobs Creating Development Society
KIBOR	Karachi Interbank Offered Rate
KOICA	Korea International Cooperation Agency
KPK	Khyber Pakhtunkhwa
KSE	Karachi Stock Exchange
LFS	Labour Force Survey
LTTE	Liberation Tigers of Tamil Eelam
MCH	Maternal Community Health
MDGs	Millennium Development Goals
MMR	Maternal Mortality Rate
MoH	Ministry of Health
MTDF	Medium Term Development Framework

NATO	North Atlantic Treaty Organization
NER	Net Enrollment Rate
NFC	National Finance Commission
NGOs	Non-governmental Organizations
NWFP	North West Frontier Province
PaRRSA	Provincial Reconstruction Rehabilitation and Settlement Authority
PATA	Provincially administered Tribal Areas
PDHS	Pakistan Demographic and Health Survey
PHP	Project for Horticultural Promotion
PIHS	Pakistan Integrated Household Survey
PIPS	Pakistan Institute of Peace Studies
POL	Pakistan Oilfields Limited
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSDP	Public Sector Development Program
PSLM	Pakistan Social and Living Standards Measurement
PSU	Primary Sampling Unit
PTDC	Pakistan Tourism Development Corporation
SIP	Strategic Implementation Plan
SMEs	Small and Medium Enterprises
SPDC	Social Policy and Development Centre
THQ	Tehsil Headquarter Hospital
TTP	Tehrik-e-Taliban of Pakistan
UFLA	United Liberation Front of Assam
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank
WGI	Worldwide Governance Indicators

NON ENGLISH TERMS:

Bajra	Pearl millet
Ilfaq-e-Ghair	area of strangers (FATA)
Imam	Islamic cleric
Jowar	Sorghum
Kharif	Summer crop
Khwendo Kor	"a home for sisters"
Madarsah	Institution of Islamic religious learning
Mujahid	One who fights in the name of Islam
Operation Rah-e-Nijaat	Path to Salvation
Operation Rah-e-Rast	Path to Righteousness
Pashtun	Ethnic identity
Quran	Islam's Holy Scripture
Rabi	Winter crop
Rupee/Rs.	Pakistani Monetary Unit
Shariah	Islamic law
Tehsil	Administrative division

EXECUTIVE SUMMARY

Executive Summary

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10

EXECUTIVE SUMMARY

The regional political developments have caused a change in the internal political and security dynamics of Pakistan. The Annual Review of Social Development in Pakistan 2009-10 takes a comprehensive review of the various dimensions of the security situation and its implications for the social and economic development.

Chapter 1: Contextualising the Security Situation of Pakistan

Chapter one discusses the regional political dynamics and its impact on the internal security developments in Pakistan, alongwith the increasing role played by the United States and the other coalition partner states in the elimination of terrorism. Tracing the acceleration of violence and its cumulative effects on Pakistan, the chapter discusses the multiple nature of the threat confronted by the government and the people of Pakistan.

The chapter discusses the nexus that exists between mutual distrust and mutual misunderstanding between states, along with the 'fear' that continues to predominantly overshadow the discourse on security. The causality factors create a situation that forces the smaller and the weaker states to make asymmetrical concessions and opt for a less parsimonious sub-ordinate role as seen in the case of the on-going war on terror. In spite of the global coalition's use of the "surge strategy", the factors that continue to prevent return to peace are the emergence of the sub-national actors (such as terrorist/militant groups) and the different perceptions that exist on the core and fundamental question of what constitutes a threat.

The growing bilateralism between Pakistan and the United States is viewed as a compulsion largely drawing its rationale from the urgency to take the war on terror to its logical culmination. The US crafted Af-Pak policy along with the conditionalities placed by the Kerry Lugar - Berman bill are largely viewed as intrusive in its characteristic and a desire to micromanage Pakistan affairs. Irrational international political behavior seen in the post 9/11 period has not only brought emphasis on the need to redefine the security framework amid fears of terrorism but have changed the global development dynamics. The element of aggression along with the use of the Anticipatory Right of Self Defense have caused a change in the way societies either see or interpret themselves, and others.

The changing trend seen in the emergence of militancy, extremism, violence and intolerance also have its roots imbedded in the systemic failure both of institutions and social development policies initiated by respective governments. For example, failure of the respective governments in strengthening institutions, creating employment, strengthening industrialization, addressing socio-economic disparity mainly by controlling inflation, poverty and food insecurity, and ensuring quality education and health-care, guaranteeing rule of law, have all created despondency, violence and lawlessness. Some other factors impeding socio-economic development are population explosion,

sluggish economic development process, low human development and inequality in resource distribution. Population growth is the prime factor that not only slowed down pace of economic development but also caused food insecurity in the country. In spite of the decrease seen in population growth food insecurity is intense, where almost half of the population does not have access to sufficient food. No efforts have been made to utilize the population dividend in the country by providing adequate skill and training to the youth.

Looking at the internal dynamics of the problem, the chapter discusses the emergence of the transnational threats that have added complexities to the inter and intra state conflicts and have made crisis management more daunting. Militant groups have been described as a force multiplier. In Pakistan, the onset of the present challenge to the socio-political structures to many is a foreign policy crisis characterized by threat, which have generated fear and polarization particularly at society level. Where on the one hand the United States is viewed as a partner (at the governmental level) and an adversary (at the people's level), on the other hand the Tehreek-e-Taliban continues to use violence and terror to force the government to comply with its demands.

Chapter 2: Impact of the War on Terror on the Economy

Chapter 2 quantifies the cost of the war on the economy of Pakistan along with discussing the extent of governance failure and the resulting performance of the economy. Characterizing the crisis as multidimensional, the chapter discusses the vicious cycle built by the political-security-development nexus where each factor feeds into the other and the failure on one front raises the probability of failure on all fronts. The challenge before policy makers, therefore, is how to break the vicious cycle. The chapter also briefly discusses the extent of governance failure and the resulting performance of Pakistan's economy.

Lack of good governance is believed to be among the root causes of the growing crisis in Pakistan. According to Worldwide Governance Indicators, Pakistan does not compare favorably amongst the other countries of the region. Not only is Pakistan ranked below the average in 2009, a trend analysis over time suggests that the situation of many governance indicators has worsened since 2000. For instance, the ranking in political stability declined from 15.9 in 2000 to 0.5 in 2009. Similarly, the ranking came down from 24.3 to 19.3 in rule of law while it declined from 24.3 to 13.3 in control of corruption during the same period. However, there has been some improvement in the indicators of voice and accountability and regulatory quality.

Pakistan's economy is faced with many challenges such as slowdown of economic growth, decline in investment, high inflation and higher levels of fiscal and current account deficits. The costs of participation in the war on terror have risen exponentially with the dislocation of economic activity, high losses of life and property and impact on the investment climate during the decade.

Identifying the higher expenditure on defence and police as a major economic cost of terrorism borne by the government, an econometric analysis shows that these expenditures would have been significantly lower in the absence of the war on terror. Based on this analysis, the estimated additional cost of defence and police services together was Rs

290 billion in 2009-10. The total direct costs (including cost of damage to property, higher cost of private security, etc.) increased from Rs 150 billion in 2007-08 to Rs 320 billion in 2009-10 (an increase of 115 percent). Indirect costs, which include cost to local economies and cost of higher risk perceptions, increased from Rs 230 billion in 2007-08 to Rs 520 billion in 2009-10.

In US dollars, the total costs have increased from \$6 billion in 2007-08 to \$10 billion in 2009-10. It is important to note that bilateral military and economic assistance from the US to Pakistan has been considerably lower than the costs of terrorism borne by the country. As such the costs are over three times greater than the bilateral assistance forthcoming especially from the United States.

Chapter 3: Fiscal Impact of the Security Crisis

Chapter 3 analyzes the impact of the war on terror on the budgetary priorities of both federal and provincial governments. It focuses on the government's security related spending, and provides a careful province-wise disaggregated examination of budgetary magnitudes. It also examines the impact of the security crisis on expenditure priorities and social sector expenditures, and presents the future outlook based on the implications of the 7th NFC Award on the provincial expenditure priorities. One of the major negative implications of the ongoing war on the public finances of the country is the 'ballooning' of security related expenditures including both expenditures on public order and safety (police) and military. According to the budget estimates, combined federal and provincial expenditures on security reached Rs 800 billion or almost 5 percent of GDP in 2010-11. Military spending grew with an average annual growth rate of more than 16 percent (a four-and-a-half fold increase) during 2000-01 to 2010-11. A closer look at the statistics reveals that the pace of military expenditures actually picked up momentum in 2007-08 as indicated by a substantially high growth of over 22 percent, which is largely due to the intensified military operations in Khyber Pakhtunkhwa.

The trends in federal and provincial expenditures show an extraordinary growth on public order and safety affairs (police) during 2000-01 to 2010-11. The increase is largely caused by higher incidence of terrorist attacks and target killings. At the federal level, a five-fold increase in expenditures on public order and safety affairs (at current prices) is observed, whereas, there has been a six-fold increase in these expenditure at provincial level. Due to this high growth the share of security related expenditures on public order and safety affairs increased from 15 percent in 2001-02 to almost 24 percent in 2010-11.

Being recurring in nature, the high growth in security related expenditure negatively impacted the share of development expenditure, which declined from 26 percent in 2005-06 to 21 percent of total public spending in 2009-10. The comparison of MTDF expenditure targets and national public sector development programs (PSDP) shows that during the period 2005-06 to 2007-08 development expenditures were higher than targets. However, due to high growth in security related expenditures after 2007-08, PSDP allocations have been less than the MTDF targeted expenditures during 2008-09 and 2009-10. The sector-wise analysis of federal development expenditures shows that government allocated

lesser on economic sector like water and power, and social sector like education and health than what was anticipated in the MTDf. In contrast, sectors, areas and programs, which have linkages with war on terror, received greater allocations. For instance, the share of development transfers to special areas (like FATA, Gilgit Baltistan and Azad Kashmir) is 8 percentage points higher in federal PSDP than in the MTDf.

An interesting development in public finances of the country is increase in poverty related expenditures from 3.6 percent of GDP in 2001-02 to 6.3 percent of GDP in 2007-08 and its decline to 5.9 percent in 2009-10. The category-wise analysis indicates that the high increase in 2007-08 is largely due to about Rs 400 billion subsidies on POL products to insulate the population against the record peaks of world oil prices. Among the pro-poor expenditures, spending on education increased during 2002-09, and later declined by 7 percent in 2009-10. Moreover, during this period priorities in education have largely shifted from primary and secondary education to tertiary/higher education. In absolute terms, health sector spending increased substantially during the same period; however, as percentage of GDP these expenditures continue to be less than one percent of the GDP. Among the health expenditures, unfortunately, spending on mother and child health care received less than 1 percent of the total health spending.

Despite slowdown in pace of social development during the later part of 2000s, the future outlook for social development has been improved by the 7th NFC Award, finalized during 2009-10. This Award transfers greater resources to provincial governments, which are largely responsible for provision of social services as per the 1973 Constitution of Pakistan (amended). The 7th NFC could lead to a return to social development due to higher transfer to provincial governments but this will depend on the optimistic revenue projections being realized in 2010-11.

Chapter 4: Social Development during Security Crisis

The chapter looks into the issues of social development in the present-day security crisis and links it to fiscal development and budgetary priorities. The fiscal developments since 2000, having both the positive and negative impact on the pace of social developments include: stagnation in the tax-to-GDP ratio at about 10 percent only; reduction in debt servicing liabilities in the early 2000s; substantial increase in security related expenditures; the Presidential Distribution order, 2006-07; and higher subsidies in 2007-08.

As far as the eradication of extreme poverty (Goal 1 of the MDGs) is concerned, different poverty estimates provide different magnitudes that indicated an overall decline in incidence of poverty during 2001-02 to 2004-05. Beyond 2004-05, no official estimate of poverty incidence was made public, whereas, the SPDC and World Bank estimates reveal contradictory trends. The World Bank estimates show a decline of 7 percentage points from 2004-05 to 2007-08 while SPDC estimates reveal that incidence of poverty increased by 8 percentage points.

The chapter looking at the progress in achievement of Universal Primary Education noticed an increase of ten percentage point in the Net Enrolment Rate (NER) in just three years (2001-02 to 2004-05). However, later the pace of improvement slowed down and during 2004-05 to 2008-09; the NER increased only by 5 percentage points. Similarly, literacy rate

also increased by 8 percentage points during 2001-02 to 2004-05, which, declined by 4 percentage points during 2005-09. The trend in gender equality in education indicates that education of girls has disproportionately borne the burden of the war on terror.

Similar to education, relevant health indicators show significant progress during the first half of the 2000s with the pace of improvement slowing down in the following years. For instance, the proportion of fully immunized children increased by 24 percentage points between 2002-05. Thereafter it increased by only one percentage point. Similarly, the proportion of births attended by skilled birth attendants increased by 8 percentage points during 2002-05, and declined by 7 percentage points afterwards. Similar to education and health indicators, access to drinking water indicates an increase of 9 percentage points in access to tap water connections during 2002-05, and later showed an increase of only 1 percentage point.

Trends in social development indicators clearly highlight that public spending on social sectors played an important role in determining the pace of social development during the early 2000s. Higher spending on security during the war on terror has reduced public spending on social services and caused a slowdown in the pace of social development. It appears that Pakistan is unlikely to meet most of the targets of the MDGs by 2015.

Chapter 5: The Provincial Economy of Khyber Pakhtunkhwa

The chapter looks at the economy of Khyber Pakhtunkhwa and traces the impact of security crisis. The escalation of the armed conflicts that spread and affected Swat, Buner, Lower and upper Dir, Shangla, Malakand Division, Peshawar, Mardan, Nowshera, Charsadda, D.I. Khan and Tank has had consequential repercussions on the lives and livelihoods of, and provision of normal public services to the local population of Khyber Pakhtunkhwa. The ensuing fighting between the military and the militants has imposed a high cost on the local economy since large numbers of people were compelled to leave their homes and livelihoods. It has caused considerable damage to physical and social infrastructure, loss of lives, injuries, and damage to private and public property. Houses, standing crops, livestock, schools, health facilities, water supply/irrigation schemes, public office buildings, roads, electricity/gas networks, shops, hotels, businesses, have all suffered damages to varying degrees.

The economy of the province of Khyber Pakhtunkhwa contributes about 11 percent to the GDP of Pakistan. The agriculture sector accounts for 20.5 percent, industrial sector 24.8 percent and the services sector 54.7 percent of the total gross regional product of the province. The agriculture sector in the province largely constitutes of livestock sub-sector (61 percent) followed by crop sub-sector (31 percent). During 2001-02 to 2004-05, the agriculture sector depicted considerable growth both in the crop and livestock sub-sectors. In 2005-06, unfortunately the province faced huge devastation because of the earthquake. From 2006-07 onwards, the entire agriculture activity in the province declined sharply. This can be partially attributed to the increase in militancy and the military operations carried out in Khyber Pakhtunkhwa. The direct damages identified include: the abandonment of animals and standing crops (ready for harvest) as a consequence of forced displacement;

losses incurred due to lost production since farmers could not return to plant the next crop; and physical damage to buildings, roads and public utilities including irrigation facilities, government offices, veterinary hospitals, offices and research facilities which were looted and vandalized. A decline is observed in maize and sugarcane crops while the pace of growth slowed down for wheat and tobacco crops. A massive reduction also occurred in the livestock population. Large animals (buffalo, cows, sheep, and goat), small animals (donkeys) and heads of poultry were destroyed or subjected to be sold at prices that were half the prevailing market prices.

The industrial sector of the Khyber Pakhtunkhwa economy constitutes 64 percent of manufacturing activity, 15 percent construction and 21 percent electricity and gas distribution. The sector registered considerable growth during 2001-02 to 2004-05 but portrayed a decline in activity from 2006-07 onwards. Manufacturing production, which is very small compared to the Punjab and Sindh, either declined or slowed down. Growth in the production of sugar and cotton cloth declined massively while for cooking oil and ghee, cotton yarn and for non-metallic products it slowed down from 2006-07 onwards.

The collection of taxes declined notably since 2006-07. The collection of excise duty and income tax declined in terms of magnitude while the collection of sales tax and customs duty declined in terms of its share in total tax collection in the country. The growth and pattern of employment have also been adversely affected.

Chapter 6: Impact of Conflict on Household Welfare

The chapter is based on a household survey conducted in four districts (Peshawar, Hangu, Bannu, and Tank) located at the border of FATA, and district Swat. It attempts to evaluate the impact of the conflict on the socio-economic status of households in term of poverty and unemployment, household economic status, child education and labor force participation.

A comparative analysis of poverty incidence in the sample areas before and after the security crises clearly shows an increase in the poverty incidence. The incidence in district Swat has risen from 30 percent to 60 percent, while in the FATA Contiguous Districts (FCDs), poverty rose from 25 to 54 percent. Overall, per capita expenditures of about 56 percent households are below the poverty cut-off point in sample conflict affected areas. The estimated incidence for Swat is 5 percentage point high when compared to other affected areas, mainly due to the relatively high incidence of rural poverty.

The overall unemployment rate is estimated at 5 percent, while 8 percent youth aged 15 to 25 years have reported to be unemployed, while 7 percent children aged 10 to 15 years are working for pay. This percentage is relatively high in FATA bordering districts.

The FCDs show an increase of about 9 percent in nominal income from 2008 to 2010. Keeping double-digit inflation during this period in mind, it may be inferred that real income has dropped and poverty incidence has increased in the FCDs. Nonetheless, in the district of Swat even the nominal income has declined by about 15 percent. Some of the main causes of decline in nominal income include decrease in sales volume due to the war/conflict, and decline in purchasing power and loss

of agriculture land due to war. While, 13 percent households reported loss of assets, 19 percent of households in the FCDs have migrated because of war, violence or armed conflict.

About 50 percent of households in the sample areas depend on wages/salary from a job. This percentage, however, is low in the case of Swat where only 29 percent households declared this as their source of livelihood. Whereas 13 percent of boys aged 10-17 are currently working for pay, about 4 percent among them entered the labor market after 2008. Overall, 85 percent boys aged 5-15 years are attending school, while the comparative percentage for girls is 59. However, enrolment of girls in Swat is relatively high as compared with the FCDs.

Economic difficulties and insecurity are two main reasons given by respondents for not sending children to schools. 9 percent of deaths since 2005 were reported as a result of injuries due to armed conflict. Overall 67 percent heads of households are psychologically distressed. About 53 percent of other adult male earners are also under such stress.

The majority were anxious with the critical economic condition and continuously declining employment and business opportunities. About 27 percent heads of households were of the opinion that government and Taliban both are responsible for this situation. In contrast, about 4 percent of respondents were of the opinion that foreign elements, not Taliban are involved in this disaster. Interestingly, only 11 percent respondents admired the role of the Pakistan Army in fighting against the militant. Roughly 14 percent community leaders believe that Talibanization is the major cause for the worse standard of living after 2005. The comparative percentage is high in case of district Swat. However, the majority understand that economic crises or inflation is the most important reason for the worsening standard of living. Community leaders identified various strategies they have used to cope with the situation, which include friend/family help, temporary out-migration and expenditure management. Some also indicated support of NGOs. Sale of household asset was indicated by few community leaders. About 15 percent of the community leaders believe that this is the international conspiracy against Pakistan. This percentage is relatively higher in district Swat. Declining employment and business opportunities were affirmed by about 20 percent respondents. Talibanization as a root cause of the current conflict was declared by 8 percent. About 7 percent community leaders were afraid of youth joining Taliban due to economic as well as religious reasons.

Chapter 7: Response of the Civil Society

Chapter 7 looks at a broad section of civil society in general, namely those institutions and groups which are outside the government, to understand the issues they confront each day in this changed security environment and its response to the impact of on-going conflict and terrorism.

NGOs and media professionals argue that had the country been governed by effective democratic institutions, and had the state fulfilled its responsibilities in ensuring protection of life and property, and people's needs, Pakistan would not be crippled by the internal terrorism and conflict it faces now. But terrorism, if defined by manifestation of violence against civilians is not confined to FATA and KPK, and is not practiced

only by the group termed as the Taliban. It is a far more pervasive phenomenon in the country, and is active in major, mainly urban areas of Sindh, Punjab and Balochistan, spilling into AJK and the Gilgit Baltistan province also. The Taliban are no longer the militants who had gathered and regrouped after the defeat of the Soviets in Afghanistan. They are now almost indistinguishable from criminals, land grabbers, drug mafias, sectarian and ethnic groups, tribal clans, political and ideologically based parties, disaffected youth and individuals with vested interests. The TTP (Tehrik-e-Taliban of Pakistan) is still flourishing, but its aims have been bolstered by these diverse groups with whom it has developed working relationships.

The chapter argues that while terrorism is now a much wider term and is no longer restricted to acts of violence by religious extremists, the seeds of violence, intolerance and extremism lie within the highly divisive, inequitable and discriminatory system of governance practiced in Pakistan. Civil society believes that feudalism, poverty, lack of investment in human development and lack of attention to civic facilities for the poor and less privileged are main factors for widespread despair and dissatisfaction in the country.

Prior to 9/11, funds to FATA came primarily for Afghan refugees, and very little was invested for development of the region, or even for provision of basic social services for the people living there. NGOs started work in 1999, and this continued until 2004, when the Taliban factor became serious enough for almost all NGOs to migrate from FATA to Islamabad, Peshawar or other cities. The non-governmental organizations working on issues related to FATA believe that many of the issues in FATA are due to the low level of development, and the Frontier Crimes Regulation (FCR) which controls FATA. Though the regional political developments have made transnational threats a reality for the South Asia, the impact of terrorism on civil society has been much more severe and challenging particularly since a segment of the militants themselves have been drawn from the same society they are targeting.

Impacts on civil society have been varied, and severe. Organisations and people have migrated to safer places, close to 3.5 million of Internally Displaced Persons have had to flee their homes from FATA and KPK; women and children have been particularly impacted and incidence of psychological impacts have increased.

The single most prominent difference between the response of the state and that of NGOs at a broader level, is in their approach and strategy. While the state is relying on short term offensives against militants, civil society is more involved with providing social development services and supporting peace and harmony. Some civil society groups have proposed a four pronged strategy based on political, economic, cultural and administrative changes, and many in FATA are asking for a major restructuring of the relationship between FATA administration, the federal government and the people of FATA.

Media have played an important role in communicating information on the war on terror to the larger society. IN turn, they have been also at the receiving end. Journalists have been targeted, kidnapped and killed. Civil society discourse is increasingly focusing on the nexus that exists between social development, democracy, peace and good governance. While there is no single and collective strategy, the civil society, by and

large, has demonstrated a commitment to continuing its work even in severely affected areas. It is important for the state and society to come together, recognise the issues, accept each other's roles and responsibilities and come to a shared vision of what needs to be done to get out of the quagmire of terror. Although public opinion has changed to some extent, civil society remains divided over the justification of the army operations, and the war on terror. This is partly due to anti west sentiments amongst Pakistanis and partly due to the silence maintained by, and lack of condemnation of terrorist attacks from any of the religious parties or clerics. Opinions are divided on the justification of the US drone attacks in spite of the collateral damage caused. For any anti terror strategy to succeed, the actions taken by the state needs to be seen to be just and in the interests of the public whereas, the civil society needs to come forward and play a greater role in building an environment conducive to the making of a just and inclusive society.

Chapter 8: In Search of a Solution

The concluding chapter stresses the need for adopting a consensus based national strategy aiming both at preventing terrorism and minimizing its effects on social development. It is extremely important for the government to create a balance between the military and the civilian surge strategy. There is a need that state and society address all the various forms and manifestations of extremism and violence and do not equate them with religious extremism alone.

The chapter recommends that government needs to take people on board on the issue of drone attacks, which is believed to have contributed to the proliferation of militancy. For any anti terror strategy to succeed, the actions taken by the government need to be seen to be transparent, just and in the interests of the public. The chapter also recommends that the national goal of poverty reduction should be considered an essential element of the strategy to eliminate terrorism. It is essential to invest more on social development, and not cut resource allocations for the social sector to provide for increased expenditure on security and police. A one dimensional army operations centred approach is not likely to eliminate terror. It can only provide short term relief, but not long lasting peace in the country.

Views of a Leading Social Sector Personality



*Women need initial
encouragement and space
in an environment where
lack of exposure and self
confidence prevents them
from any sort of self
development.*

– Maryam Bibi



VIEWS OF A LEADING SOCIAL SECTOR PERSONALITY

Maryam Bibi is the founder and Chief Executive of Khwendo Kor, an NGO which focuses on the development and empowerment of women and children in the province of Khyber Pakhtunkhwa and the Federally Administered Tribal Areas (FATA) of Pakistan. Today, Maryam's organization employs over 450 people, of whom over 60 percent are women, with offices in 7 districts of the province and affiliations throughout Pakistan and abroad. In 2009, Maryam was invited to speak to a selection of parliamentarians. She spoke about the impact of social policies in Pakistan, including the influence of the US and other countries. She argued that "present policies are not improving the life of people, in fact they are deteriorating the lives of common men."

Before establishing Khwendo Kor, Maryam held several positions with projects being implemented by German Development Cooperation (GTZ), the international development enterprise of the German government. She was involved in introducing energy efficient stoves in rural areas of Khyber Pakhtunkhwa; implementing community-based training programs; and designing educational materials for Afghan refugees.

Alongside her work with Khwendo Kor, Maryam serves on the governing boards of several NGOs including The Pakistan Society for the Protection of the Rights of the Child and the Elementary Education Foundation. She also contributes to the work of the Social Welfare Department of the Government of Khyber Pakhtunkhwa; the Women's Study Centre at the University of Peshawar; the NWFP Women's Writers' Forum; and the Asian South Pacific Bureau of Adult Education based in India.

She completed her graduation from the Jinnah College for Women, University of Peshawar and her Masters in Social Policy from the University of York in the United Kingdom, supported by the Annemarie Schimmel scholarship. She transferred her Masters research into M.Phil, entitled "How can female education and empowerment be introduced in FATA by a women's NGO?" Recognising the value of her thesis, the University of York will be awarding her an honorary degree of PhD in July 2011.

Maryam Bibi is a native of a small, underdeveloped and remote village of Mali-Khail located in the area of Jani-Khail of North Waziristan, Frontier Region Bannu (FR-Bannu). She belongs to a family of the well respected Wazir tribe. Her grandfather and uncle were among the elders of the tribe and held the title of Khan Bahadur bestowed on them by the British government. This village, like many others in this area, has high poverty and low levels of literacy, bordering on zero for women.

Maryam Bibi's life and her own education have been greatly influenced by her father, Guldad Khan, who was the youngest among six sons, and who educated himself by reading the books of his elder step

nephews who were highly educated. Guldad Khan was a devout Muslim and proud of his tribe and his identity and was also cognizant of the benefits of education. He sent all his children to school including his 6 daughters, despite facing criticism and even ostracisation. Luckily, the family moved to Bannu where the education could continue far more easily. Maryam's mother was more conservative but equally influential in shaping Maryam's values of truth, integrity and honesty through Islamic teachings.

Maryam's early life was spent in purdah, even after her marriage to her cousin, and she remained confined to her house, then in Peshawar, looking after her brothers in law, husband and 4 children. As a woman, she was expected to ensure that everyone was well fed and clothed, while having no needs of her own. Her husband was mentally ill and Maryam found herself financially constrained, with lack of sufficient income to run the house properly. After several unsuccessful attempts to raise income from home, she started to teach children of neighbours. She had to give this up because her family objected to a woman working. Over time, as she grew older, the resistance to her working weakened and she joined the All Pakistan Women's Association (APWA) in 1987.

"Though I was nervous and completely blank in the interview for my first job at APWA, I was given a chance to work for a period of three months on the recommendation of my neighbour who also worked there at a senior position and knew me very well. Thereafter, I progressed on merit alone." Maryam believes that if this recommendation had not been made, she could not have moved forward as a female. *"Women need initial encouragement and space in an environment where lack of exposure and self confidence prevents them from any sort of self development"*, she says.

Maryam then moved to GTZ where she was selected on merit for the position of social organizer. Within one year she was made the director of the Environment, Energy and Education Department. Not wanting to lose her, and recognising her potential, when the project came to an end in 1992, the First Economic Secretary of the German Embassy proposed 3 options to her: 1) an 18-month contract with GTZ to work as a training coordinator, 2) join a forestry project funded by the Dutch government in Malakand and 3) set up an NGO with 50 percent of the startup funds to be provided by GTZ. Maryam decided to go for the third option so that she could continue to employ the women who had been working with her for 3 years. Thus started the beginning of Khwendo Kor, a Pashto word, which means "a home for sisters".

The organization started from a garage of the GTZ office in a small village in Peshawar. At that time there were only 4 women (including Maryam Bibi) working part time for the NGO. It is now a well known national organization with an annual budget of around Rs 150m, with many funding partners. Its head office is in Peshawar while regional offices are in Upper and Lower Dir, Mansehra, Bannu, Karak and a resource centre in the Khyber Agency. Khwendo Kor's main thematic areas of work are community led social services including village based female education, primary health care; sustainable livelihoods including provision of microcredit and gender based farm forestry; relief and rehabilitation including responding to both natural and human disasters and good governance including policy, advocacy and awareness on human rights.

Maryam's efforts for women and children's development have been recognized nationally and internationally. In 2005, she was one of "1000 Women" nominated for the Nobel Peace Prize; in 2001, she received the Human Rights Award from the International Labor Organization; and in 2000, she was recognized by the UN with the Recognition of Services Award. The Government of Pakistan honored her in 2003 with a Fatima Jinnah Medal for outstanding women in the social sector, and in 2001 with the Star of Excellence National Civil Award. In 2010 she was given the Benazir Award for Human Rights by the President of Pakistan,

Talking of the root causes for terrorism in that region, Maryam believes that the twin causes are support to the war in Afghanistan against the Soviets, building up large numbers of fighter groups with a strong indoctrination in killing in the name of religion, the spread of madarsahs also operating as militancy training camps, combined with lack of any social development which could have provided education, gainful employment and improved quality of life. Civil society, too, has been weak in offering much resistance. Parents have had to send their children to madarsahs where they could receive food, shelter and clothing. A whole army of youth with the mindset of fighting and militancy has been produced. One of the main issues was when FATA was not integrated within Pakistan, and was called Illaqa-e-Ghair (area of strangers). No laws existed and free dealing and use of arms was common.

One of the most important factors is the ignorance of women about the happenings in their surroundings. Islam has been interpreted to them in a manner where women do not have any say. They were easily influenced and gave their children for religious cause to become a Mujahid. Women must learn, interpret Quran and Islam taking into account their own realities which are known only to them and contribute to its enrichment rather than be totally dependent upon what others who are mainly men, say.

Maryam's own work and her safety is at risk due to the rise in militancy and terrorism. *"When I go to my village children there say, 'you are a chicken that lays golden eggs' meaning that they can kidnap me for ransom."* She now has to take special care when traveling to these areas. In 2001, seven schools run by Khwendo Kor in Dir had to be closed due to threats.

Despite the current situation which she describes as terrible, Maryam remains hopeful and optimistic. She has no hopes of the ruling elite, who, in her view, are not keen for any positive change. The reason for hope is among the poor and deprived, whose suffering has reached phenomenal dimensions and who continue to be exploited. If the people are mobilized, offered possibilities of change and provided with ideas, they can play a major role.

While Maryam does not object to the army operations completely, she does not believe that the solution to reduce militancy and Talibanisation lies in bombing them out of existence with high collateral damage. She believes in establishing rule of the law and bringing militants to the table and engaging them in dialogue and discourse. The condition to any meaningful dialogue is that those on the other side should not have a hidden agenda of their own. For a counter terrorism strategy, the civil society, and women in particular are very important

players. While the state should provide services, the civil society should build opinions, encourage debate and identify issues which can help the government make appropriate laws. Unfortunately, the government is either unable or unwilling to play its role to provide basic services and this huge gap is being filled by NGOs. This gap has also allowed extremist and one sided views and vested interest groups to take over the space.

In Maryam's view, women can play a major role to change society, provided they are educated and mobilized, and have an enabling environment to speak and act in. Having a 33 percent representation of women in the parliament is not enough. Many women parliamentarians are educated and articulate, but there is a big gap between them and those they are supposed to represent. Women at grass root level have literally no say and no links to those in power. Education and participation are prerequisites for women to bring any change. According to her, the model of development needs to be looked at. There are huge contradictions with advancement, technology and riches on one side, and extreme poverty, unemployment and lack of education and health services on the other side. Progress is said to be achieved only when at least 80 percent of the population can meet their basic needs. Pakistan is a long way away from progressing nations.



CONTEXTUALISING THE SECURITY SITUATION OF PAKISTAN

1

CHAPTER 1

*Militancy, extremism, violence
and intolerance clearly have
their roots imbedded in the
systemic failure both of
institutions and social
development policies.*

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10



CONTEXTUALISING THE SECURITY SITUATION OF PAKISTAN

The present socio-political discourse globally and locally is predominantly surrounded by the issues of state and societal securities, and of the social transformation of societies. Post September 11, 2001, the phenomenon of terrorism has abruptly changed the geo-political and socio-economic situation of the world. However, the "war on terror" has caused more suffering, deaths and destruction to the people of Pakistan than of any other country. Soon after 9/11¹, Pakistan allied itself with the United States and the international community in the war against terror. The US-led invasion against the government of Taliban in Afghanistan has now assumed the shape of an insurgency and an armed struggle not only in Afghanistan but also in Pakistan's province of Khyber Pakhtunkhwa (formerly NWFP) and adjoining Federally Administered Tribal Areas (FATA). Hundreds and thousands of Pakistan's military, para military and police forces are involved in the armed conflict in Khyber Pakhtunkhwa province and FATA. Modes of conflict ranges from limited search and clean up operations to full scale military assaults against the militants.

The rate of acceleration of violence in the area is an indicator of the enveloping loss of control. According to an estimate by Institute for Conflict Management, in year 2003, when Pakistan was already being viewed as a place of instability and widespread strife - total fatalities in terrorism-related violence amounted to just 189. By 2006, this number had risen to 1471, but mounted dramatically thereafter to the unprecedented number of 11,704 killed in 2009. There were 7 suicide attacks in 2006 as against 78 in year 2009. Similarly, around 500 bomb blasts were reported in the year 2009 as against 35 in 2002. Detailed year-wise fatalities and incidences of suicide attacks and bomb blasts are provided in Table 1.1. Altogether, over 9,000 civilians have been killed since 2003.

Table 1.1 Incidence of Terrorism in Pakistan

	Fatalities in Terrorist Violence				Number of	
	Civilians	Security Force Personnel	Terrorists/ Insurgents	Total	Suicide Attacks	Bomb Blasts
2002					2	35
2003	140	24	25	189	2	41
2004	435	184	244	863	7	137
2005	430	81	137	648	4	245
2006	608	325	538	1471	7	299
2007	1522	597	1479	3598	56	678
2008	2155	654	3906	6715	59	485
2009	2324	991	8389	11704	78	499
2010	1796	469	5170	7435	67	193
Total	9410	3325	19888	32623	282	2612

Source: Estimated by South Asia Terrorism, Institute of Conflict Management.

<http://www.satp.org/satporgtp/countries/pakistan/database/index.html>

Table 1.2 Incidence of Terrorist Attacks/Clashes in Pakistan

	Terrorist Attacks ¹	Operational Attacks ²	Clashes militants ³	Border clashes	Political Violence ⁴	Inter-tribal clashes	Drone attacks
Number of attacks							
2008	2,148		95	55	88	191	32
2009	2,586	596	209	78	130	217	51
2010	2,113	260	369	69	233	214	135
Number of persons killed							
2008	2,267	3,182	655	395	162	1,336	216
2009	3,021	6,329	1,163	700	210	1,209	667
2010	2,913	2,631	2,007	65	660	766	961

1. Including insurgent and sectarian incidents.

2. Operations conducted by security forces against militants.

3. Ethno-political and sectarian.

4. Clashes between security forces and militants.

Source: Pakistan Institute of Peace Studies (PIPS), Pakistan Security Reports 2006, 2007, 2008, 2009, and 2010.

Note: The figures may not tally with Table 1.1 as they are taken from different sources.

Moreover, the ethno-political and inter-tribal clashes have further aggravated the situation. As shown in Table 1.2, number of incidents of ethno-political and sectarian violence increased from 88 to 233 between 2008-10 claiming deaths of 162 and 660 persons, respectively. Similarly, over 3,000 people have been killed in inter-tribal clashes during the last three years.

Besides fatalities, civil war destroys infrastructure, services and household assets; displaces populations; breaks social cohesion, institutions and norms and creates fear and distrust. Pakistan Economic Survey (2009-10) categorically reports that "Beyond statistics of human casualties, the cumulative effects of the campaign of terror unleashed in Pakistan and the country's fight against militancy have been enormous. Lives, homes and incomes have been uprooted, while educational attainment for virtually a whole generation of school going children in the affected areas of Khyber Pakhtunkhwa and FATA has been jeopardized, or severely undermined. In terms of the economic impact, the fall out on Pakistan has also been immense. As a front line state in the global "war on terror", it is officially estimated that Pakistan has been impacted to the extent of over US\$ 43 billion between 2001 and 2010".

This chapter focuses on the types of internalized and externalized threats causing continuous regional political instability and socio-political polarization including the emergence of militant non-state groups within Pakistan. The threats being multiple, (both) home grown and cross border, have consequential repercussions on the national and regional security developments. The parameters identified include the changing nature of inter-state relations and global power structures, and the nexus, that exists between the national and regional dynamics of security related issues.

Relevant Theories

Theories of security dilemma and balance-of-power continue to play an important role in international politics today. These include:

Oppenheim: Equilibrium² between various powers forms the family of nations... its existence is essential to the very existence of international law.... it is a power to hold each other in check. If the system fails, nothing

prevents any state sufficiently powerful from ignoring the law and acting solely according to its own convenience and interests. Just equilibrium thus expresses the doctrine which prevents any one nation from becoming sufficiently strong.

Grotius: the theory of Balance-of-Power³ was formulated as a fundamental principle of diplomacy. The theory was also accompanied by the Balance-of-Terror/ and Balance-of-Deterrence that ensured that balance be maintained. The theory also brought with it the concept of Bandwagoning.

Kenneth Waltz: Arguing the pros and cons of Balance-of-Power theory he outlined the neo-realism or Structural Realism Theory (1979) - by arguing in favor of a systemic approach. In his theory he largely focuses on the constraints of the behavior of the state due to the international structure (defined by its ordering principle according to the change in the distribution of capabilities). According to this theory, states are primarily concerned with their own security and not power. Security that may be defined by threat factors largely characterized by overall capability, proximity, offensive/defensive capabilities, and perceived intentions.

Stephen Walt placed the BOP theory on a new basis by calling it Balance-of-Threat theory (1988). It says that states do not react to threat alone but to 'credible threat'. Moreover, he describes bandwagoning as being coerced. He argues that the timings when states form alliances and their choice of allies are major factors to be considered. He addresses the rationale for such an alliance by looking at whether states tend to balance against strong or threatening powers by allying against them, or are states more likely to bandwagon by allying with the 'most powerful' or 'most threatening' states. In the case of the bandwagon approach, threat and intimidation is more likely to work.

Presently, it is the nexus that exists between mutual distrust and mutual misunderstanding along with the 'fear' that continues to predominantly overshadow the discourse on security. A situation that forces the smaller and the weaker states to make asymmetrical



concessions and opt for a less parsimonious sub-ordinate role as seen in the case of the on-going war on terror. In spite of the global coalition's use of surge strategy, the factors that continue to prevent return to peace are the emergence of the sub-national actors (such as terrorist/militant groups) and the different perceptions that exists on the core and fundamental question of what constitutes a threat. The two together have undoubtedly changed the security paradigm that have been traditionally in vogue during the last six decades.



Regional Developments

Generally all major South Asian countries are confronted with democracy and security related challenges. While the discourse on democracy is predominantly dominated by concerns on liberal/ illiberal democratic practices, the debate regarding security is largely overshadowed by the consequences of the hierarchy of 'low politics' and 'high politics' that failed to hold swing and contributed to the surge of violence (militancy), war-lordism, tribalism and extremism/ fundamentalism in all its various forms and manifestations.

The approaches identified by Pakistan, India, Sri-Lanka and Nepal vary distinctly. For example, Sri Lanka - a country recognized for multiculturalism and for successful use of the principle of peaceful co-existence among its various religious communities - is recovering from a long internal ethnic strife that set into motion intense violence employed by the LTTE. The 6th amendment of the Sri Lankan constitution was later accompanied by the use of force to end the insurgency. The end of the conflict, however, is yet to replace the ultra-nationalist Sinhalese mind set with the Sri Lankan nationalism. Whereas, unlike Sri Lanka, the Maoist party of Nepal successfully converged into a social movement. The Common Minimum Program envisaged immediate relief to the people besides a number of initiatives to ensure the much needed political reforms that would help integrate the politically marginalised into the mainstream social structures of Nepal. Equally important is it for Nepal to re-emerge amicably from the current political deadlock. How consensual politics would be ensured would largely depend on the conflict/ political behavior and conflict management of all the democratic forces.

The tension-ridden Pakistan-India relations along with the unending political instability in Afghanistan during the last three decades have been the main source of the twin⁴ conflict (internalized/ externalized threats) confronted by the three states. The two types continue to be used by the states to retain the characteristics of the national security state- the most visible being the role taken upon by the military to either ensure the state against all internal and external enemies, or in the case of India to ensure the oneness of the state. All three states continue to justify their military actions largely through 'pleas of high value targets'. These include the Armed Forces Special Powers Act (1958) of India, presence of the ISAF/NATO forces in Afghanistan, or the operation Rah-e-Rast and Rah-e-Nijaat undertaken in Pakistan.

Somewhat similar to the impact of the cold war on global conflicts, the Bush doctrine based on the premise of 'good and evil' further created a division between the states and societies. President Bush while addressing the joint session of the US Congress (2001) said "our



response involves far more than instant retaliation and isolated strikes. America should not expect one battle, but a lengthy campaign. We will starve the terrorists of funding, turn them against one another, and drive them from place to place, until there is no refuge or rest". He emphasized on the need to pursue nations that provide aid or safe heavens to terrorists. The consequence of this new state of war accompanied by coercive diplomacy, according to Hardt and Negri⁵ is that international relations and domestic policy became increasingly similar and intermingled-where civil liberties are often violated in the name of homeland security. Whereas, Prime Minister Mahatir of Malaysia during his speech in Davos (2003)⁶ emphasizing on the importance of identifying the reasons behind the prevailing security threats said that terrorizing the terrorist will not work and that the causes of such threats need to be addressed. This was a voice that was representative of a large number of muslims throughout the world.

The AF-Pak policy announced by Obama in 2009 in the name of regional political stability and emphasizing on the "surge strategy" is viewed as a policy for protecting American security. The American policy aims for regional stability remain blurred, whereas, its first review laid a greater focus on the Strategic Implementation Plan (SIP) having nine broad objectives equally divided for Pakistan and Afghanistan. The objectives of evaluating progress in the two countries calls for disrupting terrorist networks especially in Pakistan to degrade the ability to plan and launch attacks; limit militants' involvement in civilian government; strengthening civilian government in Pakistan; and demonstrable action against corruption in Afghanistan. The Overseas Contingency Operations thus aiming to eliminate the top leadership and sanctuaries of extremist organizations brought in a greater focus on the use of special forces, drone attacks and other smart technologies along with a focus on gathering local and indigenous forces wherever possible and building consensus with international and regional players.

The latest review which examines closely the July 2011 deadline of initiating the phased withdrawal of US forces from Afghanistan is more of a reflection on both the military and civilian surge strategies. Contrary to Obama's optimism, the US National Intelligence Estimate report on Pakistan hinted at limited chances of success accusing Pakistan of failing to shut down militant sanctuaries in its tribal areas. The US aid money provided to Pakistan since the beginning of the decade can be divided broadly into the Coalition Support Fund (covering the cost of Pakistan military fight against terrorism); security assistance (for military equipment to fight terrorism); cash transfers (to the government); and development and humanitarian assistance.

The Kerry-Lugar-Berman Bill accompanied by the Joint Explanatory Statement consists of three main Sections:

- Democratic, Economic and Development Assistance
- Security Assistance
- Strengthening institutions of democratic governance and promote control (section 302 (15)) of military institutions by the democratically elected civilian government.

The bill consisting of an entire section on accountability and monitoring generated reservations across all sections of society including

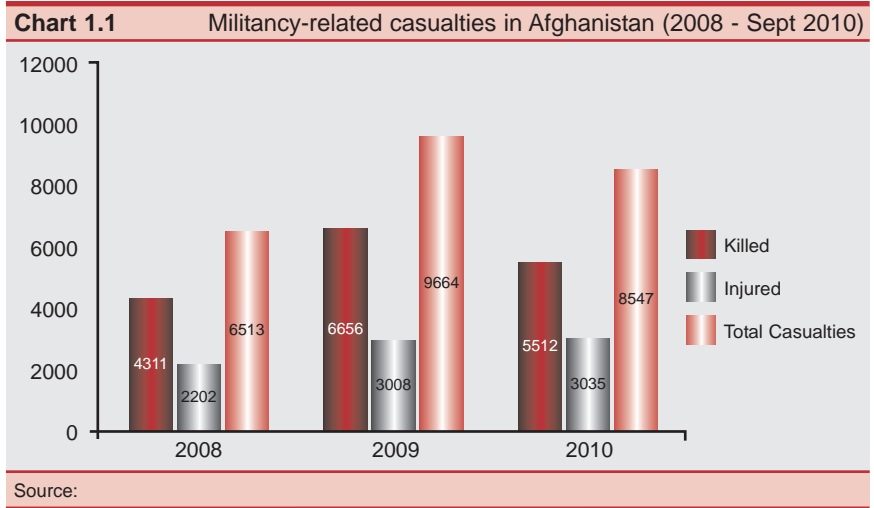


the military establishment. Section 2 on findings (8) and section 4 on statement of policy (6) described '---FATA, parts of NWFP and Baluchistan as a haven and a base from which to organize terrorist actions in Pakistan and globally ---.' The latter stated '---to prevent any Pakistani territory from being used as a base or conduit for terrorist attack in Pakistan, Afghanistan, India or elsewhere in the world'. Further, the Pakistan reimbursement claim process for Coalition Support Fund (CSF) requires increased oversight and accountability. While section 302 requires the Secretary of State to submit an annual report to the congressional committee to justify the continuation of security and military assistance to Pakistan. This is in spite of the fact, that security assistance being provided is specific to its fight against terrorists.

The Enhanced Partnership with Pakistan Act is largely viewed impinging on the sovereignty of Pakistan by several groups within the country. The conditionalities laid are intrusive in characteristic and imply both desire and means to micromanage Pakistan affairs. Nonetheless, the development in the bilateral relationship between the two countries is indicative of a desire for a comprehensive and long-term relationship between the two countries.

The Pak-US Strategic Dialogue initiated in 2008 held all of its three rounds of meeting in the year 2010. Aiming to broaden and consolidate bilateralism, thirteen Working Groups have been constituted in the areas of energy, agriculture, education, health, water resources, communications, counter terrorism, security issues, economy, trade, science and technology, public diplomacy, and women empowerment.

Despite the politics of envoys sustainable peace and stability is nowhere in sight. Military-related casualties continue to be high, although reduced numbers are evident from Chart 1.1. This raises serious concerns regarding the capacity of the Afghanistan government once the coalition forces start pulling-out. Neither have the visits of envoys helped in addressing the distrust which exists at the governmental and societal levels. At the governmental level, both the civilian government and military establishment has been accused of misuse. For some in the



United States, the aid is not being used to further US foreign policy objectives. Seemingly, the assistance being provided is largely dependent on Pakistan's behavior.

The irrational international political behavior seen in the post 9/11 period has not only brought emphasis on the need to redefine the security framework amid fears of terrorism but have changed the global development dynamics. The element of aggression along with the use of the Anticipatory Right of Self Defense have caused a change in the ways societies either see or interpret themselves⁷. For many⁸, the US has been following a policy of 3 I's i.e. intervention, intrusiveness, and influence (involved in the social engineering particularly of muslim societies such as, Pakistan, Afghanistan, and Iraq).

The Making of the Problem

The literature produced on fundamentalism, terrorism (Islamic) and extremism mainly focuses on the issues of political identities, assimilation and integration within societies. Unfortunately, the understanding of the Pakistani society reflected in the writings totally ignores the tribal and the feudal social characteristics prevalent in the country. Thomas (2005) also argues the importance of understanding the role of culture and religion more seriously in international affairs. The neo-conservatives, arguing in favour of the need to win the war on terrorism questions conventional⁹ thinking on religion, terrorism, fundamentalism often associated with Islam alone, that ignores the phenomena of the IRA and Protestant Evangelicals, or for that matter the authoritative structure of Roman catholic church. Thomas places the concerns in a wider context of social theory, (including cosmopolitanism) modernity, post modernity, and secularization. Thus relying on Mac Intyre's social theory he argues for deeper pluralism that is necessary for the social understanding of religion. Moreover, his arguments suggest new forms of cultural/ public diplomacy that takes religious convictions of people seriously in understanding their application in their public life.

The traditional concepts of sovereignty have somewhat been revised and changed. After the demise of the cold war the emphasis

shifted from state-centric security to human security with greater emphasis on democracy, liberalism, human rights, human development and good governance. The post 9/11 period has seen renewed calls for redefining the security framework amid fears of failing democracies, soft state issues, terrorism, extremism and threat perceptions including the so-called 'Islamic threat'. The policies that followed the 9/11 incident have changed the global development dynamics. As mentioned earlier it has changed the way societies interpret or see themselves or the world.

It is not only the anarchic nature of international politics caused by some of the lingering political and territorial disputes but also the distorted perceptions and understanding of the issues of soft states such as ineffective institutions, terrorism, fundamentalism and religious extremism that largely constitute the present-day security concerns. The very concept of the 'common security concerns' as an alternative approach for maintenance of peace today is viewed as 'enforced' by many. For example, many countries, particularly developing muslim countries, such as Pakistan, joined the coalition after the 9/11 incident because of the changed international political environment, which was confronted with unilateralism, coercive diplomacy and fear and not because they faced the common enemy at the time.



Systemic Failure in Pakistan

Militancy, extremism, violence and intolerance clearly have their roots imbedded in the systemic failure both of institutions and social development policies initiated by respective governments.

The systemic failure of the respective government in strengthening institutions, creating employment, strengthening industrialization, regulating the informal/ non-formal sectors, addressing socio-economic disparity, ensuring quality education and health-care, guaranteeing rule of law, controlling inflation, poverty and food insecurity and eliminating terrorism have all caused despondency, violence and lawlessness.

Historically, the failure of the judicial system in strengthening the 'rule of law' in the country and its politicization such as political appointments of judges in the high courts and supreme courts caused a culture of power-confinement. As a result, the judicial system of Pakistan was unable to protect a large number of vulnerable and disenfranchised people. Unfortunately, the cumbersome procedures and the failure of access to justice further aggravated the situation.

Other factors impeding development are population explosion, sluggish economic development process, low human development and inequity and inequality in resource distribution. Population growth is the prime factor that not only slowed down pace of economic development but also caused food insecurity in the country. In spite of the decrease seen in population growth (2.1 percent in 2009)¹⁰ food insecurity is intense, where almost half (48.6 percent) of the population does not have access to sufficient food¹¹. No efforts have been made to utilize the population dividend in the country by providing adequate skill and training to the youth. Instead, the education budget has been slashed from 2.6 percent of GDP in 1990 to 2.1 percent of GDP in 2009-10.¹² The weak economic base along with low level of investment in the country has created a situation of job bankruptcy. In the absence of institutional



mechanisms and lack of job opportunities a pool of surplus unproductive labour exists that could have been utilized productively otherwise.

Poverty is another manifestation of institutional failure in the country. Currently more than 60 percent of the population continues to live on less than US\$ 2 a day. Though Pakistan witnessed a decent economic growth in the 1980s and 1990s, the inappropriate resource distribution paved the way to poverty in the country. Poor economic governance caused macroeconomic imbalance that resulted in the increase in poverty and inequality. The effects of high real GDP growth in 1980s could not benefit the poor and vulnerable and unfortunately, the gap between the rich and poor kept increasing. Poverty head count estimate was 46 percent in 1984-85 which declined substantially due to sustained economic growth to 37.4 percent in three years (1987-88)¹³. The decade of the 1990s can be termed as an era for combating poverty in which the primary aim of economic and social policy was to reduce poverty. From a poverty incidence of 24.0 percent in 1996-97¹⁴ it rose to 34.5 percent in 2000-01¹⁵ and 38 percent in 2007-2008¹⁶.

With the high food inflation and continuous economic decline in Pakistan, poverty incidence is likely to increase in coming years (discussed in Chapter 4). The poverty reduction strategy of the government could not reach its potential primarily because, of inefficient and ineffective social service delivery particularly in the areas of education, health and hygiene and water supply and sanitation. In totality, there seems to be a failure of the state functionaries that have caused retro gradation. Continuous failure of the government might cause a complete failure of the existing system.

Terrorism confronted by Pakistan has cross-border dynamics - it clearly does not occur in a vacuum. The more extreme a catalyst, the more intense the violence, and the longer its duration, the less formal the outcome of the crisis. Similarly the longer the crisis the more far reaching its affects. Foremost among the concerns are the security issues largely surrounded by the threat perceptions. In this new political environment, multiculturalism is challenged and issues of assimilation and integration have assumed greater importance. The issue of extremism being related to violence and terrorism now poses new challenges to the society. The challenges confronted by multiculturalism perhaps urgently need the rationalization and homogenization of culture, particularly in an era where transition to modernity is viewed as enforced due to global pressures and not indigenous or a consequence of self realization, and where society sees the legitimacy of the government as coming from abroad. The type and the nature of the pressures have intensified tensions and conflict not only between states but across societies and religions also. The complexities, therefore, have compounded the nature of violence being faced by both the government and society.

The changing nature of conflict and a renewed focus on state-centric security has intensified conflict not only between states but between and within societies and religion. Conflict between people of different socio-cultural backgrounds poses a new and a serious challenge to peace that is inextricably linked to harmony and democracy. We do hear complaints of "irrational and aggressive behavior" of society, while, for many living in Muslim societies the US policies are being viewed as a ploy of the west for domination that aims for successful 'social

engineering' of their societies in the name of democracy.

The ongoing debate on pluralism, violence and extremism including intolerance is complex and consists of a number of variegated elements. Muslims have been described by Huntington as 'indigestible' or 'brutal' and 'uncivilized', whereas, Fukugama in his earlier writings suggested bombing and reconstruction of Muslim societies. The ongoing concerns on conflict and security therefore do have strong religious undertones and can be traced to political, ideological, cultural intolerance or biases.

The controversies largely woven around democracy, societal security and religious extremism requires a new paradigm to ensure a socio-cultural understanding- which involves dialogical reasoning to build bridges along with a paradigm of religious understanding which would perhaps encourage a rational development of democracy and civil society institutions. However, equally important is to change the authoritative coercive mind set. Most current dialogues are bilateral monologues. There also exists a need to formulate a multipronged strategy, particularly for those who not only pose a challenge to democracy but also to the state and societal security.

The reference is mainly to the emergence and strengthening of the non state groups that poses a challenge to the national security. The reference is not to those that work within the constitutional framework and make a demand for a social change or a constitutional change. The latter category is apriori legitimate and is reflective of such practices that exist in a liberal democracy. The development of an alarmingly large number of such groups in several countries has resulted in the 'Cobweb Paradigm' in international politics - where armed groups operate without any state control and are involved in trans-border conflict. For example, the Indian claim of the United Liberation Front of Assam (UFLA) being based in Bangladesh; a faction of the National Socialist council of Nagaland leadership being based in Europe, Thailand and Burma; the Indian claim of Lashkar-e-Taiba operating from Pakistan and several other similar groups based in South Asian countries.

The presence of such groups have undoubtedly added complexities to the inter and intra state conflicts and definitely has made crisis management more daunting. Militant groups have been described as a force multiplier. In Pakistan, the onset of the present challenge to the socio-political structures to many is a foreign policy crisis characterized by threat, giving rise to threat perceptions which have generated fear and polarization particularly at society level. Where on the one hand the United States is viewed as a partner (at the governmental level) and an adversary (at the people's level), while, on the other hand the Tehreek-e-Taliban continues to use violence/ terror to force the government to comply with its demands. The two phenomena have caused the 'Spiral Process'- which, have strengthened the 'enemy syndrome' and seemingly is now the guiding principle of all actions and responses from the two sides.

In order to understand the transformation of the conflict from a low level threat to a high level threat, it is important to understand the various attributes¹⁷ of the conflicts being confronted by Pakistan. The three important being: system attributes; crises attributes; and actors attributes. The system attributes reveal the conditions in which a crisis unfolds. The three important relevant characteristics in the case of Pakistan are the conflict environment (unstable Afghanistan and the war on terrorism);





conflict eventually transforming into protracted conflict (multiplication of the types and nature of the conflict and increase in the number of actors involved in the conflict); and conflict being heavily based on the issues of identities (largely based on the socio-religious identities).

Whereas, a deeper look at the crisis attributes indicates the following crucial component of the crisis particularly relevant to conflict (s) posing serious challenges for Pakistan. Triggered by multiple factors such as, the Bush doctrine; political and economic instabilities; non-integration of the population living in the federally and provincially administered areas of Pakistan; issues of identities and assimilation.

Similarly, the number of actors and their roles have contributed in the aggravation of the conflict-situation. For example, regional political instability (where Afghan Taliban succeeded in exporting their doctrine to Pakistan); and the consequential repercussions of the war on terror (the coercive diplomacy); resurgence of transnational threats (emergence of militant non-state groups); and drone attacks have largely caused anger and fear at the societal level in Pakistan. The internal dynamics of the crises attributes also clearly consists of extremism (religious) and ideological indoctrination. The actors¹⁸ attributes is also indicative of the non-existence of the capability gap in Pakistan (having same or substantively similar technology); and overt/ covert foreign support (mainly financial).

The conflict behavior¹⁹ of the warring parties is visibly reflective of the 'causal link' of three attributes discussed above.

Terrorism in the case of some countries (Pakistan included) is also a consequence of a conflict between the concept and its understanding. Equally important it is to understand the anatomy of the internal conflict which continues to exist, and the anatomy of intolerance and religious extremism. The threats confronted by the Pakistan democracy and security undoubtedly are inter-linked having cross-border dynamics. The new security challenges therefore demand a radically different approach. Addressing religious extremism (caused by the existing socio-religious paradigm); militancy (bred partially by poverty and socio-economic disparities); and terrorism (more a consequence of regional political environment). Equally true is the fact that the traditional security framework is inadequate in addressing the issues of human well-being or building the capacity of the government institutions.

The usage of principle of peaceful co-existence between nation-states and people belonging to different socio-religious groups remains to be a desire yet to be fulfilled. Unfortunately the nature of the conflict having religious undertones can be traced to the political, ideological, cultural and religious biases, particularly those guided by religious power groups continue to be most intractable. Increase in violence is due to the on-going conflict in the region, repressive policies and a dysfunctional democracy where an obvious disconnect exists between the state and government. The issues of societal security of Pakistan, similarly, is largely reflective of the failure of the society to persist in its essential character under changing conditions including real and perceived threats. Post 9/11 the issues of societal security both in Europe and the Muslim world are largely the outcome of the cultural identity threatening social and communal cohesion and integration among people of different socio-cultural backgrounds.

Conclusions

The Pakistani society along with external pressures and intrusiveness is often seen self flagrating itself which in turn, has created hopelessness and despondency at the level of society. Looking at the social behavior of the society today, it would not be an exaggeration to say that unknowingly an egoistic morality has replaced the altruistic morality.

A development that seemingly is guiding the socio-political discourse or modus operandi identified for the nation state poses heavy reliance on the concept of a 'just society' or 'Islamic Society'. Though it is important to protect the social nuances of any society, this predominant fixation with the two concepts have kept both the government and society from addressing the issues that have caused the economic backwardness, besides taking attention away from the development of social behavior - as a society.

The present-day narratives on the reasons for 'dysfunctional democracies' or soft state crisis is predominantly dominated by the systemic failure of societies. Will such an approach help? How do we address the qualitative change that has occurred in societies.- what are the other new modalities needed? And what is meant by civilizing the society; Islamizing the society or democratizing the society. It is important to understand the mind-set that seeks justification of a particular group having an exclusive right to the truth. Such a mind set continues to prevent any real dialogue and has caused the brutal divisions that have become so strong within society. It is extremely important to identify a strategy that helps cope with the diversity of moral values both within societies and between cultures. Though the nature of the conflict having religious undertones can be traced to the political, ideological, cultural and religious biases, it is crucial to manage and control such negative tendencies, renounce rhetoric and be tolerant of rational disagreement- which is the only way to a civilized society.



NOTES:

- 1 The term '9/11' refers to the terrorist attacks in New York City and Washington D.C. on September 11, 2001.
- 2 England is considered to have first used it to maintain equilibrium between Spain and France.
- 3 In the post-medieval Europe, Duke of Milan Francesco Sforza was the first to actively follow such a policy.
- 4 Reference is made to the internalized and externalized threat perceptions. The former has caused issues of identities (including state identities) where harmony among people have become increasingly difficult. The second category of threat refers mainly to the transnational threat perceptions.
- 5 Hardt, M. Negri, *Empire*, London: Harvard University Press, 2000.
- 6 World Economic Forum meeting held in Davos in 2003.
- 7 James Rosenau and Czempiel, *Governance without Government: Order and change in world politics*, 1992
- 8 General and popular perception that exists at the people's level.
- 9 For intensive discussion see Scott M. Thomas 'The Global Resurgences of Religion and the Transformation of International Relations', Palgrave-Mc Millan, 2005.
- 10 The World Bank, *World Development Indicators*, http://www.google.com/publicdata?ds=wb-wdi&met=sp_pop_grow&idim=country:PAK&dl=en&hl=en&q=population+growth
- 11 Food Insecurity in Pakistan 2009, Sustainable Development Policy Institute (SDPI), Islamabad.
- 12 Pakistan Economic Survey 2002-03.
- 13 Poverty in Pakistan in 1990s: An Interim Assessment, World Bank 2002
- 14 *ibid*
- 15 Pakistan Economic Survey 2008-09, Ministry of Finance, Government of Pakistan.
- 16 See chapter 2.
- 17 For an in depth understanding of the types and nature of conflict see Brecher, Michael and Wilkenfeld, Jonathan, *Crisis, Conflict and Instability* Pergamon Press, 1989.
- 18 The two categories of actors being referred to are: militants (NSG) and the various government institutions of law-enforcement.
- 19 The Roots of Behavior In war-A Survey of Literature, ICRS, 2004.



IMPACT OF THE WAR ON TERROR ON THE ECONOMY

2

CHAPTER 2

The costs of participation in the war on terror are rising exponentially in terms of dislocation of economic activity, high losses of life and property and impact on the investment climate.

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10



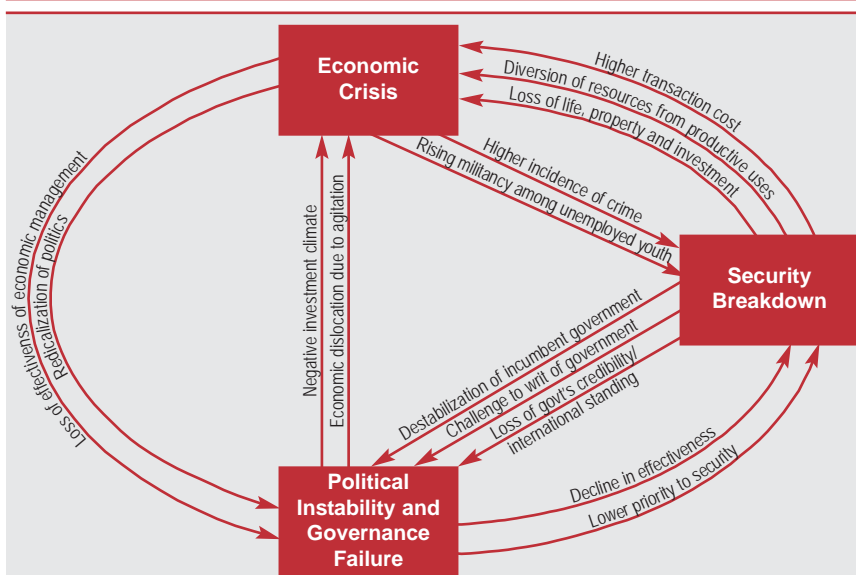
IMPACT OF THE WAR ON TERROR ON THE ECONOMY

In the backdrop of the war on terror, Pakistan is confronting one of the most dire and unprecedented crisis of its history which has severe implications for its social as well as economic development. The crisis is multidimensional and can be characterized by a political-security-development nexus where each factor feeds into the other and the failure on one front raises the probability of failure on all fronts. The challenge before policy makers, therefore, is how to break the vicious cycle that has brought the country to the verge of a major crisis.

As shown in Chart 2.1, the main elements of this vicious cycle are economic crisis, political instability, governance failure and security breakdown. The slowdown of the economy leads to a decline in the real income of the people, particularly of the poor segments of the population, which may result in increased social restiveness and higher incidence of crime and rising militancy among the unemployed youth. The economic downturn also leads to loss of effectiveness of economic management and radicalization of politics, contributing to an environment of political confrontation and instability. Political instability and governance failure feeds into the economic crisis primarily because of its negative impact on the investment climate and dislocation of economic activity. Similarly, the security breakdown increases probability of governance failure; destabilizes the government; poses challenges to government writ

Chart 2.1

The Vicious Cycle of Economic Crisis,
Political Instability, Security Breakdown and
Governance Failure



Source: IPP, 2009

besides eroding government credibility. It also exacerbates economic stress further by spreading fear among investors. The consequent increased need for security expenditure also leads to diversion of resources from "productive" uses, thereby impacting on the process of economic and social development (IPP, 2009).

The situation of security breakdown as manifested by increasing acts of terrorism was highlighted in the previous chapter. This chapter focuses on the extent of governance failure, the economic cost of terrorism to Pakistan and the resulting performance of the economy of Pakistan.



Governance Indicators

Lack of good governance is believed to be among the root causes of the growing crises in Pakistan. Though problems of governance have always existed, the situation has deteriorated rapidly over the past 10 years. A general perception is that political institutions have not been able to develop a system that promotes accountability and transparency, allows a voice to people, and ensures social and economic justice.

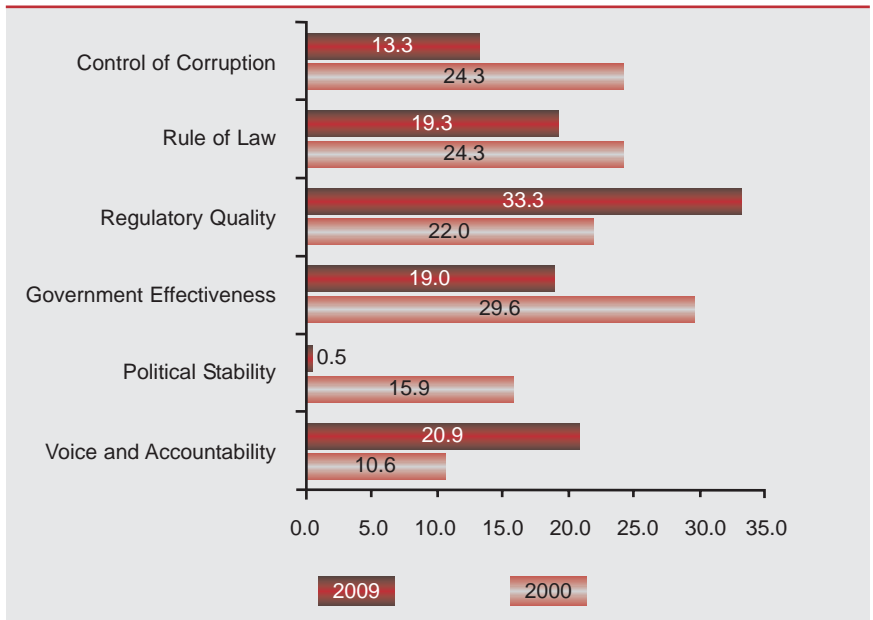
The Worldwide Governance Indicators (WGI), a project of the World Bank reports aggregate and individual governance indicators for 213 countries. The indicators for various dimensions of governance include voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. As shown in Table 2.1, Pakistan does not compare favorably amongst the other countries of the region. The percentile ranking of Pakistan is below the average of South Asian countries in all governance indicators except for regulatory quality. For example, in political stability, the percentile rank of Pakistan is 0.5 as compared to the regional average of 18.7. Similarly, in control of corruption, Pakistan's percentile rank is 13.3 as against regional average of 31.6. A similar situation exists for indicators of accountability and rule of law.

Table 2.1 Governance Indicators of Pakistan: 2009

	Percentile Rank (0-100)	Regional Average, Percentile	Governance Score (-2.5 to +2.5)	Standard Error
Voice and Accountability	20.9	32.8	-1.00	0.12
Political Stability	0.5	18.7	-2.76	0.22
Government Effectiveness	19.0	33.5	-0.93	0.18
Regulatory Quality	33.3	27.7	-0.50	0.16
Rule of Law	19.3	35.8	-0.93	0.14
Control of Corruption	13.3	31.6	-1.10	0.17

Source: The World Bank Group, <http://info.worldbank.org/governance/wgi/index.asp>

Pakistan is not only ranked below the average in 2009, a trend analysis over time suggests that the situation of many governance indicators has worsened since 2000 as reflected in percentile ranking (Chart 2.2). For instance, the ranking in political stability declined from 15.9 in 2000 to 0.5 in 2009. Similarly, the ranking in ensuring rule of law came down from 24.3 to 19.3 while, in the category of controlling corruption it

Chart 2.2Governance Indicators of Pakistan
Comparison between 2000 and 2009Source: The World Bank Group, <http://info.worldbank.org/governance/wgi/index.asp>

again shows a downward trend i.e. from 24.3 to 13.3 during the same period. However, there has been some improvement in the indicators of voice and accountability and regulatory quality.

State of the Economy

Pakistan's economy is faced with many challenges such as slowdown of economic growth, decline in investment, high inflation and higher levels of fiscal and current account deficits.

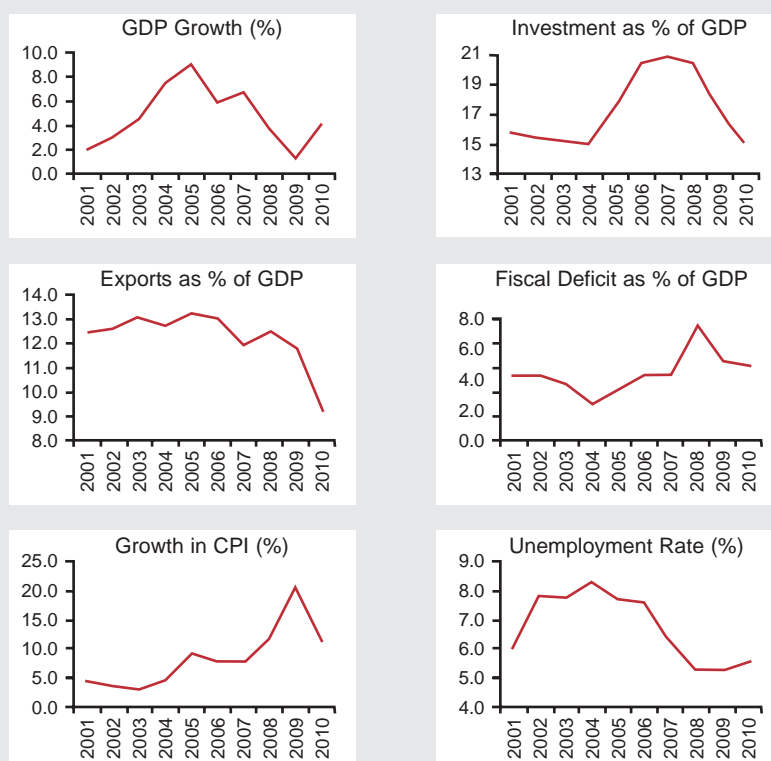
The growth of GDP has shown a pyramidal trend over the past ten years (Table 2.2). From a low 2 percent in 2000-01, the growth rate reached a peak of 9 percent in 2004-05. Subsequently, the GDP growth rate declined, to only 1.2 percent in 2008-09. A modest improvement, however, was observed in 2009-10. Investment has followed a similar trend. Investment as a percent of GDP was 15.8 in 2000-01, reached 20.9 in 2006-07 and then declined to 15 in 2009-10. Exports have also declined from 13 percent of GDP in 2005-06 to 9.2 percent in 2009-10. Similarly, the current account deficit reached an alarming level of 8.5 percent of GDP in 2007-08, which led Pakistan to seek emergency assistance from the IMF to avoid a total melt-down of the foreign exchange position and a major disruption in economic activity.

The economic situation worsened as the rate of inflation continued to rise and growth of CPI reached a peak level of 20.8 percent in 2008-09. In particular, the continuous increase in food prices severely impacted the livelihood of poor segments of the society, leading to substantial increase in poverty. According to SPDC estimates, the incidence of poverty increased from 30 percent in 2004-05 to 38 percent in 2007-08,

Table 2.2 Major Macroeconomic Indicators of Pakistan

		[as % of GDP]					
	GDP Growth (%)	Investment	Exports	Current Account Deficit	Fiscal Deficit	Growth in CPI (%)	Unemployment Rate (%)
2000-01	2.0	15.8	12.4	-0.7	-4.3	4.4	6.0
2001-02	3.1	15.5	12.6	1.9	-4.3	3.5	7.8
2002-03	4.7	15.3	13.1	3.8	-3.7	3.1	7.8
2003-04	7.5	15.0	12.7	1.3	-2.4	4.6	8.3
2004-05	9.0	17.5	13.2	-1.6	-3.3	9.3	7.7
2005-06	5.8	20.5	13.0	-4.4	-4.3	7.9	7.6
2006-07	6.8	20.9	11.9	-5.1	-4.3	7.8	6.2
2007-08	3.7	20.5	12.5	-8.5	-7.6	12.0	5.2
2008-09	1.2	17.4	11.8	-5.7	-5.2	20.8	5.2
2009-10	4.1	15.0	9.2	-1.7	-6.3	11.5	5.5

Source: EconomicSurvey, GoP



which implies that more than 15 million people have been added to the population living below the poverty line¹.

¹ Details of poverty estimates are provided in Chapter 4.

Economic Cost of War on Terror

Since 2001, terrorism has taken a heavy toll on Pakistan's economy. The costs of participation in the war on terror are rising exponentially in terms of dislocation of economic activity, high losses of life and property and impact on the investment climate. The war on terror is believed to have made a major contribution in the above mentioned slowdown of economic activity.

The Ministry of Finance, Government of Pakistan has estimated the economic cost of the war on terror for Pakistan over the past decade. Official estimates show that 'Pakistan has been impacted to the extent of over US\$ 43 billion between 2001 and 2010 (GoP, 2010).' As shown in Table 2.3, the total loss to the economy due to the war on terror has increased exponentially from US\$ 4.4 billion in 2004-05 to US\$ 11.5 billion in 2009-10. As a percent of GDP, the loss has increased from 4.0 to 6.6 during this period. Particularly, the annual estimated loss doubled during the last three years.

Years	Rs. Billion			Total in US\$ billion
	Direct Costs	Indirect Costs	Total	
2004-05	67	192	259	4.4
2005-06	78	223	301	5.0
2006-07	83	278	361	6.0
2007-08	109	376	484	7.7
2008-09	114	564	678	8.6
2009-10*	262	707	969	11.5
Cumulative 2005-10	712	2340	3052	43.0

*July - April
Source: Economic Survey, 2009-10, GoP

The Institute of Public Policy (IPP) estimated the economic costs of the war to be at Rs 380 billion in 2007-08 (IPP, 2009). Following the same methodological framework, SPDC has updated these estimates for the year 2009-10. For analysis purpose, the costs of terrorism have been categorized into direct and indirect costs.

Direct costs include compensation to victims, damage to property and infrastructure, higher expenditure on defence, higher expenditure on police, and higher costs of private security. The value of lives lost is part of direct costs, but difficult to quantify. The cost of damage to property and infrastructure is estimated on the basis of number of terrorist attacks [see IPP, 2009 for details].

Higher expenditure on defence and police is a major economic cost of terrorism borne by the government. There has been massive growth in security related government expenditures (on defence and police) during the last few years. As shown in Table 2.4, these expenditures grew at an annual average of 14.6 percent from 2000-01 to 2007-08. However, since 2007-08, security expenditures have increased more rapidly at the rate of 20.5 percent per annum.

The rapid growth in expenditure in the latter period is mainly due to the fact that the military operation in Swat was in full swing after 2007-08 and a 100 percent increase in the salaries of employees of defence



Table 2.4 Security Related Public Expenditure
(Rs in Billion)

	Defence Affairs and Services	Public Order and Safety Affairs		Total	ACRG (%)
		Federal	Provincial		
2000-01	146	10	21	177	
2007-08	363	26	71	460	14.6
2010-11	617	51	137	805	20.5

ACGR = Average Cumulative Annual Growth Rate

Note: Expenditures on defence include pensions of employees of defence services. It also includes non-tax receipts of defence, which has been included as a proxy of expenditures on military operations.

Source: SPDC Estimates based on Federal Budget in Brief (various issues), Explanatory Memorandum on Federal Receipts (various issues) and Province-wise Annual Budget Statements (various issues).

services has recently been granted. Initially, the salary increase was given only to defence forces fighting in the Northern part of the country. Subsequently, the benefit was extended to all employees. Similarly, provincial governments had to increase the salaries of their police force, which brought more burden on their budgets. A time series econometric analysis of security related expenditures (from 1993-94 to 2009-10) conducted by SPDC shows that these expenditures would have been significantly lower in the absence of the war on terror. Based on this analysis, the estimated additional cost of defence and police services together is Rs 290 billion in 2009-10.

Another aspect of enhanced security expenditures is the development of private security arrangements in the country. There has, in fact, been a mushroom growth in this service sector in recent years. According to an informal survey carried out by the newspaper, Daily Times, the number of men employed by private security companies is more than the number of policemen stationed in the country. IPP (2009) estimated that there were over 200,000 private security guards in the country in 2007-08 and the estimated cost of private security attributable to the war on terror was Rs 8 billion. The estimates for 2009-10 are indexed to the size of GDP.

In summary, the total direct costs of terrorism (Table 2.5) have increased from Rs 150 billion in 2007-08 to Rs 320 billion in 2009-10 (an increase of 115 percent).

Table 2.5 Direct Cost of War on Terror
(Rs in Billion)

	2007-08	2009-10	Increase (%)
(Potential) cost compensation to victims ^a	3	6	100
Cost of damage to property and infrastructure ^b	8	13	63
Higher cost of defence	109	247	127
Higher cost of police	21	43	105
Higher cost of private security ^c	8	11	38
Total direct cost	149	320	115
	≈ 150	320	

^a Based on the number of deaths

^b Based on the number of attacks

^c Indexed to size of GDP



Major growth is evident in the cost of defence and police. The estimated additional cost of defence has risen from Rs 109 billion to Rs 247 billion (registering an increase of 127 percent) from 2007-08 to 2009-10 while the cost of police more than doubled during the same period.

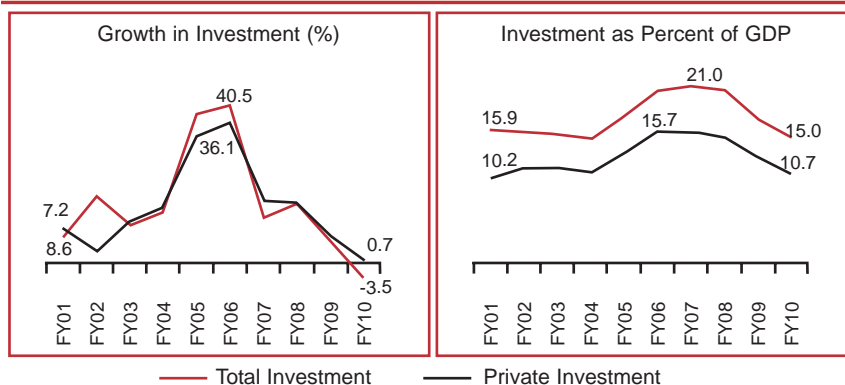
Indirect costs mainly include costs to local economies (loss of economic growth in Khyber Pakhtuhkwa and FATA) and costs of higher risk perceptions such as fall in private investment and fall in stock market capitalization. Other indirect costs include decline in tourism and rise in insurance costs.

The local economies adversely affected are Khyber Pakhtunkhwa and FATA, where the bulk of the terrorist attacks and military operations (including the drone attacks) are concentrated. The shares of these two in the national population, according to the 1998 Census, are 13.4 percent and 2.4 percent respectively. Estimates of the Gross Regional Product of Khyber Pakhtunkhwa have been made by the World Bank (2006) up to 2004-05. No such estimates are available for FATA. IPP (2009) has shown that in 2004-05, the differential in the growth rates of Pakistan as a whole and Khyber Pakhtunkhwa was over 2 percentage points. We assume that the same differential prevails at present. Accordingly, it is estimated that loss to the provincial economy has increased from Rs 40 billion in 2007-08 to Rs 130 billion in 2009-10.

There has also been a sharp and continuous decline in the level and growth of private investment in the country since 2005-06 (Chart 2.3). The growth in private investment was 8.6 percent in 2000-01, reached 40.5 percent in 2005-06 and started declining afterwards; a negative growth of 3.5 percent was recorded in 2009-10. Similarly, private investment as percent of GDP was 10.2 percent in 2000-01, exceeded 15 percent in 2005-06 and has since declined to 10.7 percent in 2009-10.

Chart 2.3

Growth in Investment



Source: EconomicSurvey, GoP

A number of factors which explain this decline include: (i) deterioration in the investment 'climate' due to the emergence of large macroeconomic imbalances; (ii) high incidence of power load shedding and other supply bottlenecks which have substantially raised the cost of doing business in Pakistan; and (iii) loss of investors' confidence due to rise of terrorism. We assume that the contribution of the three factors is, more or less, similar to the fall of private investment of 5 percent of the GDP from the peak level attained in 2005-06. As such, the enhanced perception of risk and uncertainty due to terrorism in Pakistan is

Table 2.6 Indirect Cost of War on Terror
(Rs in Billion)

	2007-08	2009-10	Increase (%)
Costs to local economies	42	130	210
Loss of economic growth in Khyber Pakhtunkhwa	40	130	225
Cost of IDPs	2	n.a.	n.a.
Costs of higher risk perceptions	189	391	107
Fall in private investment	52	244	369
Fall in stock market capitalization ^a	120	123	2
Others ^b	17	44	41
Total indirect cost	231	521	126
	≈ 230	520	

^a As of 2008-09^b Increased by the size of GDP

responsible for a fall in private investment of 1.7 percent of the GDP in 2009-10, equivalent to Rs 244 billion.

The impact on stock market capitalization is calculated by comparing the growth in KSE Index with S&P 500 Index for emerging economies. KSE Index fell by 48 percent from 2004-05 to 2008-09 while S&P Index declined by 39 percent during the same period. Though a number of economic and non-economic factors contributed to this decline it is assumed that one third of the decline was due to terrorism. The impact of terrorism on the stock market is Rs 123 billion. Other indirect costs are updated on the basis of increase in the size of GDP, which amounts to Rs 24 billion in 2009-10.

Table 2.6 presents the summary of the indirect costs of terrorism. According to the estimates, the total indirect cost of terrorism increased from Rs 230 billion in 2007-08 to Rs 520 billion in 2009-10. Major contribution being the decrease in private investment followed by loss of economic growth.

The total costs of terrorism are summarized in Table 2.7 It is evident that the costs of terrorism have increased tremendously (more than doubled) from Rs 380 billion in 2007-08 to Rs 840 billion in 2009-10.

In US dollars, these costs have increased from \$6 billion to \$10 billion. It is important to note that bilateral military and economic assistance from the US to Pakistan of around \$8 billion, has been considerably lower, than the costs of terrorism borne by the country. As such the costs are over three times greater than the bilateral assistance forthcoming especially from the United States.

Table 2.7 Total Cost of War on Terror
(Rs in Billion)

	2007-08	2009-10
Direct costs	150	320
Indirect costs	230	520
Total Costs	380	840
Total costs (US\$ billion)	6	10
US bilateral assistance (US\$ billion) ^a	2	3.6
Ratio of costs to US bilateral assistance	3	2.8

^a Source: Federation of American Scientists,
www.fas.org/sgp/crs/row/pakaid.pdf (visited on December 21, 2010)



FISCAL IMPACT OF THE SECURITY CRISIS

3

CHAPTER 3

*The war on terror
has shifted
expenditure priorities
away from the social
sectors*

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10



FISCAL IMPACT OF THE SECURITY CRISIS

Security crises generally have significant fiscal implications. Theoretically, they can affect both tax revenues and composition of public spending. On the revenue side, as tax receipts vary with the health of the economy, a slowdown in economic activity due to security crisis can lead to a decline in tax revenues. Beyond their effects on real activity, security crises can destroy part of the tax base through the destruction of businesses (Gupta et al. (2002)).

On the expenditure side, a security breakdown leads to increased government expenditures on defense, and law and order mainly due to increase in the salaries of law enforcement personnels, purchase equipments for surveillance and combat, and to strengthen and implement the strategy designed to capture the terrorists and destroy their assets. Higher spending on security can also affect the composition of public spending by decreasing outlays on education, health, and other productive investments that can enhance both human and physical capital. Moreover, the destruction of physical infrastructure by terrorists adversely affects the fiscal position by adding the cost of relief measures along with reconstruction costs (Gupta et al. (2002) and Gaibullov and Sandler (2008)).

Chapter 2 quantified the cost of the war on terror on the economy of Pakistan. While, chapter 5 brings forward the disproportionate burden of the on-going security crisis on the regional economy of KPK. This chapter attempts to analyze the impact of the war on terror on the budgetary priorities of federal and provincial governments. It focuses on the government's security related spending, and provides a careful province-wise disaggregated examination of budgetary magnitudes. It also examines the impact of the security crisis on expenditure priorities and social sector expenditures. Finally, the chapter discusses some of the future outlook based on the implications of the 7th NFC Award by comparing the provincial expenditure priorities documented in the budget documents before and after the award. It is important to note that these budgetary priorities, based on pre-flood budget estimates, are likely to have been changed by the floods. Nevertheless, they provide some insights about the thinking of provincial policy makers as and when increased resources become available.

Security Related Expenditures

As expected, the first decade of the millennium witnessed a significant increase in security related expenditure in Pakistan. These expenditures grew faster than other public expenditure and were largely correlated with the intensity of terrorist attacks and the war on terror. In contrast to war with neighboring countries, which usually affects military expenditures only, Pakistan's security crisis has affected expenditures

Table 3.1 Trend in Security Related Expenditures

Year	Defence Affairs & Services	Federal	Provincial	Total Security	As a %age of of GDP
2000-01	145.9	10.1	21.4	177.3	4.2
2001-02	190.9	10.3	23.8	225.0	5.1
2002-03	230.5	11.7	28.5	270.6	5.6
2003-04	239.9	14.0	35.7	289.7	5.1
2004-05	294.7	17.5	39.7	351.9	5.4
2005-06	332.9	20.4	51.7	405.0	5.3
2006-07	351.1	22.9	62.0	436.0	5.0
2007-08	344.5	26.1	70.5	441.1	4.3
2008-09	422.2	27.3	89.4	539.0	4.2
2009-10	533.7	37.4	119.1	690.2	4.7
2010-11	611.9	51.3	136.5	799.7	4.7
Average Growth Rate (%)					
FY01 to FY11	15.9	18.2	20.6	16.6	1.6
FY01 to FY08	13.6	14.8	18.8	14.2	0.9
FY08 to FY11	21.2	26.2	24.9	22.0	3.2

Source: SPDC Estimates based on Federal Budget in Brief (various issues), Explanatory Memorandum on Federal Receipts (various issues), Province-wise Annual Budget Statements (various issues) and Pakistan Economic Survey (various issues)

both on public order and safety (police) and military. As per budget estimates, the combined federal and provincial expenditures on security reached Rs800 billion or 4.7 percent of GDP in 2010-11 compared to Rs177 billion or 4.2 percent of GDP in 2000-01 indicating an average cumulative growth of 17 percent per annum. While the growth rate in security related expenditure remained in double digits during the entire period, it grew at a much faster rate of 22 percent per annum in the latter part of the 2000s (see Table 3.1).





Defence Affairs and Services

One of the most challenging tasks has been the computation of actual expenditure on Defence Affairs and Services. In order to compute the actual defence budget, the following three components were added: (1) current revenue expenditure on defence, (2) cost of military operations in KPK and FATA as reflected by the Coalition Support Fund reimbursements shown under non-tax receipts of defence services, and (3) pensions of armed forces shown in the civilian budget. While (1) and (2) are published in federal budget documents, pensions of armed forces are not separately available in these documents. In the absence of data on the actual amount, 40 percent of total pensions are assumed to be the pension of armed forces. Table 1 shows the resulting estimates of defence expenditures.

In line with the general perceptions, one of the negative implications of the ongoing war on terror on public finances of the country is the ballooning of military expenditures during the last decade. As per budget estimates, the government of Pakistan has allocated more than Rs612 billion for defence affairs and services in 2010-11 as compared to Rs146 billion in 2000-01. This shows a four-and-a-half fold increase in defence spending with an average annual growth rate of more than 16 percent during 2000-01 to 2010-11 (see Table 3.1). A closer look at the statistics reveals that the pace of these expenditures actually picked up momentum in 2007-08 under the present democratic regime and the intensified military operations in KPK. It can be seen that while the average growth rate of defence expenditures during 2000-01 to 2006-07 was almost 14 percent, it increased substantially to over 21 percent thereafter.

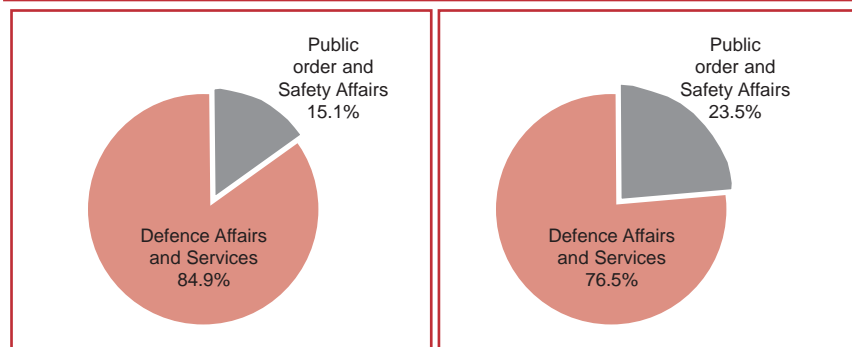
Public Order and safety Affairs

The trend in federal and provincial expenditures on public order and safety affairs show extraordinary growth during 2000-01 to 2010-11. The increase is largely caused by higher incidence of terrorist attacks and target killings. At the federal level, expenditures on public order and safety affairs (at current prices) represent a five-fold increase, i.e. from Rs10 billion in 2000-01 to over Rs51 billion in 2010-11. Though the average growth rate remained at almost 18 percent per annum during the entire period, was more than 26 percent during 2007-08 to 2010-11 compared to almost 15 percent growth during 2000-01 to 2006-07.

At the provincial level, growth in expenditure on public order and safety affairs has been higher than the growth at the federal level. In nominal terms, it increased more than six-fold i.e. from Rs21 billion in 2000-01 to Rs136 billion in 2010-11 with an average growth rate of over 20 percent per annum during the entire period. Similar to defence expenditure, it grew at a faster rate during the late 2000s compared to the early and mid 2000s.

Composition of Security Expenditures

An interesting fact about the composition of security related expenditures that merits closer attention is a shift of focus from purely military expenditures towards public order and safety. In recent years, a relatively greater proportion of expenditures were allocated towards public order and safety affairs (see Chart 3.1).

Chart 3.1Composition of Security related Expenditures
in 2001-02 and 2010-11

Source: SPDC estimates based on Table-3.1.

For instance, in 2001-02, the share of security related expenditures on defence affairs was 85 percent and the remaining 15 percent was on public order and safety affairs. Over the years, increase in the share of expenditure on the latter has risen to almost 24 percent.

Public Expenditure Priorities

The shift in public expenditure priorities towards security expenditure has consequently impacted the distribution between, and the composition of, current and development expenditure both at federal and provincial levels.

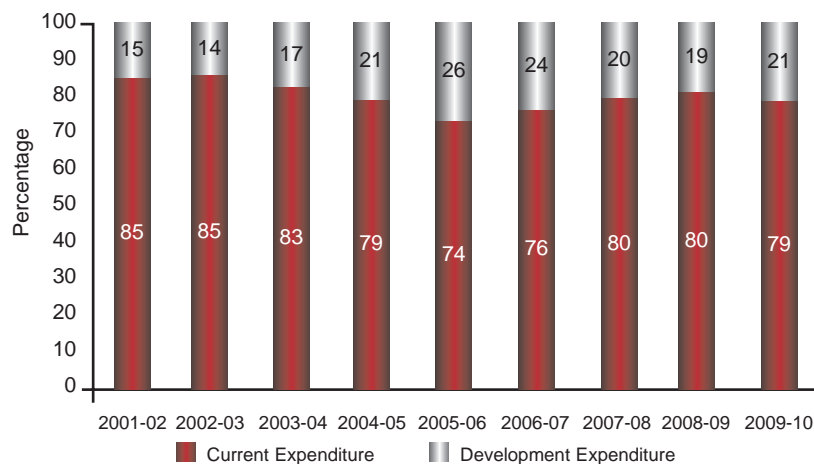
Current versus development expenditure

Current expenditure refers to the recurring operational costs involved in providing and maintaining a range of government services. Developmental expenditure represent outlays in new physical and social infrastructure. In a broader sense, this distinction of current and



Chart 3.2

Composition of Public Expenditure



Source: SPDC estimates based on Pakistan Economic Survey (various issues)

development expenditures can be referred as consumption and investment respectively. Consequently, a higher share of development expenditure may generate higher employment opportunities and provide greater scope for economic growth.

Chart 3.2 indicates that a large portion of expenditure, 85 percent, was incurred on current expenditure while the remainder 15 percent was spent on development expenditure in 2001-02. However, in the latter years, the trend changed whereby a greater proportion of total expenditure was incurred on development. It reached a peak of 26 percent by 2005-06. In the absence of growth in security related expenditures, it was expected that this ratio would either be maintained or improved further. However, due to expansion as well as increase in the intensity of war on terror, the share of development expenditure was decreased to 21 percent by 2009-10. Twenty one percent share consisted of a large component of expenditure, which is current in character, such as the outlays on social safety nets, especially the Benazir Income Support Program (BISP). These changes might jeopardize future growth prospects of the country since the lower level of development expenditure (public investment) can hamper the long term improvement in the productive capacity of the economy.

Priorities in Current Expenditure

The following sections show the composition of current expenditure for both tiers (federal and provincial) of the governments from 2000-01 to 2009-10. Estimated expenditure shares are based on the revised estimates taken from budget documents of federal and provincial governments respectively.

Priorities in Federal Current Expenditures

In the 2000s, together with the war on terror there are a number of other factors that have affected the composition of federal and provincial current expenditure. At the federal level, decline in debt servicing in the early to mid 2000s and the oil price shock during 2007-08 are largely



Table 3.2 Composition of Federal Current Expenditures (percent)

Years	General Public Services	Defence Affairs & Services	Public Order & Safety Affairs	Economic Affairs	Education Affairs and Services	Health Affairs & Services	Other Current Expenditures	Total
2000-01	65.7	25.2	1.7	4.4	1.1	0.4	1.6	100
2001-02	61.5	29.4	1.6	4.5	1.0	0.3	1.7	100
2002-03	52.8	34.2	1.7	8.0	1.1	0.4	1.8	100
2003-04	54.5	33.6	2.0	7.7	1.4	0.4	0.5	100
2004-05	49.8	37.6	2.2	7.9	1.6	0.4	0.5	100
2005-06	51.4	36.2	2.2	7.4	1.8	0.5	0.5	100
2006-07	51.9	34	2.2	8.8	2.1	0.5	0.5	100
2007-08	53.7	22.7	1.7	19.4	1.6	0.3	0.5	100
2008-09	61.9	25.6	1.7	8.3	1.5	0.3	0.7	100
2009-10	58.8	31.4	2.0	5.0	1.9	0.4	0.6	100

Source: SPDC Estimates based on Federal Budget in Brief (various issues)

responsible for changing current expenditure priorities. For instance, decline in debt servicing obligations, contributed to a fall in the share of general public services in the total current expenditure from 66 percent in 2000-01 to 50 percent in 2004-05 (See Table 3.2).

While the decline in general public services caused a slight increase in the share of economic affairs, security related expenditure experienced an increase of 12.4 percentage points during the same period. Unfortunately, the decline in share of general public services did not increase the share of social services such as education and health, continues to receive the lowest share in federal current expenditure.

The oil price shock caused a sharp increase of roughly 10 percentage points in the share of economic services in 2007-08 due to the government's decision to subsidize petroleum products. This decision together with an upward movement in the interest rate caused an immediate increase of more than 8 percentage points in the share of general public services in 2008-09 compared to 2007-08.

As stated earlier, there have been a consistent rise in the share of defence expenditure till 2004-05. A comparison of 2000-01 with 2009-10 reveals that only the share of defence expenditure has gone up substantially (more than 6 percentage points) compared to other expenditures, which shows that current expenditure priorities have largely tilted towards defence. As a result of this, even less is left to be spent on education and health, a norm that has not changed much in the whole decade.

Priorities in Provincial Current Expenditures

At the provincial level, terrorist attacks, target killings, and the process of devolution are three among major factors that affected the composition of current expenditure during the past decade. At an aggregate level, terrorist attacks and target killings have caused a massive increase of more than 7 percentage points in the share of public order and safety affairs, which increased from 10 percent in 2000-01 to 17 percent in 2009-10 (see Table 3.3). Devolution and other reforms in the education sector positively affected the share of education expenditure, which increased slightly from 24.8 percent in 2000-01 to 26.4 percent in 2009-10.

Table 3.3 Composition of Provincial Current Expenditures (percent)

Years	General Public Services	Public Order & Safety Affairs	Economic Affairs	Education Affairs and Services	Health Affairs & Services	Other Current Expenditures	Total
Four Provinces Combined							
2000-01	37.7	9.8	16.1	24.8	7.7	3.9	100
2001-02	37.6	10.2	15.1	25.0	8.3	3.8	100
2002-03	44.1	10.9	13.2	23.2	6.5	2.1	100
2003-04	42.3	12.5	11.1	25.2	6.8	2.1	100
2004-05	40.5	12.8	10.5	26.6	6.9	2.7	100
2005-06	37.9	13.7	10.5	26.4	6.4	5.2	100
2006-07	42.2	14.3	9.2	24.8	7.7	1.9	100
2007-08	40.5	14.2	8.9	26.6	7.8	2.0	100
2008-09	33.4	15.2	11.1	29.1	8.8	2.4	100
2009-10	38.7	16.9	10.1	26.4	5.5	2.4	100
Punjab							
2000-01	36.4	9.9	14.1	28.0	7.6	4.0	100
2001-02	36.3	10.6	12.5	27.8	8.8	4.1	100
2002-03	41.9	11.6	9.8	27.0	7.9	1.8	100
2003-04	37.5	14.4	8.8	29.1	8.3	1.8	100
2004-05	35.2	14.1	8.2	32.0	8.4	2.1	100
2005-06	32.7	15.4	9.3	32.6	8.1	2.0	100
2006-07	32.8	16.1	8.8	31.4	9.3	1.6	100
2007-08	34.3	15.6	7.8	30.9	9.1	2.3	100
2008-09	23.7	17.1	13.1	34.1	10.5	1.5	100
2009-10	27.6	18.7	12.5	32.8	7.0	1.4	100
Sindh							
2000-01	43.3	10.5	16.0	21.0	6.1	3.2	100
2001-02	41.2	10.4	17.1	21.7	6.9	2.8	100
2002-03	48.7	10.7	16.9	17.6	4.2	1.9	100
2003-04	50.8	11.1	13.0	19.2	4.0	1.9	100
2004-05	49.5	12.4	11.9	19.0	4.5	2.7	100
2005-06	48.1	13.9	11.8	20.0	4.7	1.4	100
2006-07	56.8	13.5	9.3	13.9	5.0	1.5	100
2007-08	50.9	13.2	9.4	19.1	6.2	1.2	100
2008-09	47.8	13.2	8.5	21.6	6.5	2.3	100
2009-10	52.0	14.6	8.2	19.3	4.0	1.9	100
Khyber Pakhtunkhwa							
2000-01	34.8	7.4	20.4	24.7	9.6	3.1	100
2001-02	38.4	7.7	16.4	25.7	9.3	2.5	100
2002-03	41.0	8.8	11.9	28.7	7.8	1.8	100
2003-04	37.6	9.0	11.7	30.6	9.0	2.1	100
2004-05	35.7	9.9	10.7	32.6	8.1	3.1	100
2005-06	28.0	9.3	7.2	27.2	5.7	22.6	100
2006-07	37.6	11.4	5.9	32.4	9.5	3.2	100
2007-08	32.3	13.3	8.0	35.9	8.7	1.9	100
2008-09	28.9	14.7	8.6	35.1	9.4	3.3	100
2009-10	37.9	19.2	6.5	26.4	4.8	5.1	100
Balochistan							
2000-01	29.7	10.7	19.0	22.2	10.4	8.0	100
2001-02	29.2	11.0	18.2	23.0	10.3	8.3	100
2002-03	41.9	11.5	19.0	17.4	6.2	4.0	100
2003-04	42.5	12.5	15.2	18.7	6.3	4.7	100
2004-05	40.2	12.0	17.1	19.1	6.8	4.9	100
2005-06	42.6	12.5	17.8	18.2	6.0	2.8	100
2006-07	42.7	11.7	17.1	19.4	6.4	2.8	100
2007-08	47.2	11.1	14.4	17.7	5.6	4.1	100
2008-09	42.5	12.0	13.1	19.0	6.5	6.9	100
2009-10	50.7	11.1	11.3	18.0	4.2	4.7	100

Source: SPDC Estimates based on Federal Budget in Brief (various issues)

The cost of higher security related expenditures was largely at the expense of lower allocations by economic and health affairs. The share of the former has declined from 16 percent in 2000-01 to 10 percent in 2009-10, a fall of 6 percentage points. The share of health expenditures has fallen from 8 percent in 2000-01 to 5 percent in 2009-10.

In the case of Punjab the proportion of spending on public safety almost doubled in 2009-10 compared to 2000-01. A positive development has been a rise of 5 percentage point in the share of education expenditures during the same period. Similar to Punjab, in Khyber Pakhtunkhwa the share of expenditure on public order and safety affairs increased substantially from 7 percent in 2000-01 to 19 percent in 2009-10. Among provinces, this increase was the highest.



Development Priorities

Medium term development priorities of the Government of Pakistan are reflected in the Five Year Plans. In its more than 60 years of history, Pakistan has had seven five-year plans, a non-plan period and a Medium Term Development Framework (MTDF). While the five year plans are medium term planning instruments, they are implemented through the development budgets of the federal and provincial governments which are either called Public Sector Development Programs (PSDPs) or Annual Development Programs (ADPs). MTDF is the latest available development framework covering a five-year period from 2005 to 2010.

Table 3.4 shows the national, federal and provincial development priorities as reflected in the MTDF. The MTDF priorities indicate that upgradation of physical infrastructure (48.6 percent) is the top priority at

Table 3.4 MTDF Development Priorities 2005-10 (Percentage Share)			
	National	Federal	Provincial
Upgrading physical infrastructure	48.6	55.9	29.0
Power	19.6	26.8	0.2
Water Resources	13.5	14.6	10.6
Transport and Communications	14.9	13.7	18.2
Others	0.6	0.8	0.0
Achieving Millennium Development Goals	33.4	29.2	50.4
Education and Vocational Training	10.8	8.2	17.7
Physical Planning and Housing	4.6	3.0	9.1
Health and Nutrition	4.3	3.8	5.8
Science and Technology	2.6	3.5	0.0
Rural Development	2.5	0.5	8.2
Others	8.6	10.2	4.0
Balanced development	13.2	11.7	17.4
Special Areas	5.3	7.3	0.0
Special Programmes	4.1	4.4	3.3
Others	3.8	0.0	14.1
Accelerating output growth	3.2	3.2	3.2
Agriculture/Livestock	2.5	2.6	2.0
Industry	0.5	0.5	0.4
Minerals	0.3	0.1	0.8
Others	1.5	0.0	5.6
Total	100.0	100.0	100.0

Source: SPDC estimates based on Medium Term Development Framework 2005-10

national level followed by the Millennium Development Goals (33.4 percent), balanced development (13.2 percent) and accelerating output growth (3.2 percent). Within the physical infrastructure sector, energy has been given the highest priority with 19.8 percent share of total allocations followed by transport and communications (14.9 percent) and water resources (13.5 percent). Within the Millennium Development Goals, education and vocational training including higher education would receive the highest priority with 10.8 percent share followed by physical planning and housing (4.6 percent), health and nutrition (4.3 percent) and science and technology (2.6 percent).

In line with national development priorities energy has been given the highest priority (26.8 percent) at the federal level, followed by water resources (14.6 percent), transport and communications (13.7 percent), others in achieving MDGs (10.2 percent), and education and vocational training (8.2 percent). At the provincial level transport and communications (18.2 percent), and education and vocational training (17.7 percent) are the top priorities. Water resources (10.6 percent), physical planning and housing (9.1 percent), rural development (8.2 percent) and health and nutrition (5.8 percent) are among the leading development priorities.

MTDF Targets and Development Allocations

Table 3.5 presents a comparative picture of development expenditures as envisaged in MTDF and allocated through PSDP at constant prices of 2004-05. This comparison shows that during 2005-06 to 2007-08, the government spent a comparatively high amount on national public sector development programs compared to MTDF targets. However, in recent years the trend of high development spending changed due to high growth in security related expenditures. As a result, PSDP allocations were less than the MTDF targeted expenditures during 2008-09 and 2009-10.

Table 3.6 presents the sector-wise share of federal development expenditures during the MTDF period. It also shows the comparative sector wise average annual shares in federal PSDP and MTDF during 2005-10. Given the prevailing energy crisis in the country the MTDF places power as a top priority with an average share of roughly 27 percent per annum whereas, the actual federal PSDP allocated only 10 percent per annum to power. Similarly, in case of education, physical planning, health, science and technology, and rural development PSDP allocations are less than what was anticipated in the MTDF.

Table 3.5 MTDF Expenditure Targets and PSDP Allocations
At Constant prices of 2004-05
(Rs Billion)

Years	MTDF Targets	PSDP Allocations*	Difference
2005-06	251.9	338.3	86.5
2006-07	274.5	372.9	98.4
2007-08	304.1	346.9	42.8
2008-09	354.7	305.3	-49.4
2009-10	417.0	344.8	-72.3
Total	1,602.1	1,708.1	106.0

*Budget estimates for 2009-10

Source: SPDC estimates based on Medium Term Development Framework 2005-10 and Pakistan Economic Survey 2009-10

Table 3.6 Federal Development Priorities 2005-10: PSDP and MTDF (% Share)

	Federal PSDP					MTDF		Difference
	2005-06	2006-07	2007-08	2008-09	2009-10	2005-10	2005-10	
A. Physical Infrastructure	45.2	37.2	43.9	41.1	40.2	41.5	55.9	-14.4
Power	10.7	10.2	7.2	10.7	13.1	10.4	26.8	-16.4
Water Resources	17.5	14.9	21.5	12.7	9.5	15.2	14.6	0.6
Transport and Communications	16.8	11.8	15.0	17.5	17.3	15.7	13.7	2.0
Others	0.2	0.3	0.2	0.1	0.3	0.2	0.8	-0.6
B. Millennium Development Goals	34.6	27.2	26.5	30.6	34.3	30.7	29.2	1.5
Education and Vocational Training	8.0	7.1	6.9	8.4	8.0	7.7	8.2	-0.5
Physical Planning and Housing	0.8	0.4	0.8	1.2	1.3	0.9	3.0	-2.1
Health and Nutrition	4.6	3.4	4.5	5.7	6.2	4.9	3.8	1.1
Science and Technology	1.5	1.4	1.1	0.6	0.5	1.0	3.5	-2.5
Rural Development	0.0	0.2	0.0	0.0	0.1	0.1	0.5	-0.4
Others	19.8	14.7	13.3	14.8	18.3	16.2	10.2	6.0
C. Balanced development	15.4	31.7	22.5	21.4	19.6	22.1	11.7	10.4
Special Areas	8.7	26.4	15.7	11.4	11.7	14.8	7.3	7.5
Special Programmes	6.7	5.3	6.8	10.0	7.9	7.3	4.4	2.9
D. Accelerating output growth	4.8	3.9	7.1	6.9	5.9	5.7	3.2	2.5
Agriculture/Livestock	4.5	3.7	5.0	5.9	4.5	4.7	2.6	2.1
Industry	0.3	0.2	2.1	1.0	1.4	1.0	0.5	0.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.0

Source: SPDC Estimates based on Federal Budget in Brief (various issues)

In contrast, sectors, areas and programs which have linkages with the war on terror, received greater allocations in the PSDPs. For instance, the share of development transfers to special areas (such as FATA, Gilgit Baltistan and Azad Kashmir) is 8 percentage points higher in the federal PSDP than in the MTDF. Similarly "others" under the heading of Millennium Development Goals contain development expenditure of law and order, and defence. Its average annual share in PSDP allocation is 6 percentage points higher than that in MTDF. Moreover, the average share of infrastructure development for transport and communication in PSDP is 2 percentage points higher compared to that in MTDF.

Pro-Poor (PRSP) Spending

The poverty reduction process in Pakistan was promoted through the Interim Poverty Reduction Strategy in 2001 backed by the Poverty Reduction and Growth Facility (PRGF). Later, this poverty reduction strategy was finalized into the Poverty Reduction Strategy Paper (PRSP I) in 2003. These strategy papers marked 15 broad expenditure categories as





poverty related expenditures. These 15 expenditure categories are also mentioned in the "Fiscal Responsibility and Debt Limitation Act, 2005" with the condition that expenditure under these categories would not be less than 4.5 percent of GDP. In 2009, PRSP II extended the categories of pro-poor expenditure from 15 to 17. The trend of these expenditures is regularly monitored through the PRSP quarterly and annual progress reports.

Table 3.7 presents the trend in total nominal PRSP expenditure excluding and including subsidies. In absolute terms PRSP expenditure increased from Rs166 billion in 2001-02 to 1096 billion in 2009-10. Interestingly these expenditures were raised from Rs427 billion in 2006-07 to Rs1042 billion in 2007-08; a massive increase of Rs615 billion in just one year. Similarly, the amount of subsidies also increased from a meager Rs5.5 billion to Rs399 billion during the same period. The reasons attributed to increase are: subsidies mentioned in PRSP documents prior to 2007-08 were only on food, which were substituted with subsidies on all items from 2007-08 onwards. Second, there was an oil price shock in 2007-08. The oil subsidy caused a massive increase in total subsidies which rose to Rs399 billion in 2007-08.

Though insulating the population against the record peaks of world oil prices appears to be a pro-poor policy, the problem is that it is a generalized subsidy that everyone can avail, regardless of socio-economic standing. In general, the usage of POL products is higher among the upper and middle income groups compared to the poor population. Therefore, a more targeted subsidy will have a greater impact on easing the economic strain on the poorer sections of the society than what the given subsidy achieves. Moreover, financing of the subsidy through bank borrowing caused inflationary pressures subsequently.

A new series of PRSP expenditures was generated by adjusting the figures for PRSP after excluding the subsidies (see Table 3.7). The adjusted PRSP series yield a different picture of the trend in poverty reduction expenditures. It is important to note that the adjusted PRSP expenditures except in the initial two years of 2001-02 and 2002-03, are more than 4.5 percent of GDP, indicating achievement of "Fiscal Responsibility and Debt Limitation Act, 2005" target. Comparatively, these expenditures have been higher after 2007-08 due to higher outlays on law and order.

	Total PRSP Expenditures	Subsidies	PRS Expenditures excluding Subsidies	PRSP Expenditure (Rs Billion)
				PRSP Expenditures excluding Subsidies as % of GDP
2001-02	166.0	4.3	161.7	3.6
2002-03	208.9	10.9	198.0	4.1
2003-04	261.1	8.5	252.6	4.5
2004-05	316.3	5.4	310.9	4.8
2005-06	375.9	6.0	369.9	4.9
2006-07	426.7	5.5	421.2	4.9
2007-08	1042.0	398.5	643.5	6.3
2008-09	977.1	220.6	756.5	5.9
2009-10	1095.6	234.9	860.7	5.9

Source: SPDC Estimates based on Federal Budget in Brief (various issues)

Table 3.8 Category wise PRSP Expenditures as a percentage of GDP

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
I. Market Access and Community Services	0.2	0.3	0.5	0.6	0.8	0.9	1.0	1.0	0.8
Roads, Highways, and Bridges	0.1	0.3	0.4	0.5	0.7	0.7	0.8	0.8	0.6
Water Supply & Sanitation	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
II. Human Development	1.9	2.1	2.3	2.4	2.5	2.6	2.5	2.6	2.3
Education	1.5	1.6	1.7	1.8	1.9	1.9	1.8	1.9	1.5
Health	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7
Population Planning	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
III. Rural Development	0.5	0.7	0.8	0.9	1.0	1.2	1.5	1.1	1.3
Agriculture	0.2	0.3	0.4	0.6	0.8	0.9	1.2	0.7	0.7
Land Reclamation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Development	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.1	0.4
Peoples Works Programme-II	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.2
IV. Safety Nets	0.2	0.1	0.1	0.1	0.4	0.2	0.4	0.4	0.5
Social Security & Welfare	0.1	0.0	0.1	0.0	0.1	0.1	0.2	0.2	0.4
Food Support Programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Peoples Works Programme-I	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Natural Calamities	0.0	0.0	0.0	0.0	0.3	0.1	0.1	0.1	0.1
Low Cost Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
V. Governance	0.7	0.8	0.7	0.8	0.1	0.1	0.9	0.9	1.1
Law and Order	0.7	0.8	0.7	0.7	0.0	0.0	0.9	0.8	1.0
Justice Administration	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Adjusted PRSP Expenditures	3.6	4.1	4.5	4.8	4.9	4.9	6.3	5.9	5.9

Source: SPDC estimates based on Pakistan Economic Survey (2009-10)

Priorities in Pro-Poor (PRSP) Spending

Table 3.8 summarizes the trend in poverty related expenditures as percentage of GDP from 2001-02 to 2009-10 after excluding subsidies. These expenditure increased from 3.6 percent of GDP to 6.3 percent of GDP in 2007-08 and declined to 5.9 percent in subsequent years. These categories of pro-poor expenditures are generally clubbed under five broad groups i.e. Market Access and Community Services; Human Development; Rural Development; Safety Nets; and Governance.

Market access and community services consist of expenditures on infrastructure such as roads and bridges, and water supply and sanitation. As a percentage of GDP these expenditures were 0.2 percent of GDP in 2001-02, which, gradually increased to 1 percent of GDP in 2007-08 and 2008-09 before declining to 0.8 percent of GDP in 2009-10.

Expenditures on human development consist of education, health and population planning. Expenditures on these three categories were 1.9 percent of GDP in 2001-02 which, later touched its peak of 2.6 percent of GDP in 2006-07 and 2008-09. In 2009-10, however, these expenditures declined to 2.3 percent of the GDP.

Rural development, safety nets and governance also increased from 0.5 percent of GDP, 0.2 percent of GDP and 0.7 percent of GDP to 1.3 percent



of GDP, 0.5 percent of GDP and 1.1 percent of GDP respectively over the three years. While expenditure on market access and community services, and human development declined as a percentage of GDP in 2009-10, the expenditures on three categories namely rural development, safety nets and governance increased.

Education

Table 3.9 shows the expenditures on the education sector. According to these statistics, the spending on education increased from Rs56.5 billion in 2000-01 to Rs224.2 billion in 2009-10, indicating a fourfold increase. As a percentage of the GDP, these expenditures continuously increased from 1.3 percent in 2000-01 to 1.9 percent in 2008-09. However, it declined to 1.5 percent of GDP in 2009-10. In absolute terms, spending on education actually declined by 7 percent in 2009-10 compared to 2008-09. Allocations to primary and secondary education were drastically slashed by 12 and 10 percent respectively in 2009-10.

It is also evident from the trend in composition of education spending that priorities in education have shifted from primary and secondary education to tertiary/higher education. For instance, in 2000-01 the share of primary and secondary education in total education spending was 48 percent and 28 percent respectively which declined to 30 percent and 24 percent subsequently. In contrast, the share of spending on general universities, colleges and institutes increased from 11 percent of total education spending in 2000-01 to 20 percent in 2009-10, a massive increase of roughly 9 percentage points.

Table 3.9 Trend in Expenditure on Education (Rs billions)								
Years	Primary Education	Secondary Education	General Universities	Professional Universities	Teacher & Vocational Training	Others	Total	As % of GDP
2000-01	27.0	16.0	6.4	2.8	1.4	2.9	56.5	1.3
2001-02	31.3	16.7	8.1	3.8	3.0	3.5	66.3	1.5
2002-03	33.3	20.3	12.7	4.0	1.7	6.5	78.4	1.6
2003-04	43.3	23.4	14.9	4.7	1.8	9.4	97.7	1.7
2004-05	49.3	27.4	14.4	12.9	2.3	10.6	116.9	1.8
2005-06	53.8	33.9	29.2	8.3	2.3	14.2	141.7	1.9
2006-07	52.7	34.4	36.2	7.4	3.2	28.2	162.1	1.9
2007-08	66.9	45.5	36.7	10.8	2.9	24.9	187.7	1.8
2008-09	77.9	59.3	46.4	12.3	3.7	40.8	240.4	1.9
2009-10	68.4	53.7	44.9	13.5	5.6	38.0	224.2	1.5
Composition of Education Expenditures (%)								
2000-01	47.80	28.30	11.30	5.00	2.40	5.20	100	
2001-02	47.20	25.20	12.10	5.70	4.50	5.20	100	
2002-03	42.40	25.80	16.20	5.10	2.20	8.30	100	
2003-04	44.30	24.00	15.30	4.90	1.90	9.70	100	
2004-05	42.20	23.50	12.30	11.00	2.00	9.10	100	
2005-06	38.00	23.90	20.60	5.80	1.60	10.00	100	
2006-07	32.50	21.20	22.30	4.50	2.00	17.40	100	
2007-08	35.60	24.20	19.60	5.80	1.50	13.30	100	
2008-09	32.40	24.70	19.30	5.10	1.50	17.00	100	
2009-10	30.50	23.90	20.00	6.00	2.50	17.00	100	
Source: SPDC Estimates based on Federal Budget in Brief (various issues)								



Table 3.10 Trend in Expenditure on Health
(Rs billions)

Years	General Hospitals & Clinics	Mother & Child Health	Health Facilities & Preventive Measures	Others	Total	As % of GDP
2000-01	13.1	0.1	2.6	1.7	17.5	0.4
2001-02	14.1	0.1	2.6	2.5	19.2	0.4
2002-03	16.1	0.1	3.4	2.8	22.4	0.5
2003-04	19.5	0.1	4.0	3.5	27.0	0.5
2004-05	21.9	0.1	5.5	4.0	31.4	0.5
2005-06	27.6	0.2	7.2	4.2	39.2	0.5
2006-07	37.2	1.4	8.7	5.9	53.2	0.6
2007-08	44.5	0.2	11.1	6.7	62.4	0.6
2008-09	61.5	0.2	12.9	9.1	83.7	0.7
2009-10	60.2	0.4	18.4	23.8	102.8	0.7
Composition of Health Expenditures (%)						
2000-01	75.0	0.3	14.7	10.0	100	
2001-02	73.3	0.3	13.6	12.8	100	
2002-03	72.1	0.3	15.0	12.6	100	
2003-04	72.3	0.2	14.7	12.8	100	
2004-05	69.6	0.2	17.6	12.6	100	
2005-06	70.3	0.6	18.4	10.8	100	
2006-07	70.0	2.6	16.4	11.0	100	
2007-08	71.2	0.3	17.7	10.8	100	
2008-09	73.5	0.3	15.4	10.8	100	
2009-10	58.6	0.3	17.9	23.2	100	

Source: SPDC Estimates based on Federal Budget in Brief (various issues)

Health

The expenditure on the health sector indicates that the situation in health is different to that in education. Table 3.10 shows that over the last decade health sector spending increased substantially from as low as Rs17.5 billion in 2000-01 to a high of Rs102.8 billion in 2009-10. However, as a percentage of GDP these expenditures are still less than one percent of the GDP.

Nearly three quarters of health spending was on general hospitals and clinics. Given the high infant and maternal mortality rates, it is astonishing that mother and child health care received less than 1 percent of the total health spending. On the whole, however, the share of spending for various categories within the health sector remained largely unchanged up to 2008-09. However, in 2009-10, there was a major shift in the pattern of health expenditure, whereby the share of expenditure on general hospitals and clinics declined by roughly 15 percentage points while share of other expenditures increased sharply by more than 12 percentage points.

Future Outlook of Social Development

Despite a slowdown in the pace of social development during the later part of 2000s, the future outlook for social development has been improved by the 7th NFC Award, finalized during 2009-10. The award transfers greater resources to provincial governments, which are largely responsible for provision of social services as per the 1973 Constitution of Pakistan (amended). The subsequent sections present an overview of

the financial implications of 7th NFC Awards by undertaking a pre and post NFC award comparison of the budget priorities of provincial governments.

Financial Implications of the 7th NFC Award on Provinces

One of the major achievement of the present government is the successful conclusion of the 7th National Finance Commission (NFC) Award, which has brought a change in the resource distribution formula. Given the past experience of several inconclusive NFC Awards, a consensus based NFC Award after 1974, 1991 and 1997 is itself a big achievement. It is for the first time that the distribution of resources among provinces is based not only on population but also on other criteria such as low development, inverse population density and revenue collection/generation. The 7th NFC Award also helped resolve other issues such as Gas Development Surcharge (GDS) and Hydroelectricity Profit.

The financial implications of the award for federal and provincial governments are huge with a substantial increase in transfers from the federal government to provinces due to a number of factors. First, the collection charges have been decreased from 5 percent to 1 percent; thereby, enlarging the overall size of the divisible pool. Second, the federal government and all the four provinces recognized the role of Khyber-Pakhtunkhwa as a frontline province against the war on terror. One percent of net proceedings of the divisible pool have, therefore, been earmarked for Khyber Pakhtunkhwa during the award period. In 2010-11, Khyber Pakhtunkhwa will receive an additional amount of Rs15 billion. Third, the remaining proceeds of the provincial share of the divisible pool have been increased from 46.25 percent (excluding grants) to 56 percent in 2010-11 and 57.5 percent for rest of the award period. This means that the share of federal government in the net divisible pool will be 44 percent during 2010-11 and 42.5 percent in rest of the award period. Finally, GST on Services collected in the CE mode has also been transferred to provincial governments under the straight transfers mode -- implying that revenues collected from a province would be transferred to the province on the basis of collection. Additionally, the NFC also allowed GDS arrears retroactively to be paid to Balochistan on the basis of the new formula and for payment of the long held up hydel profits to Khyber-Pakhtunkhwa.

Based on the estimate of gross revenue receipts (tax and non tax revenues collected by the federal government), an increase of Rs359 billion is projected for 2010-11 compared to 2009-10, which shows a growth rate of 17.5 percent. However, net revenue receipts of the federal government are shown to decline by Rs19 billion or 14 percent in 2010-11 compared to 2009-10. This decline is an outcome of greater revenue transfers from the federal government to provincial governments due to 7th NFC Award.

Table 3.11 presents the estimates of this increase based on budget documents under two heads, namely divisible pool transfers, and straight transfers, grants and arrears. On an aggregate basis, divisible pool transfers are likely to increase from Rs574 billion in 2009-10 to Rs865 billion in 2010-11, indicating an increase of more than 50 percent in just one year. Similarly, due to the increase in the rate of excise duty on natural gas, arrears on gas development surcharge and net hydel profits

Table 3.11 Financial Implications of 7th NFC Award on Provinces as per Budget 2010-11 (Rs billions)

	2009-10	2010-11	Increase	
	Revised	Budget	Absolute	(%)
Divisible Pool Transfers including 1% war on terror				
Punjab	323.1	436.8	113.8	35
Sindh	145.5	207.3	61.7	42
Khyber Pakhtunkhwa	76.0	138.7	62.6	82
Balochistan	29.4	83.0	53.6	182
Total (A)	574.1	865.8	291.7	51
Straight Transfers, Grants and Arrears				
Punjab	26.3	62.6	36.3	138
Sindh	62.9	78.4	15.5	25
Khyber Pakhtunkhwa	38.5	52.7	14.2	37
Balochistan	26.0	28.4	2.4	9
Total (B)	153.7	222.0	68.4	44
Total transfers				
Punjab	349.4	499.4	150.1	43
Sindh	208.4	285.6	77.2	37
Khyber Pakhtunkhwa	114.5	191.4	76.8	67
Balochistan	55.4	111.4	56.0	101
Total (A+ B)	727.7	1,087.8	360.1	49
Source: SPDC Estimates based on Explanatory Memorandum on Federal Receipts (2010-11)				

Source: SPDC Estimates based on Explanatory Memorandum on Federal Receipts (2010-11)

and straight transfers to provincial governments will also increase sharply. While there is a decline in grant in aid to provinces in the 7th NFC Award compared to the Presidential Order 2006, the aggregate of straight transfers, grants and arrears are expected to grow by 44 percent, from Rs154 billion in 2009-10 to Rs222 billion in 2010-11.

In absolute terms, Punjab is the biggest beneficiary of the 7th NFC Award, as it is likely to receive Rs150 billion additional revenues in 2010-11 compared to 2009-10. In percentage terms, however, Balochistan is the major beneficiary, with an increase of 101 percent, followed by Khyber-Pakhtunkhwa with 67 percent. In percentage terms, the 7th NFC Award is more beneficial for the relatively backward provinces. Sindh gains the least - an increase of just 37 percent - as the expected gain from GST on Services has not been reflected in the budget of 2010-11.

Impact of the 7th NFC Award on Provincial Expenditures

Given the challenges of security, law and order, and general socio-economic development, it is important to analyze how provincial governments would deal with an almost 50 percent increase in transfer largely due to the 7th NFC Award. Table 3.12 presents a province-wise comparative picture of both non-development and development expenditure before and after the 7th NFC Award.

Balochistan's non-development expenditures can rise by a record level of Rs30.6 billion in 2010-11 compared to 2009-10, indicating an enormous growth of 58 percent in just one year. In the other three provinces, the growth in non-development expenditures ranges from 17 percent to 19 percent. Given the 50 percent increase in salaries and high level of inflation these growth rates seem quite reasonable.

Table 3.12 Provincial Expenditures Before and After of the 7th NFC Award as per Budget 2010-11 (Rs billions)

	2009-10	2010-11	Increase	
	Revised	Budget	Absolute	(%)
Non Development Revenue Expenditure				
Punjab	318.2	386.8	68.5	22
Sindh	224.8	268.3	43.4	19
Khyber Pakhtunkhwa	109.0	128.0	19.0	17
Balochistan	52.8	83.4	30.6	58
Total (A)	704.9	866.5	161.6	23
Development Expenditure				
Punjab	149.5	207.5	58.1	39
Sindh	80.0	115.0	35.0	44
Khyber Pakhtunkhwa	46.3	69.3	23.0	50
Balochistan	27.2	26.3	-0.9	-3
Total (B)	303.1	418.2	115.1	38
Total Expenditures				
Punjab	467.7	594.3	126.6	27
Sindh	304.9	383.3	78.4	26
Khyber Pakhtunkhwa	155.3	197.2	41.9	27
Balochistan	80.0	109.8	29.7	37
Total (A+ B)	1,007.9	1,284.6	276.7	27
Source: SPDC Estimates based on Province-wise Annual Budget Statements (2010-11)				

Source: SPDC Estimates based on Province-wise Annual Budget Statements (2010-11)

As per budget estimates, development expenditures show a massive growth of 50 percent in Khyber Paktunkhwa, followed by 44 percent and 39 percent growth in Sindh and Punjab respectively. In contrast to rest of the three provinces, Balochistan's budget documents show a negative growth of 3 percent in development expenditures.

Priorities in Non-development Expenditure

Table 3.13 presents the broad categories of current revenue expenditures, revised estimates for 2009-10 and budget estimates for 2010-11 for each province. Punjab's current revenue expenditure increase from Rs318 billion in 2009-10 to Rs387 billion in 2010-11 indicates an absolute increase of more than Rs68 billion or growth of 21 percent. Given the 50 percent increase in salaries, the bulk of this increase would be consumed by general public services and transfers to devolved departments. Provincial expenditure on education also shows a substantial increase of Rs7.4 billion in 2010-11 compared to 2009-10. The already high expenditure on public order and safety affairs increased by Rs3.5 billion.

Current revenue expenditures of Government of Sindh will increase from Rs225 billion in 2009-10 to Rs268 billion in 2010-11 indicating an absolute increase of more than Rs43 billion or growth of 19 percent. Similar to Punjab, the bulk of this increase will be absorbed by general public services and transfers to devolved departments due to 50 percent increase in salaries. Provincial expenditure on education also shows a substantial increase of Rs6.7 billion in 2010-11 compared to 2009-10. Public order and safety affairs and provincial health expenditure also show an increase of Rs.3.4 billion and Rs1.7 billion respectively.

Table 3.13 Provincial Current Revenue Expenditures Before and After the 7th NFC Award as per Budget 2010-11 (Rs billions)

	2009-10	2010-11	Increase	
	Revised	Budget	Absolute	(%)
PUNJAB				
General Public Services	6.3	70.1	23.8	51.4
Transfers	24.5	152.1	27.6	22.2
Public Order and safety Affairs	59.5	63.0	3.5	5.9
Economics Affairs	39.7	44.9	5.2	13.1
Education	21.5	28.9	7.4	34.3
Health	22.3	22.0	-0.3	-1.1
Other Current Expenditures	4.6	5.9	1.3	28.5
Total	318.2	386.8	68.5	21.5
SINDH				
General Public Services	44.0	59.2	15.2	34.5
Transfers	104.3	121.1	16.9	16.2
Public Order and safety Affairs	32.8	36.3	3.4	10.4
Economics Affairs	18.4	18.6	0.2	1.1
Education	12.0	18.7	6.7	56.1
Health	9.0	10.8	1.7	19.3
Other Current Expenditures	4.3	3.6	-0.7	-16.3
Total	224.8	268.3	43.4	19.3
KHYBER PAKHTUNKHWA				
General Public Services	16.3	24.5	8.2	50.3
Transfers	50.9	57.8	6.9	13.5
Public Order and safety Affairs	21.0	24.8	3.8	18.2
Economics Affairs	7.1	9.1	2.0	28.0
Education	4.4	6.2	1.8	40.7
Health	3.7	4.2	0.6	15.4
Other Current Expenditures	5.6	1.3	-4.3	-76.6
Total	109.0	128.0	19.0	17.4
BALUCHISTAN				
General Public Services	11.8	23.0	11.2	94.9
Transfers	20.9	4.0	-16.9	-80.8
Public Order and safety Affairs	5.8	12.5	6.7	114.5
Economics Affairs	4.0	7.1	3.1	79.6
Education	2.7	17.3	14.6	542.1
Health	1.6	7.4	5.8	363.6
Other Current Expenditures	6.1	12.1	6.0	99.3
Total	52.8	83.4	30.6	58.0

Source: SPDC Estimates based on Province-wise Annual Budget Statements (2010-11)

As per budget documents, the current revenue expenditure of Khyber Pakhtunkhwa will increase from Rs109 billion in 2009-10 to Rs128 billion in 2010-11 indicating an absolute increase of more than Rs19 billion or growth of 17 percent. The bulk of this increase will be taken up by general public services and transfers to devolved departments. Public order and safety affairs, and economic affairs also show an increase of more than 18 percent and 28 percent respectively. Provincial expenditure on education and health indicates a growth of more than 40 percent and 15 percent respectively.

Compared to the rest of the provinces, current revenue expenditures show a massive growth of 58 percent in Balochistan. As highlighted earlier, expenditure on general public services is likely to double in just



one year. In addition, a massive decline in transfers to devolved departments show that expenditure of these departments have already been merged in provincial expenditure. Consequently, education and health expenditures indicate more than five-fold and three-fold increase respectively in just one year. Simultaneously, expenditures on public order and safety affairs substantially increased from Rs5.8 billion in 2009-10 to Rs12.5 billion in 2010-11.

Priorities in development Expenditures

Table 3.14 presents the broad categories of development expenditures, revised and budget estimates for 2009-10 and 2010-11 respectively for each province. Punjab's development expenditure is expected to increase from Rs149 billion in 2009-10 to Rs207 billion in 2010-11 indicating an absolute increase of more than Rs58 billion or growth of 39 percent. More than 50 percent of this amount is allocated for economic services. The other two categories, which show sizeable increase in their development expenditures, are education and health. This indicates that economic services, education and health are the top development priorities of the province for 2010-11.

Development expenditures of Sindh will increase from Rs80 billion in 2009-10 to Rs115 billion in 2010-11 indicating an absolute increase of more than Rs35 billion or growth of 44 percent. Sindh's development expenditures on social protection show a massive increase of roughly Rs36 billion, which is more than the total increase in development expenditures. As a result, all the remaining categories indicate a decline or negligible increase. A detailed scrutiny of development expenditures on social protection reveals that these expenditures contain expenditures on special projects and matching allocations.

Development expenditure of Khyber Pakhtunkhwa is expected to increase from Rs46 billion in 2009-10 to Rs69 billion in 2010-11 indicating an absolute increase of more than Rs23 billion or growth of 50 percent. Bulk of this increase is allocated for economic services, general public services, education and environment protection.

In contrast to the other provinces, development expenditure of Balochistan shows a decline in development expenditure of almost Rs0.9 billion. Similar to 2009-10, more than 50 percent of development expenditures are allocated for economic services in 2010-11, indicating that the economic infrastructure is top development priority of Balochistan. Education and environment protection are other noticeable categories, which have more than 5 percent share in development allocation in 2010-11.

In conclusion, the above analysis clearly demonstrates that the war on terror has shifted expenditure priorities away from the social sectors especially after 2004-05. The 7th NFC could lead to a return to social development due to higher transfer to provincial governments but this will depend on the realisation of the optimistic revenue projections in 2010-11.

Table 3.14 Provincial Development Expenditures Before and After the 7th NFC Award as per Budget 2010-11 (Rs billions)

	2009-10	2010-11	Increase	
	Revised	Budget	Absolute	(%)
PUNJAB				
General Public Service	37.1	32.0	-5.1	-14
Public Order & Safety Affairs	2.4	3.4	1.0	43
Economic Affairs	67.9	109.5	41.7	61
Environment Protection	0.4	0.3	-0.1	-21
Housing & Community Amenities	26.3	23.4	-3.0	-11
Health	6.0	15.3	9.3	156
Recreation, Culture And Religion	0.4	1.6	1.2	285
Education Affairs & Services	6.9	20.7	13.7	198
Social Protection	2.1	1.4	-0.7	-34
Total	149.5	207.5	58.1	39
SINDH				
General Public Service	0.0	0.7	0.7	
Public Order & Safety Affairs	0.0	0.0	0.0	
Economic Affairs	29.1	27.3	-1.8	-6
Environment Protection	2.3	1.4	-0.9	-39
Housing & Community Amenities	2.6	1.3	-1.3	-49
Health	1.5	3.5	2.0	139
Recreation, Culture And Religion	0.6	0.5	-0.1	-17
Education Affairs & Services	6.5	6.9	0.4	7
Social Protection	37.4	73.3	35.9	96
Total	80.0	115.0	35.0	44
KHYBER PAKHTUNKHWA				
General Public Service	2.0	6.0	3.9	194
Public Order & Safety Affairs	1.1	0.0	-1.0	-96
Economic Affairs	16.0	26.6	10.5	66
Environment Protection	1.7	4.3	2.6	157
Housing & Community Amenities	10.5	11.7	1.2	11
Health	4.5	5.9	1.4	32
Recreation, Culture And Religion	0.3	0.7	0.4	157
Education Affairs & Services	10.1	13.8	3.7	37
Social Protection	0.2	0.4	0.1	50
Total	46.3	69.3	23.0	50
BALUCHISTAN				
General Public Service	2.7	5.8	3.0	111
Public Order & Safety Affairs	1.6	0.1	-1.5	-93
Economic Affairs	14.9	13.7	-1.2	-8
Environment Protection	1.9	1.5	-0.5	-25
Housing & Community Amenities	3.0	1.2	-1.8	-60
Health	0.6	0.9	0.3	41
Recreation, Culture And Religion	0.1	0.2	0.1	196
Education Affairs & Services	1.8	2.3	0.5	28
Social Protection	0.6	0.7	0.1	16
Total	27.2	26.3	-0.9	-3

Source: SPDC Estimates based on Province-wise Annual Budget Statements (2010-11)



SOCIAL DEVELOPMENT DURING SECURITY CRISIS

4

CHAPTER 4

Higher spending on security during the war on terror has caused a slowdown in the pace of social development.

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10



SOCIAL DEVELOPMENT DURING SECURITY CRISIS

One of the consistent challenges faced by policy makers in Pakistan since independence is the improvement of the socioeconomic status in the country. While the country's performance in terms of economic indicators depicts a number of high growth periods, it has failed to make significant progress in terms of social development. One of the main reasons for this poor performance in social development is the low priority given to development budgets by successive governments, who have allocated a comparatively small share of public resources towards social sectors.

Pakistan, along with other 190 countries, signed the Millennium Declaration in 2000 to foster social development through achievement of the Millennium Development Goals (MDGs). As such, it was expected that more public resources would be allocated towards achieving these goals. The ongoing security crisis has crowded out resources from social sectors towards expenditures related to the war on terror. However, the 7th NFC award by transferring greater share of revenues to the provinces has raised hopes that priority for delivery of social services will rise sharply. Unfortunately, with the discussion of the funds for relief and rehabilitation of the 20 million people affected by the biggest floods in Pakistan's history has at least temporarily frustrated these hopes.

The chapter examines the development of social sector particularly in lieu of the deterioration of security situation. Since 2000, Pakistan's social development strategy has been guided by the Millennium Development Goals (MDGs) emanating from the Millennium Declaration. Almost all overarching policy documents including the MTRF and Poverty Reduction Strategy Paper (PRSP) II reflects government's commitment towards achieving the MDGs. The Government of Pakistan has recently published a report on the progress made in the achievement of MDGs titled "Pakistan Millennium Development Goals Report 2010: Development amidst Crisis." The report provides detailed progress related to each indicator and assesses the feasibility of achieving the various targets. This chapter focuses on progress Pakistan has made in key goals including poverty reduction, education, health and water supply.

Key Fiscal Developments

In general, progress in social development is based on many factors including GDP growth, inflation, external and internal shocks, law and order, and political stability. However, almost all these factors directly or indirectly depend on fiscal choices made by the federal and provincial governments. For instance, the response to external oil price shocks to subsidize the prices of petroleum products through money printing caused high inflation in subsequent years. Therefore, it is believed that budgetary priorities and fiscal choices have significantly impacted social development. Nevertheless, before commenting on the pace of social development it is important to look at the key fiscal development since 2000.

- Stagnation in the tax-to-GDP ratio at about 10 percent only.
- Reduction in debt servicing liabilities in the early 2000s due to write-offs and rescheduling of external debt after 9/11.
- Substantial increase in security related expenditures on account of war on terror since 2002, which further aggravated in the late 2000s.
- The Intermediate Presidential distribution order, 2006-07, for distribution of revenues which increased the share of provinces in the divisible pool from 37.5 percent to 41.5 percent in 2006-07 and then gradually to 45 percent in 2009-10.
- Higher subsidies in 2007-08 and onwards to cushion external price shocks including unprecedented increase in international oil and large subsidies to other sectors, especially power.

These fiscal developments have had both positive and negative impacts on the pace of social development. For instance, availability of fiscal space and additional resources in the early 2000s and higher provincial share in the Distribution Order 2006-07 provided a window of opportunity to increase spending on social services. Simultaneously, higher expenditures on security related services and subsidies pre-empted resources of both tiers of the government which in turn negatively affected the outlays on social services as described in the previous chapter and consequently negatively impacted on the pace of social development.

Reduction of Extreme Poverty

Reduction of extreme poverty to half by 2015 is the first goal of the Millennium Declaration. There is disagreement over definition and estimation methodology of the poverty line. Poverty estimates by different agencies not only provide different magnitudes but sometime also give a contradictory trend. Table 1 displays the trend in the official, SPDC and World Bank estimates of incidence of poverty. All estimates indicate a fall in the incidence of poverty up to 2004-05, albeit by different magnitudes.



Table 4.1	Trend in Incidence of Poverty in Pakistan (percent)				
	Base Line	2001-02	2004-05	2007-08	MDG Target 2015
Official Estimates	26	35	24	-	13
<i>Increase (+)/ Decrease (-)</i>			-11		
SPDC Estimates	30	33	30	38	15
<i>Increase (+)/ Decrease (-)</i>			-3	+8	
World Bank Estimates	31	35	24	17	16
<i>Increase (+)/ Decrease (-)</i>			-11	-7	

Source: Forthcoming SPDC Research Report "Poverty and Inequality: Estimates from Household Survey 2007-08" and Pakistan Millennium Development Goals Report 2010: Development amidst Crisis

Beyond 2004-05, there is no official estimate of poverty incidence whereas the SPDC and World Bank estimates reveal contradictory trends. SPDC estimates show that between 2004-05 and 2007-08 the incidence of poverty in Pakistan increased by 8 percentage points, while the World Bank estimates show a decline of 7 percentage points. Although, the World Bank (2010) did not report the estimated poverty line, it appears to be less than Rs 1000 per capita per month. This can be deduced from quintile ranges of per capita consumption expenditure given in Table 4.1, Appendix - A of HIES Report, 2007-08. For 17 percent poverty incidence, the poverty line should be much less than¹ Rs. 1067, which is the maximum value per capita income of the first quintile. Interestingly, the Pakistan Economic Survey (2007-08) reports the official poverty line for 2005-06 as Rs944 per adult equivalent unit which is approximately equal to Rs1111 in terms of per capita. Adjusting with CPI, the poverty line for the year 2007-08 would be Rs1300 per capita per month. Therefore, the World Bank appears to have significantly understated the poverty line for 2007-08 which has implied a lower level of poverty.

If the WB report is to be accepted, apart from the technical aspect of the magnitude of the poverty cut-off point, reduction in poverty is contrary to the worsening trends in macroeconomic indicators. During the later part of 2000s, there was relatively less availability of public resources for socio-economic development due to higher spending on security related expenditures and subsidies, and a sharp decline in overall and sector-wise growth rate of GDP, especially in the commodity producing sectors. Moreover there was a high incidence of inflation, particularly in food prices. Given this scenario, SPDC's conclusions of an increase in the incidence of poverty in 2007-08 is consistent with an inverse relationship between poverty reduction and economic growth and appears more plausible. The SPDC estimates show the incidence of poverty to be 38 percent in 2007-08. This may have crossed 40 percent by end 2010.

Basic Education and Youth Literacy

Basic education is considered as a critical determinant of economic productivity, which contains several positive externalities. The MDG 2 (achieve universal primary education) and MDG 3 (promote gender equality and women's empowerment) relate specifically to the need for greater access to primary education and to gender equality. This section highlights progress in indicators of these MDGs during the on-going security crisis.



Table 4.2 Trend in MDG Indicators for Goal 2 - Education (percent)

	2001-02	2004-05	2005-06	2006-07	2007-08	2008-09	MDG Target 2015
Net Primary Enrollment Rate	42	52	53	56	55	57	100
Increase (+)/Decrease (-)		10	1	3	-1	2	
Primary Completion Rate	57	67	72	55	52	55	100
Increase (+)/Decrease (-)		10	5	-17	-2	2	
Literacy rate	45	53	54	55	56	57	88
Increase (+)/Decrease (-)		8	1	1	1	1	

Source: Pakistan Millennium Development Goals Report 2010: Development amidst Crisis

Achievement of Universal Primary Education

The Goal 2 of MDGs states that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling by 2015. Table 4.2 presents the trend in primary net enrollment rate (NER), (number of children aged 5-9 years enrolled in primary level classes to the total number of children of the same age group). The trend in NER shows that Pakistan made significant progress during the first half of the 2000s, when it increased from a low of 42 percent in 2001-02 to 52 percent in 2004-05, indicating a ten percentage point increase in just three years. However, afterwards the pace of improvement slowed down and during 2004-05 to 2008-09, the NER increased by only 5 percentage points. Similarly, literacy rate also increased by 8 percentage points during 2001-02 to 2004-05, but by 4 percentage points only from 2004-05 to 2008-09.

Promotion of Gender Equality in Education

Table 4.3 provides the trend in Gender Parity Index (GPI) (proportion of enrolment of girls at different level of education in comparison with boys). In primary education gender parity improved from 82 percent in 2001-02 to 85 percent in 2004-05. However, during 2004-05 to 2008-09 it declined by one percentage point. Similarly, an improvement of 8 percentage points in gender parity during 2001-02 to 2004-05 and a worsening of 3 percentage points during 2004-05 to 2008-09 has been observed. These trends indicate that education of girls has disproportionately borne the burden of the war on terror.

Table 4.3 Trend in Gender Parity Index (percent)

	2001-02	2004-05	2005-06	2006-07	2007-08	2008-09	MDG Target 2015
Primary Education	82	85	85	81	85	84	100
Increase (+)/Decrease (-)		3	0	-4	4	-1	
Secondary Education	75	83	84	80	80	80	94
Increase (+)/Decrease (-)		8	1	-4	0	0	
Youth Literacy rate	64	68	74	75	78	78	100
Increase (+)/Decrease (-)		4	6	1	3	0	

Source:



Progress in Health Related MDGs

Similar to education, health is considered a critical determinant of economic productivity, which also contains several positive externalities and implies improvement in the quality of life. MDG 4 (reduce child mortality), MDG 5 (improve maternal health) and MDG 6 (combat HIV/AIDS, malaria, and other diseases) relate specifically to the need for better health care. In order to avoid discrepancies reliance is placed on the MDG Report 2010 recently published by Planning Commission, Government of Pakistan.

Reduction in Child Mortality

The Goal 4 of MDGs states that the under-five mortality rate should be reduced by two thirds, between 1990 and 2015. Table 4.4 displays the trend in indicators of child health including infant mortality rate (IMR) (ratio of number of deaths of children under five years of age per thousand live births). The trend in IMR shows that Pakistan has hardly made any progress in this indicator. The IMR was 77 per 1000 live births in 2001-02, marginally declining to 75 in 2006-07. In contrast to IMR, the trend in other indicators of child health show that Pakistan made significant achievement during the first half of the 2000s, and thereafter the improvement has been very limited. For example, the proportion of fully immunized children increased from a meager 53 percent to 77 percent between 2001-02 and 2004-05, but by only one more percentage point thereafter.

Improvement in Maternal Health

The MDG report 2010 presents MMR from two different sources: from 2001-02 to 2005-06 it is based on estimates provided by the Ministry of Health (MoH) and for 2006-07, it is based on the Pakistan Demographic and Health Survey (PDHS) of 2006-07. While the MoH estimates show a

Table 4.4 Trend in Indicators of Child Health

	2001-02	2004-05	2005-06	2006-07	2007-08	2008-09	MDG Targets 2015*
Infant Mortality Rate ¹	77	77	76	75	-	-	52
Increase (+)/ Decrease (-)		0	-1	-1	-	-	
Fully immunization ²	53	77	71	76	73	78	>90
Increase (+)/ Decrease (-)		24	-6	5	-3	5	
Immunization against measles ³	57	78	76	77	76	79	>90
Increase (+)/ Decrease (-)		21	-2	1	-1	3	
Incidence of diarrhea ⁴	12	14	12	11	10	10	<10
Increase (+)/ Decrease (-)		2	-2	-1	-1	0	
LHV coverage ⁵	38	66	72	76	76	83	100
Increase (+)/ Decrease (-)		28	6	4	0	7	

1 per thousand live births

2 Proportion of fully immunized children 12-23 months (%)

3 Proportion of under 1 year children immunized against measles (%)

4 Proportion of children under five who suffered from diarrhea in the last 30 days (%)

5 Lady Health Workers' coverage of target population (%)

Source: Pakistan Millennium Development Goals Report 2010: Development amidst Crisis



deterioration in the MMR from 2001-02 to 2004-05, those from the PDHS show significant improvement (see Table 5). It is difficult to isolate whether this decline is due to government efforts to put resources to reduce MMR, or whether it is due to the different and perhaps the estimation methodology.

The other indicators of maternal health show improvement up to 2004-05 and slow down thereafter. For example, the proportion of births attended by skilled birth attendants increased from 40 percent in 2001-02 to 48 percent in 2004-05 indicating a 8 percentage points increase in three years. During 2004-05 to 2008-09, this proportion decreased to 41 percent indicating a decline of 7 percentage points.

Table 4.5 Trend in Indicators of Maternal Health

	2001-02	2004-05	2005-06	2006-07	2007-08	2008-09	MDG Targets 2015*
Maternal Mortality Ratio ¹	350	400	380	276	-	-	140
Increase (+)/ Decrease (-)		50	-20	-104	-	-	
Skilled births attendance ²	40	48	35	37	40	41	>90
Increase (+)/ Decrease (-)		8	-13	2	3	1	
Antenatal care ³	35	50	52	53	56	58	100
Increase (+)/ Decrease (-)		15	2	1	3	2	

1 100,000 live births

2 Proportion of births attended by skilled birth attendants (%)

3 Proportion of women 15-49 years who had given birth during last 3 years and made at least one antenatal care Consultation

Source: Pakistan Millennium Development Goals Report 2010: Development amidst Crisis



Access to Drinking Water

Another very important social sector indicator is the availability of clean drinking water. PIHS 2001-02 and PSLMS 2004-05, 2006-07 and 2008-09 provide information about the sources of drinking water. For our analysis we used access to of tap connections as a proxy for improved services. Table 4.6 indicates that the share of tap connections in sources of drinking water increased from 25 percent in 2001-02 to 34 percent in 2004-05 indicating an increase of 9 percentage points. During 2004-05 to 2008-09, however, it showed an increase of only 1 percentage point.

Table 4.6 Trend in Source of Drinking Water (percent)

	2001-02	2004-05	2006-07	2008-09
Tap Water	25	34	36	35
<i>Increase (+)/ Decrease (-)</i>		9	2	-1
Hand pump	44	33	30	30
<i>Increase (+)/ Decrease (-)</i>		-11	-3	0
Motor pump	17	19	21	24
<i>Increase (+)/ Decrease (-)</i>		2	2	3
Dug well	7	5	4	4
<i>Increase (+)/ Decrease (-)</i>		-2	-1	0
Other	7	8	8	8
<i>Increase (+)/ Decrease (-)</i>		1	0	0

Source: Pakistan Integrated Household Survey (PIHS) 2001-02, and Pakistan Social and Living Standards Measurement Survey (PSLMS) various issues

Conclusions

Similar to the trend in social sector expenditures discussed in the previous chapter, most of the indicators of social development show relatively high growth up to 2004-05 and a decline thereafter. It can therefore be inferred from the trend analysis during the last decade that public spending on the social sector played an important role in

determining the pace of social development. Higher spending on security during the war on terror has undoubtedly reduced public spending on social services and caused a slowdown in the pace of social development. Pakistan consequently is unlikely to meet most of the targets of the MDGs by 2015.

NOTE:

¹ A simulation exercise on the unit record data reveals that for 17.2 percent poverty incidence, the poverty cut-off point should be Rs. 930 per capita per month.



THE PROVINCIAL ECONOMY OF KHYBER PAKHTUNKHWA

5

CHAPTER 5

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10

The ensuing fighting between the military and the militants has imposed a high cost on the local economy.

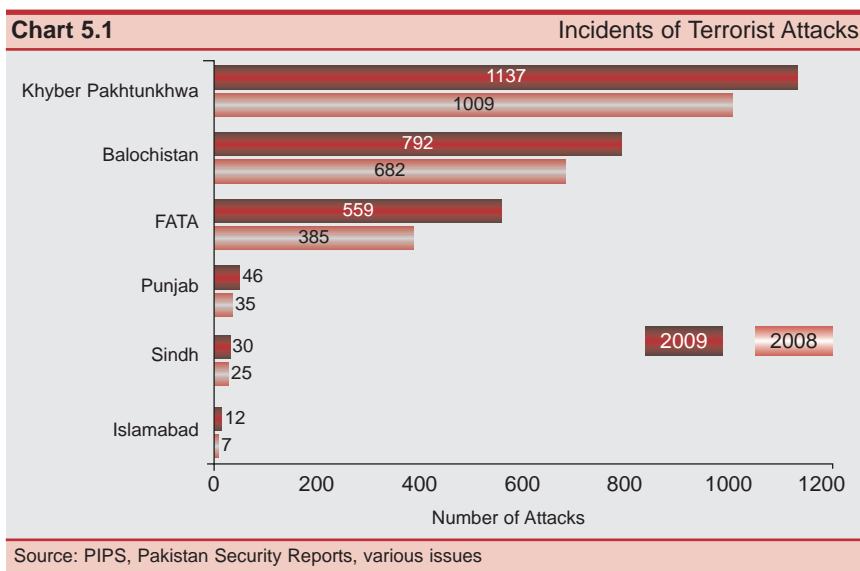


THE PROVINCIAL ECONOMY OF KHYBER PAKHTUNKHWA

The war on terror that started in Afghanistan and spread to Khyber Pakhtunkhwa (KPK) has led to a number of fallouts. According to PIPS (2010), terrorist, insurgent and sectarian related incidents of terrorism reported across the country increased from 2,148 in 2008 to 2,586 in 2009. The highest number of attacks in both the years was reported from KPK, with 1,009 attacks in 2008 and 1,137 attacks in 2009 (see Chart 5.1). These years witnessed a sharp rise in terrorist activities compared to 2006 and 2007 when the number of terrorist attacks was 60 and 460 respectively.

In order to curb the rise in militancy and terrorist activities, the Pakistan security forces launched military operations in major conflict areas of KPK and FATA. The first military operation was launched in Dir and then in Buner in April 2009. The second operation, Rah-e-Rast, was launched in Swat and other districts of Malakand Division in May 2009.¹ The affected areas include Swat, Buner, Lower and Upper Dir, Shangla, Malakand, Peshawar, Mardan, Nowshera, Charsadda, DI Khan and Tank.

These armed conflicts in Malakand Division have disrupted the lives and livelihoods of, and provision of normal public services to the local populations. The ensuing fighting between the military and the militants has imposed a high cost on the local economy as a large number of people have been compelled to leave their homes and livelihoods. The current estimated number of internally displaced persons (IDPs) is between 2.7 and 3.5 million. Consequently, this has disrupted the process of steady development throughout the province. It has caused considerable damage to physical and social infrastructure, loss of lives,



injuries, and damage to private and public property. Houses, standing crops, livestock, schools, health facilities, water supply/irrigation schemes, public office buildings, roads, electricity/gas networks, shops, hotels and businesses; all have suffered damages to varying degrees.

This chapter looks at the structure of the economy of KPK and analyses the growth/decline following the war on terror and later the commencement of military operations in the province. Information from a range of sources has been collected to conduct this analysis. The World Bank (2005) Economic Report on KPK provides the sector-wise GRP of the province for the period 1991-92 to 2004-05. From 2005-06 onwards data has been obtained from Development Statistics of the province, Federal Board of Revenue (FBR) Yearbook, Labour Force Survey (LFS), and Household Income and Expenditure Survey (HIES).

The period of 1991-92 to 2008-09 is divided into four sub-periods: the first covers the period up to 11 September 2001 i.e. 1991-92 to 1996-97 and 1996-97 to 2001-02; the second, covers 2001-02 to 2005-06, which was the initial period of the war on terror and finally, 2005-06 onwards, with the commencement of military operations in conflict zones of KPK. The year 2005-06 has been replaced with 2004-05 at some places depending on the availability of data.

Section 1 discusses the structure of the KPK economy and trends in production of different sectors; Section 2 looks at the trends in tax collection in KPK as a proxy for growth in relevant tax bases; Section 3 explains the pattern of employment in KPK; Section 4 describes the impact of the security crisis on social sectors and Section 5 presents the future outlook, noting the initiatives undertaken by the government of Pakistan and the role of international donor community to compensate the province for the deteriorating socio-economic conditions.



The Structure and Trend of Economic Growth in KPK

Constituting 10 percent of Pakistan's landmass and 13 percent of national population, the economy of KPK contributes about 11 percent to the GDP of Pakistan. Table 5.1 gives the composition of the KPK economy in comparison with the national economy. It shows that in the Gross Regional Product (GRP) of KPK, agriculture sector on average accounted for 20.5 percent, industrial sector 24.8 percent, and the services sector 54.7 percent from 2001-02 to 2004-05. The share of agriculture and industrial sector in the GRP has declined while that of services sector has increased from 1991-92 to 2004-05. Accordingly, the contribution of

Table 5.1 Composition of GDP
Khyber Pakhtunkhwa (%)

	1991-92 to 1996-97	1996-97 to 2001-02	2001-02 to 2004-05
Khyber Pakhtunkhwa			
Agriculture	22.7	23.4	20.5
Industry	25.9	24.9	24.8
Services	51.5	51.7	54.7
GRP	100.0	100.0	100.0
Pakistan			
Agriculture	25.6	25.8	23.1
Industry	24.5	23.7	25.1
Services	49.9	50.4	51.8
GDP	100.0	100.0	100.0

Source: World Bank (2005), North West Frontier Province Economic Report

services sector in the GRP of KPK is higher (55 percent) compared to that in the GDP of Pakistan (52 percent).

Table 5.2 gives a comparison of the trend in growth of the provincial and national economies. The economy of KPK grew at an average rate of 4.4 percent per annum during 1991-92 to 1996-97, 3.2 percent during 1996-97 to 2000-01 and 6.4 percent during 2001-02 to 2004-05. While the growth in the GRP of KPK was higher by 0.6 percentage points than that of GDP of Pakistan during 1991-92 to 1996-97 and the same during 1996-97 to 2000-01, it was lower by 0.6 percentage points during 2001-02 to 2004-05.

A sector-wise comparison of growth in KPK and that at the national level shows that growth in all three sectors (agriculture, industry and services) remained lower in KPK than that at the national level during 2000-01 to 2004-05. Within KPK, the trend indicates that in all the sectors, the pattern of growth is similar to that of overall GRP growth of KPK. In all the sectors, growth was higher in the first period, declined in the second period and then bounced back in the third period. In particular, the growth in industrial sector registered a big increase from 2.1 percent to over 9.3 percent (an average of 7.2 percentage points) in the period of 2001-02 to 2004-05 compared to the period of 1996-97 to 2000-01. This is followed by an increase in growth from 4 percent to 6.4 percent in the services sector. It can be said that in the immediate aftermath of the war on terrorism, the services sector of the KPK economy, revealed greater buoyancy as a consequence of the 'war multiplier' of an enhanced military presence.

Table 5.2 Trend in Growth of GDP
Khyber Pakhtunkhwa and Pakistan (%)

	1991-92 to 1996-97	1996-97 to 2001-02	2001-02 to 2004-05
Khyber Pakhtunkhwa			
Agriculture	3.4	2.4	3.1
Industry	4.4	2.1	9.3
Services	5.1	4.0	6.4
GRP	4.4	3.2	6.4
Pakistan			
Agriculture	3.5	1.9	4.3
Industry	3.0	3.8	10.8
Services	4.4	3.6	6.5
GDP	3.8	3.2	7.0

Source: World Bank (2005), North West Frontier Province
Economic Report





The Agriculture Sector

Of the overall contribution of agriculture to the provincial GRP during 2000-01 to 2004-05, the share of the crop sub-sector was on average 31 percent, livestock sector 61 percent and forestry 8 percent (Table 5.3). Comparison of the KPK and national economies indicates that contribution of livestock and forestry to agriculture output is much higher in KPK than that in national economy.

Further, in KPK the contribution of the crop sub-sector in agriculture has depicted a decline while that of livestock and forestry sub-sectors an increase since 1991-92.

Farming is practiced at both subsistence and commercial level in many districts in KPK. Availability of cultivable land is a major constraint in the province as only 30 percent of the land is cultivable. Landholdings are small and fragmented and the majority of farming population has no access to irrigation.

Table 5.4 gives the share of major crops in total cropped acreage in KPK. In the Rabi season (winter), the cultivation of wheat occupies the

Table 5.3 Composition of Agriculture Sector Khyber Pakhtunkhwa and Pakistan (%)

	1991-92 to 1996-97	1996-97 to 2001-02	2001-02 to 2004-05
Khyber Pakhtunkhwa			
Crops	48.3	37.8	31.3
Livestock	45.0	56.4	60.8
Forestry	6.8	5.9	8.0
Total	100.0	100.0	100.0
Pakistan			
Crops	57.5	51.5	47.3
Livestock	38.9	45.1	48.7
Fishing	2.7	1.9	1.3
Forestry	0.8	1.4	2.6
Total	100.0	100.0	100.0

Source: World Bank (2005), North West Frontier Province Economic Report

Table 5.4 Distribution of Crop Areas by Crops in Khyber Pakhtunkhwa

	Cropped Area (000 Hectares)	Distribution of Crop Acreage (%)				
		Wheat	Tobacco	Mustard	Gram	Barley
Rabi Crops						
2000-01	782	84.7	3.4	1.7	7.4	2.7
2001-02	763	83.9	3.9	1.8	7.9	2.5
2002-03	705	89.1	0.0	2.0	6.4	2.5
2003-04	716	88.7	0.0	2.0	6.8	2.4
2004-05	749	85.0	4.3	2.0	6.6	2.2
2005-06	677	89.9	0.0	1.9	5.6	2.5
2006-07	746	85.6	4.1	1.9	6.2	2.2
2007-08	728	86.7	4.5	1.7	4.8	2.3
2008-09	763	86.9	4.3	1.7	5.1	2.0
	Cropped Area (000 Hectares)	Distribution of Crop Acreage (%)				
		Sugarcane	Maize	Rice	Others	
Kharif Crops						
2000-01	665	16.0	73.7	8.2	2.1	
2001-02	659	15.0	74.9	7.4	2.7	
2002-03	626	16.4	73.5	7.9	2.2	
2003-04	627	16.4	73.2	8.0	2.4	
2004-05	618	16.9	72.9	7.8	2.4	
2005-06	602	16.1	73.8	7.9	2.1	
2006-07	629	15.9	74.6	7.8	1.7	
2007-08	625	16.5	73.9	8.1	1.6	
2008-09	616	15.7	74.5	8.2	1.6	

Source: NWFP Development Statistics, Planning and Development Department, Govt. of KPK

bulk of the total cropped area. In 2005-06, 90 percent of the cropped area was cultivated by wheat, declining to 87 percent in 2008-09. Other Rabi crops include tobacco, mustard, gram and barley. In Kharif season (summer), maize is cultivated on almost three quarters of the cropped area. Sugarcane and rice are also two major crops cultivated in this season. Minor crops of Kharif season include bajra, cotton, jowar and sesamum. The share of gram in the total cultivated area shows a decline over the period and that of sugarcane in 2006-07 and 2008-09.

Chart 5.2 gives the share of major crops produced in KPK in the total production of Pakistan and Table 5.5 reports the trend in growth of these crops. KPK is the largest producer of tobacco in the country. Its share in the total tobacco production stood at 74 percent per annum during 2000-01 to 2004-05. Maize, that occupies the bulk of the cropped acreage in Kharif season, constituted 42 percent of the total maize crop produced in Pakistan during 2000-01 to 2004-05. Since 2000-01, the production of the maize crop has been continuously declining in KPK: during 2000-01 to 2004-05 it declined on average by one percent per annum and during 2004-05 to 2008-09 by 8 percent per annum. KPK's share in the wheat production of Pakistan is less than 5 percent and it imports wheat from Punjab.

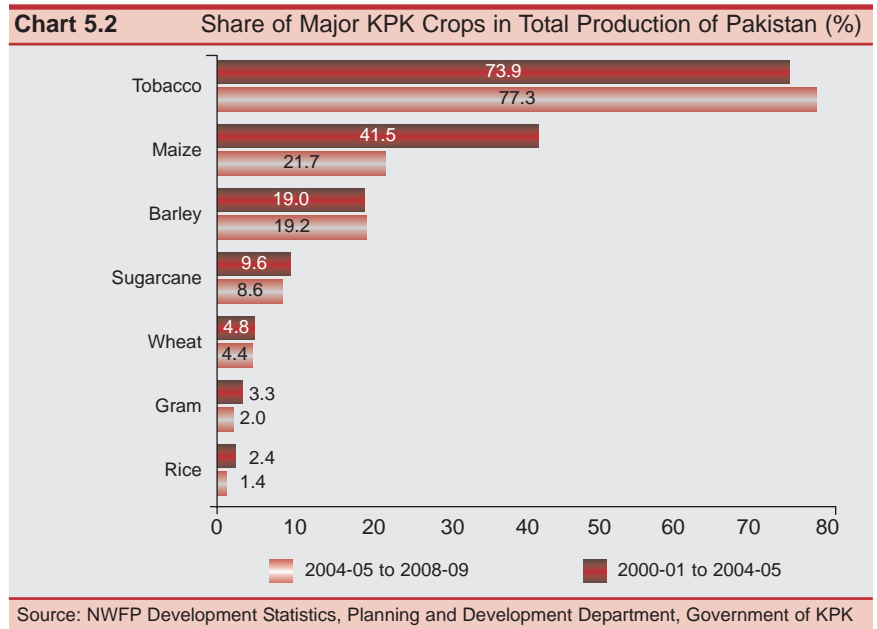


Table 5.5		Trend in Growth of Major Crops in KPK (%)						
		Wheat	Maize	Sugarcane	Barley	Tobacco	Rice	Gram
Khyber Pakhtunkhwa								
	2000-01 to 2004-05	8.4	-1.1	0.4	-2.0	6.8	-1.3	37.5
	2004-05 to 2008-09	3.3	-8.1	-2.0	-4.6	1.1	3.0	1.9
Rest of Pakistan								
	2000-01 to 2004-05	3.2	28.7	2.7	-1.7	0.1	2.1	27.5
	2004-05 to 2008-09	3.1	12.0	3.6	-2.1	4.4	13.9	6.5

Source: NWFP Development Statistics, Planning and Development Department, Government of KPK

Table 5.6 Crops by Major Districts in KPK

Crop	Districts
Tobacco	Swabi, Mardan, Charsadda, Buner
Wheat	Mardan, Swat, Mansehra, Peshawar, Swabi, Charsadda, D.I.Khan, Haripur, Buner
Maize	Mansehra, Swabi, Swat, Buner, Mardan, Charsadda, Haripur, Kohistan, Shangla
Barley	Chitral, Mardan, Upper Dir, Lower Dir, Swabi, Nowshera
Sugarcane	Charsadda, Mardan, Peshawar, D.I.Khan, Malakand, Nowshera
Rice	D.I. Khan, Upper Dir, Lower Dir, Swat, Malakand
Gram	D.I.Khan, Lakki, Karak
Jowar	Mardan, D.I.Khan, Swabi, Haripur
Rapeseed & Mustard	Mardan, D.I.Khan, Swabi, Buner, Lower Dir, Malakand
Bajra	Karak, Kohat
Cotton	D.I.Khan

Source: NWFP Development Statistics, various issues

Table 5.6 gives the crops produced in KPK by district. The main districts where most agricultural activity takes place include Mardan, D.I. Khan, Swabi, Charsadda, Swat, and Buner. Besides major crops like maize, wheat, tobacco, sugarcane, minor crops like jowar, bajra, mustard and rapeseed are also cultivated in these districts. A large part of the tobacco harvest comes from Swabi, Mardan and Charsadda and both crop acreage and yield have increased in these districts. The maximum output of maize crop comes from Mansehra, Swabi, Swat and Buner. The decline in maize crop could be due to the reason that it is largely produced in those areas which have been affected by militancy and military operations.

The main areas with the highest production of wheat are Mardan, Swat, Manshera, Peshawar and Swabi. Sugarcane is grown mainly in Charsadda, Mardan, Peshawar and D.I.Khan. Its acreage and production in these districts has declined since 2004-05. Gram is primarily cultivated in D. I. Khan; rice in D.I. Khan, Upper Dir, Lower Dir, Swat and Malakand and barley in Chitral, Mardan, Lower Dir and Upper Dir.

Vegetables are grown throughout the year and are an important source of both nutrition and income for household members. Commercial production of fruit and vegetable, particularly for the main urban markets has increased rapidly, largely due to support in research, extension and marketing provided by the Swiss-funded Project for Horticultural Promotion (PHP) that worked primarily in the Swat Valley (ADB and WB, 2009).

Livestock production has been increasing in KPK due to the rise in demand from urban consumers. The sale of dairy products and live animals to urban households provide an important flow of cash income to rural areas. Livestock includes cattle, goats, sheep, donkeys and poultry. Households involved in sheep, goat and cattle rearing roughly constitute three-quarters of farm households. Generally, a family keeps up to three cows or buffalos, 5-8 sheep or goats, and 6-10 poultry. Buffaloes that are mainly brought from the Punjab remain an important source for dairy production. Commercial production has taken over from small-scale poultry farming, particularly in the central irrigated plains and Hazara (Mansehra, Abbottabad and Haripur) which have good access to markets (World Bank, 2005).

Table 5.7 shows the size and growth of livestock in KPK and Pakistan. Comparison of the two latest censuses (1996 and 2006) indicates that the size of total livestock increased from 10.7 million to 20.9 million (an average annual growth of 7 percent) in KPK whereas it increased from 94.7 million to 116.3 million (an average annual growth of 2 percent) in the rest of Pakistan. Further, growth in all categories of livestock

was higher in KPK compared to that in the rest of Pakistan during the period of 1996 and 2006 censuses. However, given the security crisis, it is likely that the population of livestock in KPK would have fallen and its share in Pakistan would have declined.

Overall, from 2001-02 to 2004-05, the agriculture sector of KPK showed dynamism both in the crop and livestock sub-sectors. In 2005-06 unfortunately the province faced huge devastation because of a massive earthquake. From 2006-07 and onwards agriculture activity in the province has declined sharply. This could be at least partially attributed to the increase in militancy and the military operations carried out in KPK.

Impact on Agriculture Sector²

According to the ADB and WB (2009) report, over 80 percent of the population of the crisis affected districts depends on agriculture as their main source of livelihood. The impact of the war on the agriculture sector as described by these sources is given below.

- Major damages occurred as animals and standing crops ready for harvest were abandoned when civilians moved to safer places.
- In addition, major losses occurred due to lost production as farmers could not return to plant the next crop, physical damage to buildings, roads and public utilities, including irrigation facilities, government offices, including veterinary hospitals, offices and research facilities which were looted and vandalized.
- The direct damage in the form of lost livestock is estimated at Rs28,952 million. A total of 553,000 large animals (buffalo, cows, sheep, and goat) and 594,000 small animals (donkeys and asses) and 1.8 millions heads of poultry have either perished or subjected to distress sale (around 40 percent of total lost animals) at prices as low as half the prevailing market prices.
- Livestock losses vary significantly among districts. Comparing losses with the pre-crisis stocks, Swat has suffered the most losses (42-65 percent). This is followed by Buner (36-60 percent),

Table 5.7 Livestock Population in Khyber Pakhtunkhwa and Pakistan

	Size (Million)		Growth (%)	Share in Pakistan (%)
	1996	2006		
Khyber Pakhtunkhwa				
Cattle	3.3	6.0	6.1	20.2
Buffaloes	1.3	1.9	4.0	7.1
Sheep	1.5	3.4	8.4	12.7
Goats	4.6	9.6	7.6	17.8
Total	10.7	20.9	6.9	15.2
Rest of Pakistan				
Cattle	17.1	23.6	3.3	79.8
Buffaloes	19.0	25.4	2.9	92.9
Sheep	22.0	23.1	0.5	87.3
Goats	36.6	44.2	1.9	82.2
Total	94.7	116.3	2.1	84.8

Source: NWFP Development Statistics 2005 and 2009
Note: 1996 and 2006 are years of Agriculture Census.

Shangla (26-50 percent), Dir Lower (24-38 percent) and Dir Upper (8-17 percent).

- The direct damage in the form of un-harvested standing crops of the Rabi 2008-09 season is estimated at Rs 6,605 million - mostly wheat (60 percent of total crop damage), fruits (22 percent), and vegetables (16 percent).
- In terms of the extent of damage by district, Swat incurred the highest losses (Rs 3,141 million), followed by Buner (Rs 1,206 million), Dir Lower (Rs 443 million), and Dir Upper (Rs 273 million).
- The direct damage to the irrigation sub-sector is estimated at Rs 873.9 million. The largest share of damage is reported on flood protection (Rs 398.5 million) and surface irrigation infrastructure (Rs 383.2 million). It is reported that out of a total of 631 irrigation canals available in the five districts, 259 canals have been partially damaged. Out of 127 km of flood protection embankments, 9 km long embankments have been fully damaged, and 25 km of embankments partially damaged. Around 26 tube wells and 12 lift pumps have been damaged. District-wise, Lower Dir represents the largest share in total damages (39 percent of total damages in the irrigation sub-sector) followed by Swat (35 percent), Buner (14 percent), Upper Dir (7 percent), and Shangla (5 percent).
- The total indirect losses of livestock sub-sector in the form of lost milk production of cows, buffalo and goat are estimated at Rs 4,994 million. The total indirect losses of crop sub-sector for 2009 Kharif and 2009-10 Rabi seasons are estimated to be around Rs 14,736 million.



The Industrial Sector

The industrial sector of the KPK economy largely comprises of manufacturing activity. Of the total industrial production, manufacturing had a share of 64 percent, construction 15 percent and electricity and gas distribution 21 percent between 2000-01 to 2004-05 (Table 5.8). Compared to similar shares in industrial production at national level, the shares of construction and electricity and gas distribution are higher in KPK. The trends in these shares indicates that the share of manufacturing increased in KPK during early 1990s to mid 2000s from an average of 57 percent per annum to 64 percent per annum. Though the share of construction in industrial production declined considerably from an average 15.7 percent per annum to 9 percent per annum at national level,

Table 5.8 Composition of Industrial Sector
Khyber Pakhtunkhwa and Pakistan (%)

	1991-92 to 1996-97	1996-97 to 2001-02	2001-02 to 2004-05
Khyber Pakhtunkhwa			
Mining & Quarrying	0.2	0.2	0.3
Manufacturing	57.1	58.2	64.1
Construction	15.3	15.2	14.9
Electricity and Gas Distribution	27.4	26.4	20.7
Total	100.0	100.0	100.0
Pakistan			
Mining & Quarrying	2.4	5.3	10.3
Manufacturing	68.5	65.7	68.4
Construction	15.7	13.0	9.0
Electricity and Gas Distribution	13.5	16.1	12.5
Total	100.0	100.0	100.0

Source: World Bank (2005)

Table 5.9 Large Scale Manufacturing in Khyber Pakhtunkhwa

Industries	Production			Value Added		
	1995-96	2000-01	2005-06	1995-96	2000-01	2005-06
All Industries (Rs Million)	62,208	50,630	164,313	27,941	26,570	57,563
Share (%)						
Food, beverages & tobacco	35.3	35.9	43.7	30.0	39.6	42.3
Metal products, machinery equipment,	16.9	3.1	1.3	30.9	2.1	0.3
Non-metallic industries	9.2	17.4	22.6	12.3	21.2	27.3
Textile, apparel & leather	27.9	22.0	13.9	19.9	20.2	12.9
Others	10.8	21.7	18.5	7.0	16.9	17.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Census of Manufacturing Industries (CMI) 1995-96, 2000-01, 2004-05

in KPK it stabilised around 15 percent per annum. The share of electricity and gas distribution declined considerably from an average of 27.4 percent per annum to an average of 20.7 percent per annum.

An overview of large-scale manufacturing in KPK based on Census of Manufacturing Industries (CMI) reveals that there are three groups of industries that account for more than 80 percent of the total large scale production in manufacturing (Table 5.9). These include beverages and tobacco, textile, apparel and leather, and non-metallic industries.³ Food, beverages and tobacco have the highest share in large scale production (43.7 percent) and value added (42.3 percent), and these shares have been growing since 1994-95. Non-metallic industries, which accounted for 9 percent share in value of production and 12 percent in value added in 1995-96, grew rapidly and the shares increased to 22.6 percent and 27 percent respectively by 2005-06. Shares of textile, apparel and leather, and the other industries including metal products, machinery equipment, handicrafts and sports have declined.



**Table 5.10** Performance of Selected Large-scale Manufacturing Items in KPK

Industry and Items	Growth (%)					
	Share of KPK in Pakistan (%)		Khyber Pakhtunkhwa		Pakistan	
	2001-02 to 2004-05	2004-05 to 2008-09	2001-02 to 2004-05	2004-05 to 2008-09	2001-02 to 2004-05	2004-05 to 2008-09
	2004-5	2008-09	2004-5	2008-09	2004-5	2008-09
Food, beverages & tobacco						
Cigarette	27.8	31.5	-1.8	11.4	4.0	5.6
Cooking Oil	8.4	11.8	59.6	5.4	18.2	4.9
Ghee	25.2	29.5	14.7	3.7	10.0	0.5
Beverages	-	-	-3.7	35.8	12.2	22.7
Sugar	3.8	1.6	7.9	-22.9	2.5	3.9
Textile						
Cotton Cloth	1.2	0.4	76.5	-15.0	18.4	2.5
Cotton Yarn	0.003	0.003	15.2	1.4	8.3	6.4
Non-metallic industries						
Sanitary Ware	-	-	58.8	3.3	-	-
Wall Tiles	-	-	34.5	15.0	-	-
Cement	28.1	27.2	34.4	11.4	22.4	14.9
Sheet Glass	-	-	-0.2	10.9	-	-

Source: Computations based on data from NWFP Development Statistics, Economic Survey, SBP Annual Report

Table 5.10 gives the trend in the quantity of production of selected items in KPK vis-à-vis the total of Pakistan. In food, beverages and tobacco, the share of KPK in total production of cigarettes increased from an average of 28 percent during 2001-02 to 2004-05 to over 31 percent during 2004-05 to 2008-09. Also, the growth in production from an average of negative 1.8 percent per annum in the first half of 2000s moved to an average of 11.4 percent per annum in the second half of 2000s. This was double the overall growth in Pakistan.

The share of KPK in the total production of cooking oil and ghee also increased in the second half of 2000s as compared to that in the first half of 2000s. The growth in their production declined in the later period which is in line with the growth trend in Pakistan as a whole. However, on average, the growth in their production remained higher than that of the country as a whole in both the sub-periods. Growth in the production of beverages indicated a jump in KPK as well as at national level in the later period but in KPK it was well above that at national level. Sugar production in KPK declined during 2004-05 to 2008-09, when reportedly there was an increase in the country. During 2001-02 to 2004-05, KPK contributed 3.8 percent to the sugar production in Pakistan. However, during the later period this contribution declined to 1.6 percent.

In textiles, cloth production in KPK constitutes a meager 1.2 percent of total cloth production in Pakistan which declined to less than half percent during 2004-05 to 2008-09. The share of yarn production however is almost negligible. As the growth in production of both cloth and yarn declined in Pakistan, the performance of KPK in textiles has also been declining and remained below the country's average. In KPK, the production of cloth grew on average at a rate of nearly 77 percent per annum during 2001-02 to 2004-05, dropped by an average of 15 percent per annum during 2004-05 to 2008-09 while the growth in production of yarn declined from 15 percent per annum to just 1.4 percent per annum.



In the non-metallic mineral products category, cement production constitutes 27 percent of the total production in Pakistan. Compared to country wide figures, the growth in its production depicts a massive decline in KPK. While production grew at an average rate of 34.4 percent per annum in KPK during 2001-02 to 2004-05 compared to 22.4 percent per annum in the country, growth during 2004-05 to 2008-09 was 11.4 percent per annum in KPK compared to an increase of 15 percent per annum in Pakistan. Other items in this category such as ceramics, including sanitary ware and wall tiles also registered a declining growth rate. Sheet glass production however, shows an increase in growth in the later period.

Overall, in the aftermath of rise in militancy and military operations in KPK, the production in manufacturing, which is already small compared to that in Punjab and Sindh, has declined. Production of sugar and cotton cloth declined massively while the cooking oil and ghee, cotton yarn and non-metallic product industries slowed down from 2006-07 and onwards.

Table 5.11 shows the spread of major large scale manufacturing units by districts in KPK. It indicates that there are six districts where manufacturing activity mainly takes place. These include: Peshawar, Swabi, Swat, Haripur, Mardan and Nowshera. The number of units in these districts declined from 1,679 units to 1,622 in 2007-08.

Peshawar, the capital of KPK is the industrial hub of the province. The major industries located in Peshawar include beverages, biscuits and sweets, flour mills, preservation of fruits, leather, fiber glass, ceramics, motor cycle rickshaw, marble and chips, and engineering. Haripur is another major industrial district that accounts for major production of biscuit and sweets, vegetable ghee and oil, textile loam, fiber glass and ceramics. Swabi has a concentration of industries such as cigarettes, textile loam and milling industries while Swat has mostly rice mills. Swat also used to produce motor cycle rickshaws up to 2006. Mardan and Nowshera also contribute significantly to the production of marble and chips, Mardan producing flour and ceramics as well. Besides these, some other important districts are D. I. Khan with rice and sugar mills, Bannu with leather factories and Buner with marble and chip factories.

Table 5.11 Location of Large Scale Industries by Districts in KPK		
Districts	Major Industries	Other Industries
Peshawar	Beverages, Biscuits and Sweets, Flour Mills, Preservation of Fruits, Leather, Fiber Glass, Ceramics, Motor Cycle Rickshaw, Marble and Engineering	Printing Press, Pharmacy, Plastic and Rubber and Arms and Ammunition
Haripur	Biscuit & Sweet, Vegetable Ghee & Oil, Preservation of Fruits, Textile Loam, Fiber Glass, Ceramics	Chemical, Pharmacy, Plastic & Rubber, Packages
Swabi	Cigarettes, Corn, Textile Loam & Mills, Cement based	Plastic & Rubber, Chemical
Swat	Rice, Motor Cycle Rickshaw	Silk, Plastic and Rubber
Mardan	Marble & Chips, Flour Mills, Ceramics, Cement based	
Nowshera	Marble & Chips, Cement based	
D.I. Khan	Rice & Sugar mills	
Bannu	Leather	
Buner	Marble & Chips	
Source: NWFP Development Statistics, various issues		



The industrial sector in five crisis affected districts (Swat, Shangla, Buner, Upper Dir and Lower Dir) of Malakand Division, generally comprise of small and medium-sized units based primarily on locally available materials. The main industries are mining (marble, granite, gemstones), mini hydro power generation, flour mills, rice mills, silk mills, furniture, vegetable and ghee mills, rubber and plastic goods, handicrafts, and cement based products. Many of these products are used in the area, whereas marble, silk, gemstones and furniture are transported to other parts of the country. The area with the maximum private sector activity is Swat (ADB and WB, 2009).

Impact on Industrial Sector

The power loom sector has been a strong presence in Swat due to tax advantages, skill availability and associated benefits of a developed cluster. ADB and WB (2009) indicate that 11 units out of 65 have been damaged due to the war on terror. This constitutes about 17 percent of the total number of units. It is assumed that the damage rate to industrial units and businesses would be the same as that of the power loom sector, i.e. 17 percent. The ADB/WB report gives the preliminary estimates of damages in the affected districts for shops of Rs 396 million and for industry and business of Rs 341 million.

According to the All Pakistan Marble Mining, Processing, Industry and Exporters Association (APMMPIEA), the war on terror has disrupted the work in marble units. In Mardan, 100 marble units have shut down and 15,000 workers rendered jobless. In Buner, nearly 250 industrial units and in other areas 100 units have closed down. Around 20,000 skilled and semi-skilled workers in Buner and about 35,000 indirectly employed in allied industries have been laid off.

Overall, according to estimates, 1660 out of 2254 industrial units in the province have closed down, resulting in thousands of people becoming jobless with shifting of businesses to the Federal Capital and Punjab. These units belong to the textile, plastics, marble, cosmetics, and pharmaceutical sectors. The number of industrial workers still on the job has fallen from 84,000 to 40,000.

Table 5.12 Composition of Services Sector: Khyber Pakhtunkhwa and Pakistan (%)

	1991-92 to 1996-97	1996-97 to 2001-02	2001-02 to 2004-05
Khyber Pakhtunkhwa			
Transport, storage, and Communication	17.1	20.6	24.0
Wholesale and retail trade	36.2	32.7	29.8
Finance and Insurance	7.3	6.8	4.1
Ownership of dwellings	5.7	4.7	4.1
Public administration and defense	16.4	16.5	20.2
Community and social services	17.2	18.6	17.8
Total	100.0	100.0	100.0
Pakistan			
Transport, storage and Communication	20.3	21.2	21.3
Wholesale and retail trade	33.0	32.6	35.1
Finance and Insurance	6.4	6.7	6.9
Ownership of dwellings	8.8	7.8	5.9
Public administration and defense	15.8	14.1	12.1
Community and social services	15.6	17.6	18.8
Total	100.0	100.0	100.0

Source: World Bank (2005)

The Services Sector

In the services sector, wholesale and retail trade is the largest activity: however, its share in services sector output declined from 36 percent during 1991-92 to 1995-96 and to 30 percent during 2000-01 to 2004-05 (Table 5.12). The share of other activities including transport, storage, and communications and public administration has increased significantly in the early part of the last decade compared to that in the 1990s. As mentioned earlier that this could be the effect of the 'war





multiplier.' The increased movement of goods and services due to the presence of the army and supplies to the NATO forces in Afghanistan has caused an increase in activities related to transport and communications.

Tourism had grown as a major sector in KPK over the past three to four decades, which had been a major source of employment and income generation. In particular, Swat emerged as a major attraction for tourists, resulting in investment in hotels and ancillary services. These are supported by a large network of shops and businesses all over Swat as trading in the region had grown, creating employment opportunities. It is estimated that about 40,000 persons are associated with the tourism and ancillary industry. The decline in wholesale and retail trade that also includes hotels could be at least partially due to damage to the tourism industry in Swat.

ADB and WB (2009) mention that about 500 hotels have been operating in the Malakand division out of which about 60 were damaged in the crisis. Some of these were prominent and popular hotels such as the Pakistan Tourism Development Corporation (PTDC) Hotel at Malam Jabba, Pamir Hotels, and Rock City Hotel at Fizzagut, which received extensive damage before and during the military operation.

Tax Collection

Tax collection is used as a proxy for the size and growth of different tax bases. Growth in collection of federal excise duty (FED) and general sales tax (GST) indicates the performance of manufacturing sector and growth in income tax shows the performance of the overall provincial economy, excluding the agriculture sector.

In the earlier years of the last decade, KPK accounted for over 17 percent of the total excise duty collected in Pakistan (see Table 5.13). One of the negative implications of war on terror is the decline in FED both in terms of magnitude and share in the total FED collection in Pakistan. After the earthquake of October 2005, the share of FED in total collection declined to 10.6 percent in 2005-06, and fell further to 5.3 percent by 2008-09 as a result of security crisis in the province. Collection of duty under FED on cigarettes and tobacco, perfumery and cosmetics shows an increase while those on beverages concentrate and natural gas shows a decline.

The share of sales tax collected from Khyber Pakhtunkwa was over 3 percent ten years ago which declined to less than 2 percent in recent years. In 2008-09, the province contributed only 1.2 percent of the GST collected in Pakistan.

The share of KPK in total income tax collected in Pakistan was 4 percent in 2004-05. Since then this share has declined to less than 2 percent. Moreover, the magnitude of income tax collected in the province during 2006-07 and 2007-08 was far below that collected in 2004-05 and 2005-06 (see Table 5.13).

Therefore, the overall lack of buoyancy in tax revenues from KPK confirms the process of slowing down in the process of economic growth in the province, especially after 2004-05. This is largely attributed to the intensification of the war on terror.

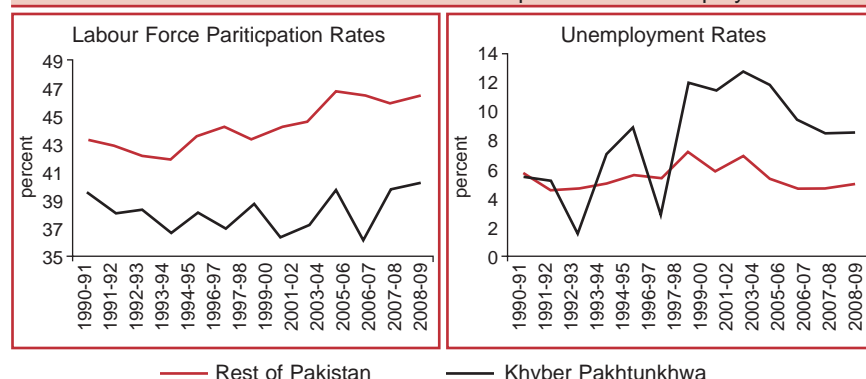
Table 5.13 Trend in Collection of Taxes in Khyber Pakhtunkhwa

	Value (Rs millions)			Share (%)		
	Khyber Pakhtunkhwa	Pakistan	Total	Khyber Pakhtunkhwa	Pakistan	Total
Federal Excise Duty						
2000-01	8,853	40,337	49,190	18.0	82.0	100.0
2001-02	7,381	39,827	47,208	15.6	84.4	100.0
2002-03	7,960	36,976	44,936	17.7	82.3	100.0
2003-04	7,881	37,742	45,623	17.3	82.7	100.0
2004-05	9,260	43,893	53,153	17.4	82.6	100.0
2005-06	5,882	49,636	55,518	10.6	89.4	100.0
2006-07	7,628	64,312	71,940	10.6	89.4	100.0
2007-08	7,468	84,706	92,174	8.1	91.9	100.0
2008-09	6,238	111,292	117,530	5.3	94.7	100.0
General Sales Tax						
2000-01	5,204	148,361	153,565	3.4	96.6	100.0
2001-02	6,111	160,450	166,561	3.7	96.3	100.0
2002-03	5,355	189,784	195,139	2.7	97.3	100.0
2003-04	5,326	213,841	219,167	2.4	97.6	100.0
2004-05	5,602	287,844	293,446	1.9	98.1	100.0
2005-06	5,355	321,881	327,236	1.6	98.4	100.0
2006-07	6,512	339,913	346,425	1.9	98.1	100.0
2007-08	5,923	399,682	405,605	1.5	98.5	100.0
2008-09	5,889	472,851	478,740	1.2	98.8	100.0
Customs Duty						
2000-01	2,629	62,418	65,047	4.0	96.0	100.0
2001-02	2,252	45,566	47,818	4.7	95.3	100.0
2002-03	1,810	67,026	68,836	2.6	97.4	100.0
2003-04	2,307	88,738	91,045	2.5	97.5	100.0
2004-05	1,787	113,586	115,373	1.5	98.5	100.0
2005-06	1,967	136,417	138,384	1.4	98.6	100.0
2006-07	2,767	129,532	132,299	2.1	97.9	100.0
2007-08	1,869	148,794	150,663	1.2	98.8	100.0
2008-09	2,110	146,293	148,403	1.4	98.6	100.0
Income Tax						
2000-01	3,105	114,357	117,462	2.6	97.4	100.0
2001-02	3,474	133,068	136,542	2.5	97.5	100.0
2002-03	3,846	141,520	145,366	2.6	97.4	100.0
2003-04	4,634	166,998	171,632	2.7	97.3	100.0
2004-05	7,910	175,463	183,372	4.3	95.7	100.0
2005-06	8,083	216,905	224,989	3.6	96.4	100.0
2006-07	5,200	328,537	333,737	1.6	98.4	100.0
2007-08	6,577	381,285	387,861	1.6	98.3	100.0
2008-09	8,430	435,118	443,548	1.9	98.1	100.0

Source: FBR Yearbook, various issues

The Pattern of Employment in Khyber Pakhtunkhwa

The labour force participation rate in KPK depicted a declining trend in the first half of the 1990s showing a movement in line with that in rest of Pakistan (Chart 5.3). In the second half of 1990s, it exhibited several fluctuations while an upward trend was observed in the rest of Pakistan. The participation rate in KPK declined from 39.5 percent in 1991-92 to 36.4 percent in 2001-02. During the last decade it has risen in KPK as well as in rest of Pakistan. During 2001-02 to 2005-06, the initial period

Chart 5.3 Trend in Labour Force Participation and Unemployment Rates

Source: FBS, Labour Force Survey



of war on terror, the labour force participation rate in KPK increased from 36 percent to almost 40 percent, and has remained, more or less, constant since then.

The unemployment rate in KPK, while showing several fluctuations, particularly in the second half of the 1990s, increased from as low as 1.6 percent in 1993-94 to as high as 11.9 percent in 1999-00. As against in the rest of Pakistan, the unemployment rate increased from 5.8 percent in 1993-94 to 7.3 percent in 1999-00. According to the Labour Force Survey, in the 2000s, the unemployment rate in KPK initially increased even further and then declined somewhat. Employment growth appears to have been fairly rapid in KPK during the last decade (see Table 5.14a).

The Household Integrated and Economic Survey (HIES) depicts a rather different picture of employment growth in KPK as reported in Table 5.14b. Compared to the period of 2001-02 to 2005-06, the decline in employment growth is far more pronounced in KPK during 2005-06 to 2007-08 than in other

Table 5.14a Employment Size and Trend Khyber Pakhtunkhwa and Pakistan

Period	Pakistan	KPK	Other provinces
Employment (Million)			
1991-92	31.1	3.3	27.7
1996-97	34.1	3.8	30.4
2001-02	39.6	4.3	35.3
2005-06	46.9	5.2	41.7
2007-08	49.1	5.7	43.4
ACGR (%)			
1991-92 to 1996-97	1.9	2.5	1.8
1996-97 to 2001-02	3.0	2.7	3.1
2001-02 to 2005-06	4.3	5.0	4.3
2005-06 to 2007-08	2.3	4.8	1.9

Note: ACGR implies average cumulative growth rate.

Source: Computations based on data from Labour Force Survey

Table 5.14b Employment Size and Trend Khyber Pakhtunkhwa and Pakistan

Period	Pakistan	KPK	Other provinces
Employment (Million)			
1998-99	39.6	4.16	35.6
2001-02	42.2	4.44	37.8
2005-06	45.1	5.06	40.0
2007-08	46.2	5.07	41.1
ACGR (%)			
1998-99 to 2001-02	2.13	3.07	2.02
2001-02 to 2005-06	1.65	3.32	1.44
2005-06 to 2007-08	1.26	0.08	1.41

Note: ACGR implies average cumulative growth rate.

Source: Computations based on data from HIES



		Table 5.15 Youth and Graduate Unemployment Rate (%)								
		Both			Male			Female		
		2001-02	2005-06	2008-09	2001-02	2005-06	2008-09	2001-02	2005-06	2008-09
Youth										
Pakistan	13.4	8.7	8.3	12.0	8.4	7.5	20.6	9.6	11.3	
Punjab	13.4	8.5	9.0	11.9	9.1	8.6	19.2	6.8	9.8	
Sindh	8.3	6.5	5.0	7.5	6.1	3.9	18.3	11.0	10.7	
KP	20.9	14.5	13.6	19.5	11.2	11.6	33.6	31.4	20.8	
Balochistan	18.2	5.8	3.3	16.0	5.6	2.1	42.9	7.8	14.3	
Graduate										
Pakistan	8.7	7.1	6.2	7.4	6.2	4.2	16.7	11.6	15.4	
Punjab	10.6	6.9	7.0	8.5	5.1	5.0	16.1	13.0	14.0	
Sindh	5.8	6.3	3.6	5.1	6.0	2.9	9.8	8.5	8.2	
KP	11.6	10.9	12.3	11.2	7.9	6.9	15.0	24.2	36.0	
Balochistan	12.5	7.4	2.0	11.1	7.2	2.2	28.6	22.2	5.3	

Source: FBS, Labour Force Survey

provinces. Thus according to this source the employment in KPK has been adversely affected by the militancy and military operation in the conflict areas.

Youth Unemployment

There is a view that young males who are unemployed are likely to get attracted more towards militant groups. Table 5.15 indicates that youth unemployment rate has been highest in KPK and remained well above the national rate in all the three years reported in the Table. In 2008-09, the unemployment rate in KPK was 13.6 percent followed by 9 percent in Punjab. Comparison among 2005-06 and 2008-09 shows that while youth unemployment rate of male declined considerably in Sindh and Balochistan and somewhat in Punjab, it slightly increased in KPK.

Impact of Crisis on the Social Sector of KPK

The acute security situation in KPK has adversely affected performance of the social sector in the province. This section discusses the state of social sector since the province has become a centre for the war on terror.

According to ADB and WB (2009), in five crisis affected districts of Malakand Division (Swat, Shangla, Buner, Upper and Lower Dir) of KPK, there are 5,347 government schools and colleges, 820,000 students (37 percent of which are girls) and 22,364 enrolled teachers. In these five districts, 427 (8 percent) school have been fully or partially damaged including residences and hostels of which 237 are fully damaged and 190 partially damaged. Of the total fully damaged schools 63 percent are girls schools. The most affected district is Swat, with 276 fully or partially damaged schools. The total cost for restoring fully or partially damaged educational buildings, material, furniture and equipment is estimated at Rs2,696 million (see Table 5.16).

The health delivery system in KPK comprises both public and private providers where the latter are largely limited to urban areas. According to ADB and WB (2009), out of a total of 217 public health facilities in five crises affected districts, 63 (29 percent) facilities have been damaged (Table 5.17). Among these, 19 are fully damaged and 44 partially

Table 5.16 Summary of Damaged Schools

	Number of Damaged Schools									Cost of Damaged Schools (Rs millions)		
	Fully			Partially			Total			Male	Female	Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total			
Swat	46	125	171	63	42	105	109	167	276	1234.0	566.1	1800.2
Buner	8	1	9	17	10	27	25	11	36	59.1	133.2	192.3
Upper Dir	16	6	22	7	0	7	23	6	29	206.9	144.3	351.2
Lower Dir	12	17	29	16	12	28	28	29	57	162.6	34.4	196.9
Shangla	6	0	6	21	2	23	27	2	29	44.3	111.0	155.3
Total	88	149	237	124	66	190	212	215	427	1707.0	989.0	2696.0

Source: ADB and WB (2009) Preliminary Damage and Needs Assessment

Table 5.17 Summary of Damaged Health Facilities

	Number of Damaged Health Facilities			Cost of Damaged Health Facilities (Rs millions)		
	Fully	Partially	Total	Fully	Partially	Total
Swat	6	12	18	97.3	52.9	150.2
Buner	1	21	22	16.2	92.6	108.8
Lower Dir	9	7	16	145.9	30.9	176.8
Upper Dir	3	3	6	48.7	13.2	61.9
Shangla	0	1	1	-	4.4	4.4
Total	19	44	63	308.0	194.0	502.0

Source: ADB and WB (2009) Preliminary Damage and Needs Assessment

damaged. The damaged facilities include first level health care facilities or the community health centers and civil dispensaries (such as Rural Health Centers, Basic Health Units, MCH/CH Centers) and other health facilities including dispensaries and first aid posts. The secondary health care facilities (District Headquarter Hospital (DHQ)/Agency Headquarter Hospital (AHQ) and Tehsil Headquarter Hospital (THQ)) however, have been less affected. The damage to health facilities includes offices, residences, medical equipment, furniture and vehicles.

Of the five crisis affected districts, fully damaged health facilities were largely reported in Lower Dir and partially damaged facilities in Buner. The total damage cost is estimated to be Rs502 million. Among completely damaged health facilities, 93 percent of the damaged cost is



related to the damage of offices and buildings while for the partially damaged this cost is 80 percent. These estimates are likely to be understated as they do not include estimates of damage to private health care facilities.

The security crisis in Malakand Division has affected the housing settlements in all the five districts severely. Forceful occupation particularly of private houses by militants in both urban and rural areas forced the population to take shelter in rescue camps of the government or NGOs, or to flee to adjoining or distant locales. Moreover, the recent military operations in the area also caused an internal displacement of around 2 million people. In the affected districts, altogether 13,214 houses were damaged, of which 5,934 were fully damaged and 7,280 partially damaged. Swat is the worse affected with 3,738 fully damaged and 4,387 partially damaged houses. The overall estimated cost of damage is Rs3,538 million (see Table 5.18).

Table 5.18 Summary of Damage to Houses						
	Number of Damaged Houses			Cost of Damaged Houses (Rs millions)		
	Fully	Partially	Total	Fully	Partially	Total
Swat	3738	4387	8125	1495	702	2197
Buner	1126	990	2116	450	158	608
Shangla	292	373	665	117	60	177
Lower Dir	233	428	661	93	69	162
Upper Dir	545	1102	1647	218	176	394
Total	5934	7280	13214	2373	1165	3538

Source: ADB and WB (2009) Preliminary Damage and Needs Assessment

Table 5.19 Summary of Damage to Water Supply Schemes							
	Total Schemes	Number of Damaged Schemes			Estimated Cost of Damaged Scheme (Rs millions)		
		Fully	Partially	Total	Fully	Partially	Total
Swat	371	21	148	26.9	169	0.44	27.34
Shangla	256	21	44	5	65	0.45	5.45
Buner	248	23	49	7.13	82	2.03	9.16
Upper Dir	308	23	31	4.8	54	2.03	6.83
Lower Dir	325	23	58	11.32	81	2.03	13.35
Total	1508	111	330	55.15	451	6.98	62.13

Source: ADB and WB (2009) Preliminary Damage and Needs Assessment

Various types of drinking water facilities exist in Malakand Division including tube-wells with distribution networks, protected springs, hand pumps, open wells etc. Almost all water supply facilities are ground water based and cater to almost 60 percent of the total population. Out of 1508 water schemes, 451 (30 percent) have been damaged. Of these 111 have been completely damaged and 340 have been partially damaged. The worst affected district is Swat. Estimated cost of damage comes to Rs62 million (see Table 5.19).

Sanitation facilities in Malakand Division include mainly street pavements and street drains, and sewerage network in some urban centres. Damage to sanitation facilities is estimated to be Rs 44 million (Table 5.20).

Table 5.20 Damage to Sanitation Facilities in Malakand

Facility	Unit	Damaged Quantity	Estimated Cost (Rs millions)
Street Pavement	sft	1,053,536	21.92
Street Drains	rft	72,877	17.64
Sewerage Pipes	rft	51,000	4.94
Total			44.5

Source: ADB and WB (2009) Preliminary Damage & Needs Assessment

Though this damage is not sizeable in monetary terms, but given the importance of these basic facilities and their impact on overall health of people and the environment, the indirect effect is significant.

Future Outlook

Given the challenges of socio-economic revival in KPK, both the Government of Pakistan and international donor community have provided various relief measures and additional resources. The summary of these relief measures and initiatives is given in the following two sub-sections.

Government Relief for KPK

In an attempt to compensate for the economic losses the federal government has granted various relief measures to the province, as follows:

- Under the 7th NFC Award, one percent of the net divisible pool (1.8 percent of the provincial pool) is earmarked for KPK, in recognition of its role in the war on terror.
- The long standing issue of payment of the net profits on account of the Hydel power generation to KPK has been resolved. As a result, KPK will benefit on two counts. First, receipt of net Hydel Profit as per agreed formula would likely enhance this profit in future. Second, KPK will receive arrears of the net Hydel profit amounting to Rs110 billion from the federal government over the next five years. The first instalment of Rs. 10 billion has been paid to the Government of KPK in November 2009 while the remaining four instalments of Rs25 billion each will be made on 1st July every year.
- KPK has been exempted from 50 percent on leviable rate of sales tax on supplies made of goods excluding cement, sugar, beverages and cigarettes .
- Under the Prime Minister's Fiscal Relief Package for KPK, FATA and Provincially Administered Tribal Areas (PATA), an additional tax relief of about Rs2 billion has been provided to benefit 300,000 taxpayers.
- Under the Relief Package, Banks and DFIs shall charge a mark-up rate on all business loans (corporate, SMEs, agriculture, microfinance) outstanding as on December 31, 2009 from the borrowers of KPK, FATA and PATA at 7.5 percent per annum or six month KIBOR, whichever is lower for the period from January 1, 2010 to July 1, 2010.



This exclude loans extended to cigarette, cement, sugar and beverages. Earlier, the textile sector of these areas was not included in this package but later the Federal Government amended it for KPK, FATA and PATA. The sector also stands eligible to receive this mark-up rate subsidy on business loans taken during the period from January to June 2010.

- The KPK government has established the Provincial Reconstruction, Rehabilitation and Settlement Authority (PaRRSA) to exclusively concentrate on the reconstruction, rehabilitation and settlement activities in the affected areas of the Malakand Division.
- As a short term measure, Rs. 850 million of the Italian Debt Swap Grant is being given to the agriculture sector in Malakand Division. Under this program, seeds, fertilizers, orchards and farm related services will be provided to the farmers free of cost to boost the agriculture sector on immediate basis.

Role of the Donor Community in Reconstruction and Rehabilitation of KPK

Alongside the government, the donor community is providing sizeable amount of funds for the reconstruction and rehabilitation of Malakand Division, as follows:

- The KPK Government in collaboration with the World Bank and Asian Development Bank (ADB) has worked out the Damage Needs Assessment (DNA) survey in the Malakand Division and is planning to launch DNA-II to determine the requirements of all the remaining districts of the Province.
- The Government of Pakistan and USA through USAID have signed an assistance agreement for the implementation of Emergency Supplemental Funding. USAID will carry out the Malakand reconstruction and recovery program of \$36 million. This includes elementary and secondary education of \$20 million, health facilities of \$12 million, water and sanitation schemes \$3 million and capacity building of PaRRSA \$1 million.
- The United Nation Development Programme (UNDP) is funding a project "Sustainable Development through Peace Building, Governance and Economic Recovery in Khyber Pakhtunkhwa" to the tune of \$25 million primarily for the rehabilitation of vulnerable, disadvantaged and traumatized population.
- China has invested Rs720 million in humanitarian recovery schemes such as construction machinery and equipment for technical education.

Other projects that are in the pipeline include:

- KOICA through government of Korea intends to invest in rehabilitation and reconstruction in Malakand Division in education, health, water supply and technical education sectors.
- Islamic Development Bank (IDB) intends to provide school uniforms, books and teaching material.
- USAID intends to fund construction of 15 sub-complexes in Malakand Division at a cost of about Rs2.5 billion and "Restoration

of Natural Resources at Landscape Level in District Swat and Buner" with an indicative cost of US\$ 40 million.

- World Vision, an international NGO intends to invest in rehabilitation of partially damaged schools in District Dir (Lower).
- Cordaid an international NGO intends to invest in reconstruction of fully damaged schools in District Shangla.
- Aid for Refugees and Orphans (ARO), a local NGO, intends to establish a technical training school in Mingora and Swat through German assistance.

These relief measures together with additional resources from the government and donors provide a window of opportunity for the socio-economic revival of KPK.

In conclusion, the province of KPK has suffered large economic losses due to the war on terror. The process of economic growth has slowed down sharply since 2004-05. In the previous chapter, it was assumed based on the above evidence that the province has experienced an economic growth rate two percentage points below the national average for the last five years. This implies that the regional economy of KPK has grown at the average rate of about 2.5 percent and per capita income has been largely stagnant over the last few years.

NOTES:

- 1 In 2008, the government had launched three major military operations, all in FATA. The first military operation, Sirat-e-Mustaqeem, was launched in June 2008, while Operation Sherdil was launched in August 2008 and Operation Darghalam in December 2008. In 2009, five military operations-Buner Operation (April 2009), Rah-e-Rast (May 2009), and operations Bia Darghalam, Kwakhsbadesham and Rah-e-Nijat (October 2009)-were launched and were more successful than the operations in 2008 (PIPS, 2010).
- 2 ADB and WB (2009), "Preliminary Damage and Need Assessment: Immediate Restoration and Medium Term Reconstruction in Crisis Affected Areas."
- 3 The non-metallic sector consists of the cement, ceramics, glass and lime. Their products are used in a wide range of applications, from entirely in the construction industry like cement, bricks and roof tiles, wall and floor tiles, sanitary ware and some glass products, to consumer products like tableware and decorative goods.



IMPACT OF CONFLICT ON HOUSEHOLD WELFARE

6

CHAPTER 6

*Armed conflict
strongly affects the
living conditions of
households at the time
of the conflict and for
many years thereafter.*

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10



IMPACT OF CONFLICT ON HOUSEHOLD WELFARE

As mentioned earlier in this report, the on-going war has added to the challenges confronted by the government besides causing insurmountable sufferings to the people of Pakistan. Chapter 1 discusses the external and internal dynamics of the state and societal security. Moreover, the escalation seen in the conflict along with an increase in violence and terrorism clearly is indicative of the widening gap that exists between the political understanding of the issues of terrorism and the popular societal perceptions of its causes.

Armed conflict strongly affects the living conditions of households at the time of the conflict and for many years thereafter. The important channels through which armed combat impacts households living in conflict settings are illustrated in Box 6.1, while a few empirical findings from conflict exposed areas are listed in Box 6.2. Effects may depend on each household's initial asset endowment, vulnerability and other specific characteristics that may make them more prone to being a target of violence. However, to assess the average impact of armed conflict on household welfare, micro-level household surveys are vital.

SPDC conducted a household survey in selected districts of Khyber Pukhtunkhwa (KPK) province to empirically evaluate the impact of conflict on household socio-economic status. In this chapter we present the findings of the survey of four districts (Peshawar, Hangu, Bannu, and Tank), which are located at the border of FATA. Swat was also selected as a special case. An inclusive structured questionnaire was administered to



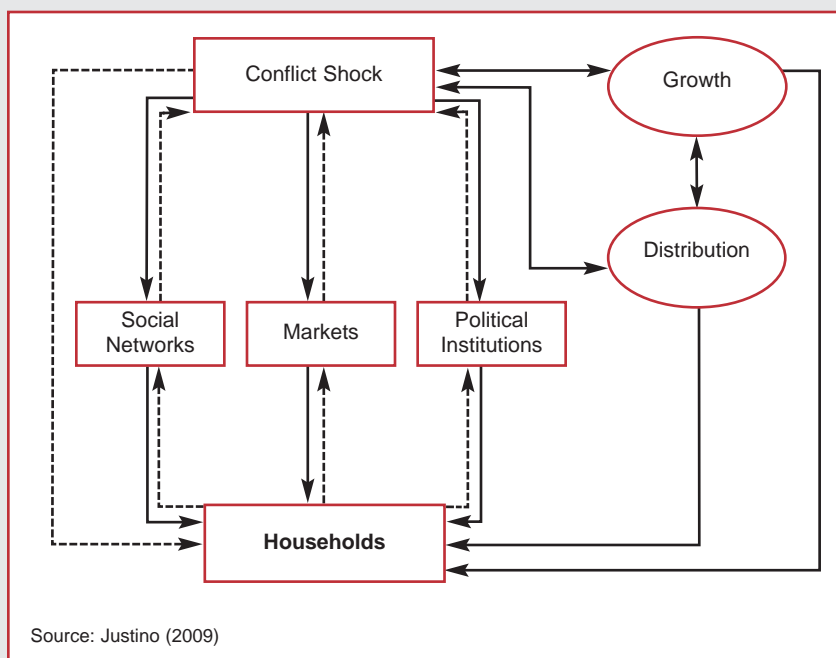
assess the direct impact of conflict and 552 questionnaires were administered across the districts as shown in Box 6.3 and Chart 6.1.

Box 6.1 Important Channels through which Armed Conflict Impacts Households

Armed civil conflict is wide-ranging term, which designates a variety of political phenomena. However following Justino (2009), this research focuses on the household impact of violence that results from "armed combat within the boundaries of a recognized sovereign entity between parties". The term household in this paper designates civilian non-state actor, living in areas of combat or in areas where direct combat did not take place but are indirectly affected by the fighting between Government of Pakistan and the militants.

Household welfare during the conflict is affected by a number of shocks and it is often very difficult to isolate the impact of one specific shock. Justino (2009) has proposed a framework to think systematically about important channels through which armed combat impacts households living in conflict settings. These channels are illustrated in the following figure and include both direct and indirect effects of armed conflict.

Static and dynamic effects of armed conflict on household welfare



According to Justino, direct effects of armed conflict on the household (represented by the dotted line in the figure) include changes in household composition due to killings, injuries and recruitment of fighters by either the government or the rebel groups, changes in the household economic status due to the direct destruction of assets and effects caused by forced displacement and migration. Indirect effects (represented by the full lines in the figure) include changes in households' surrounding institutions and environments such as changes in social networks, changes in access to or destruction of exchange and employment markets and changes in local and national political institutions. In addition, we consider important indirect effects of armed civil conflict on household welfare, transmitted through two key macroeconomic variables: economic growth and distributional channels.

Box 6.2**Empirics from the Conflict Exposed Areas**

Working on Colombian children, Rodriguez and Sanchez (2009) find that conflict especially affects children older than eleven, inducing them to drop out of school and enter the labour market too early. They provided evidence that such effects may be generated through higher mortality risks, negative economic shocks and lesser school quality.

Dewhurst (1998) concludes that the most visible direct impact of armed civil conflict on household welfare is the destruction of human lives. These are often young men in prime working age (El Salvador, Kenya, and Rwanda).

Macro-level information could erroneously lead to the conclusion that there is no medium-term negative impact on education due to armed conflict. This is clearly shown for educational outcomes in a study conducted by Akresh and de Walque (2008) on Rwanda. Using two nationally representative cross-sectional household surveys, the authors initially show that average schooling outcomes in the country did improve after the 1994 genocide. However, when they concentrate on the educational outcomes of school-age children directly exposed to the conflict, the situation was very different. Using a difference in difference approach, the authors find that, on average, exposed children achieved 0.5 years less of education than non-exposed ones, and are 15 percent less likely to complete fourth grade.

During armed conflicts assets get lost or destroyed through heavy fighting and looting. These include houses, land, labour, utensils, cattle, livestock and other productive assets. The very poor are likely to be the worst affected. For instance, Shemyakina (2006) finds that the homes and livelihoods of around 7 percent of households were damaged during the civil war in Tajikistan between 1992 and 1998. Gonzalez and Lopez (2007) found that violence has significantly affected the efficiency of farm holdings in Colombia due to the disruption of rural labour markets.

Justino (2009) asserts that armed conflicts are typically accompanied by large population movements. Civilian populations are often targets for both armies and rebel groups trying to expand their territorial control, weaken population support for opponent groups, increase their own support base and/or add to their resources through looting and appropriation of valuable assets and sites. This leads to population flights from areas of more intense fighting or areas where the outbreak of violence is expected. In 2002, almost 34.8 million people across the world were forced to seek asylum in another country or within the national borders due to violent conflicts (USCR, 2004).

Using two cross-sections, Justino and Verwimp (2006) establish empirical evidence for convergence between provinces following the conflict shocks: previously richer provinces in the east and in the north of Rwanda experienced lower, even negative, economic growth compared to the poorer western and southern provinces. This has in turn affected significantly the dynamics of household poverty in Rwanda in the same period. Using a small but unique panel of households surveyed before and after the conflict period, they find that households whose house was destroyed or who lost land ran a higher risk of falling into poverty. This was particularly the case for households who were land-rich before the genocide. They however, did not find this for the loss of household labour. In the latter case, the effect depends on the violent or non-violent character of the loss.

Paul Collier (1999) quantified the effects of civil war on growth both during the war and in a five-year period after the conflict. Collier claims that "During civil war the annual growth rate is reduced by 2.2 percent. A 15-year civil war would thus reduce per capita GDP by around 30 percent".

Rodrik (1998) argues that external shocks could lead to an immediate and substantial deceleration in growth in societies characterized by the presence of "latent" social conflicts (e.g. high ethnic diversity) and low institutional or social capacity for resolving conflicts (e.g. those characterized by low political and individual rights).

Box 6.3**Sample Size and Survey Methodology**

Seven (four rural and three urban) locations (primary sampling units - PSUs) were randomly selected from each of the five districts (Peshawar Hangu, Bannu, Tank and Swat. These locations are listed in Population and Housing Census, 1998. A few PSUs in district Swat and Tank were replaced due to law and order situation. At the second stage, sixteen and twelve households were randomly selected from rural and urban PSUs respectively. Two starting points were preferred in each randomly selected location. Eight and six interviews were conducted around each starting point. A skipping of five households was made after one successful interview. A schematic view of the realized sample is provided below. Overall, the sample gives 4 percent error margin at 95 confidence level.

An inclusive structured questionnaire was administered to assess the direct impact of conflict. The questionnaire was developed and pre-tested in a pilot survey conducted in the vicinity of Peshawar district. The questionnaire consisted of the following modules: Household Demography; Education; Labour Force; Housing Condition and Services; Income, Expenditure and Possession of

	Overall	Region	
		Urban (%)	Rural (%)
Peshawar	132	27.3	72.7
Hangu	88	27.3	72.7
Bannu	120	20.0	80.0
Tank	92	13.0	87.0
FATA Contiguous Districts	432	22.2	77.8
Swat	120	20.0	80.0
Total	552	21.7	78.3

Household Assets; and Status of Mental Health. Besides the structured questions, detailed open remarks about the conflict were also documented.

Indirect impact was evaluated through community questionnaires. In each selected location (PSU), three community leaders (among teachers, elected representatives, mosque imams and social workers) were requested to comment on the current conflict, household migration (in and out), labour market situation, refugee related problems and household coping strategy.

The survey was administered in collaboration with "Jobs Creating Development Society (JCDS, a Khyber Pukhtunkhwa based NGO) and with the help of local enumerators. SPDC staff supervised the survey and provided in-depth training (office as well as field) to the designated local staff before starting the field survey. The survey was conducted during the months of March and April 2010.

Empirical Findings

The major findings of the primary survey in selected districts of Khyber-Pakhtunkhwa Province are summarized in three categories. Besides portraying an overall combined picture, the survey results are arranged separately for FATA Contiguous Districts (FCDs) and district Swat. FCDs consist of Peshawar, Hangu, Bannu and Tank districts. Due to the small sample, disaggregated district-wise empirical results have not been presented. Research findings related to district Swat, however, are provided in parallel to distinguish between a directly hit conflict area (Swat) and indirectly conflict-affected areas (FCDs).

The situation analysis and impact assessment in the sample combat areas are presented in the following subsections: poverty and unemployment, impact on household economic status, child education and labour force participation, causes of death, status of mental health and comments from the households on the current conflict. The last subsection documents the perceptions and opinions of community leaders of the survey locations.

Chart 6.1

Location of Sample Districts



Poverty and Employment

Armed conflict through direct and indirect channels significantly affects the poverty status of households. To assess the current poverty incidence in the conflict exposed areas, the Pakistan official poverty line for the year 2005-06 is used after making inflationary adjustment.

According to Table 6.1, the per capita expenditures of about 56 percent households are below the poverty cut-off point in sample conflict affected areas. Rural poverty incidence is significantly high as compared

Table 6.1

Household Current Poverty Status -
Percentage of Households below the Official Poverty Line

	Overall	FATA Contiguous Districts	Swat
Poor Households	55.8	54.4	60.8
Urban Poor	46.7	46.9	45.8
Rural Poor	58.3	56.5	64.6

Source: Household Survey

Note: CPI adjusted official poverty line for the year 2005-06 is applied to household expenditure for estimating current household poverty incidence.

with urban areas. The estimated incidence for Swat is 5 percentage points higher as compared with other areas mainly due to the relatively high incidence of rural poverty (64.6 vs 56.5 for FCD).

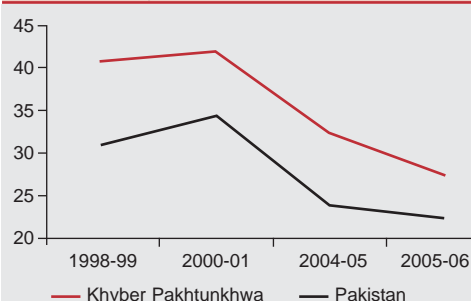
Although after 2005-06, no reliable estimates of national or provincial poverty incidences are available, it is certain that poverty is on the rise due to the continuous declining rate of growth and high rate of inflation. Historically, poverty remained high in the province of Khyber-Pakhtunkhwa. Chart 6.2 shows the trend of poverty incidence in the province.

An attempt is also made to compare poverty incidence in the sample areas before and after the security crises. Estimated poverty incidence (Chart 6.3), although are not strictly comparable due to differences in methodology, indicates almost double the magnitude after 2005. The poverty incidence in Swat has risen from 30 percent to 60 percent, while in FCDs poverty has ascended from 25 to 54 percent.

Armed conflict negatively affects the domestic economy not only by reducing private domestic investment but also by shifting public expenditure priorities. Thus a stable macroeconomic framework, which is a key source of growth and employment generation, does not exist during the conflict.

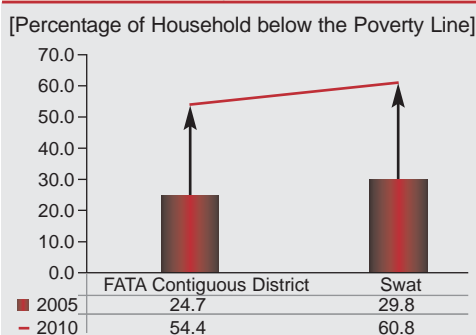
An attempt has been made to assess the extent of unemployment and child labour in the sample areas. Table 6.2 gives the employment characteristics of the sample households. Overall 5 percent unemployment rate is estimated, while 8 percent youth aged 15 to 25 years are reportedly unemployed. In the provincial context, it appears that unemployment rate is under estimated for the sample area. The Pakistan Labour Force Survey (2008-09) reports an unemployment rate of 8.5 percent for the Khyber Pakhtunkhwa province. Surprisingly, a significant decline in unemployment rate is reported in two consecutive Labour Force Surveys. The unemployment rate in the province has declined from 11.82 percent in 2005-06 to 8.5 percent in 2008-09. Keeping the rising trend of violence and worsening law and order situation in mind, the phenomenon, however, needs further research and examination.

Chart 6.2 Poverty Headcount Rate: Khyber Pakhtunkhwa vs Pakistan



Source: World Bank Estimates:
http://siteresources.worldbank.org/PAKISTANEXTN/Resources/Poverty-Assessment/361361-1216396471531/PAK_OPL.pdf

Chart 6.3 Comparative Household Poverty Status - 2010 vs 2005



Source: Poverty estimates for 2005 were estimated from the unit record data of HIES/PSLM, 2004-05. For methodology see SPDC Research Report Number 70, <http://www.spdc.org.pk./pubs/rr/rr70.pdf>

Table 6.2 Household Employment Characteristics			
Characteristics	Overall	FATA Contiguous Districts	Swat
Adult Unemployment Rate (15+)	5.12	8.34	1.9
Youth (15-25) Unemployment Rate	8.16	13.37	3.0
Child (10-15) Labour	7.40	8.20	6.6
Average Adult Earners in Household	1.93	1.89	1.97
Source: Household Survey			

Unexpectedly, the table shows that unemployment rate in Swat is relatively low (1.9) as compared with FCDs (8.34). The survey data reveals that adult male to adult female ratio in Swat is quite low (116) as against FCDs (159). Therefore, it may be possible that Swat adult males are working temporarily as inland or overseas migrants. Data on sources of household income also confirm the phenomenon as about 13 percent households are getting remittances in Swat. Similarly, youth (aged 15 to 25 years) unemployment rate is also low in Swat district as compared with FCDs where about 13 percent youth unemployment rate is estimated.

The table also reports that about 7 percent children aged 10 to 15 years are working for pay. This percentage is relatively high (8.2 percent) in FCDs. Moreover, two adult earners per household, on the average, are documented during the survey.

Impact on Household Economic Status

One of the main purposes of the primary survey in Khyber-Pakhtunkhwa province was to assess the impact of armed conflict on the household economic status. According to the Table 6.3, FATA Contiguous Districts show, on the average, an increase of about 9 percent in nominal income from 2008 to 2010. Keeping double-digit inflation during this period in mind, it may be easily inferred that real income has dropped and poverty incidence has risen in FCDs. Nonetheless, in district Swat even nominal income on the average has declined by about 15 percent.

About 75 percent of households in district Swat reported a decline in nominal income in comparison with the year 2008, while the comparative percentage in FCDs is about 26 percent. These households reported an average 75 percent fall in nominal income. The table also highlights the rising trend in number of earning members working regularly since 2008.

Table 6.3 Impact on Household Earnings			
Characteristics	Overall	FATA Contiguous Districts	Swat
Current Nominal Income (Per capita Per month)	2186	2253	1945
Income in 2008	2113	2065	2285
Change in Nominal Income	3.5	9.1	-14.9
Percentage of Households Reported			
Decline in Nominal Income	36.6	25.9	75.1
Average Decline in Nominal Income (%)	75.41	78.74	71.26
Number of Earners Working Regularly (now)	1.89	1.88	1.92
Number of Earners Working Regularly (in 2008)	1.74	1.76	1.68
Source: Household Survey			

Table 6.4 Reasons for Negative Impact on Household Income
[Compared with the year 2008]

	Overall	FATA Contiguous Districts	Swat
Impact of bad weather on agriculture	2.5	4.2	.0
Loss of agricultural land due to war	15.5	18.3	11.5
Increase in prices of agriculture inputs	2.2	3.7	.0
Drop in prices of agricultural produce	2.2	3.1	.8
Decline in Purchasing Power - Inflation	19.9	21.5	17.6
Decrease in sales volume due to war/conflict	53.4	42.4	69.5
Other	4.3	6.8	.8

Source: Household Survey

The trend exemplifies the evidence of economic pressure on households to manage the consequences of the current conflict.

Households who reported decline in nominal income since 2008 were requested to explain the main reasons of the fall in income. Table 6.4 reports their responses. The main causes include: decrease in sales volume due to the war/conflict (53.4 percent), decline in purchasing power (19.9), and loss of agriculture land due to war (15.4 percent). Almost 70 percent of households in district Swat expectedly reported bad impact of armed conflict on the scope and activities of their businesses. The data, not shown in the table, also reveals that about 35 and 19 percent households in Bannu and Tank districts respectively reported loss of agricultural land due to conflict as a main cause of decline in income. The comparative percentage is however lower (11.5 percent) in district Swat.

Table 6.5 is developed to deduce the level of household vulnerability in terms of income. According to the table, about 50 percent of households depend on wages/salary from a job. This percentage however is low in case of Swat where only 29 percent households declared this as a source of livelihood. Household dependency on remittances definitely reduces vulnerability. About 11 percent households (12.6 percent in case of Swat) reported inland and/or overseas remittances as a main source of income. Interestingly, barring Swat the magnitude of social assistance by Government and/or NGOs as a source of income is not so high. Only 8 percent households reported this as an income source. On the contrary, about 22 percent households of Swat depend on social assistance.

Table 6.5 Sources of Household Income

Sources	Overall	FATA Contiguous Districts	Swat
Wages/Salary from a job	48.5	55.8	28.6
Earnings from selling/trading/hawking products	11.3	8.8	18.1
Income from Crops	14.9	14.9	15.1
Income from Livestock	4.2	4.8	2.5
Income from rental of property	1.8	2.0	1.3
Social assistance	7.6	2.3	21.8
Inland Remittances	2.4	2.3	2.5
Overseas Remittances	8.6	8.1	10.1

Source: Household Survey

Sources	Reasons for Loss of Household Assets		
	Overall	FATA Contiguous Districts	Swat
Sold - to buy food	7.1	8.9	.0
Sold - to pay health bills	22.4	25.2	11.4
Sold - to pay debt	8.8	8.1	11.4
Sold - for other expenses	10.6	13.3	.0
Looting during the war	12.9	5.9	40.0
Theft/Snatched	9.4	10.4	5.7
Inherited	2.4	3.0	.0
Destroyed/Damaged	26.5	25.2	31.4

Source: Household Survey

Loss of household assets is another type of direct impact of conflict on household economic welfare. Households were scrutinized in terms of possession of household assets and loss of assets, if any. However, only 12.5 percent households reported any loss of assets after 2008. Although this percentage is not so high, the reasons of loss are interesting and expected. According to Table 6.6, about 13 percent households reported loss of assets as a consequence of war/conflict. This percentage is 40 in case of district Swat. Sale of household assets due to economic pressure is also evident in the table.

Box 6.4 presents real life examples of the change in the living standards experienced by people in the affected areas.

Child Education and Labour Force Participation

To examine the impact of armed conflict on children's schooling and labour force participation, a special survey module was administered relating to children aged 5 to 17 years. The purpose of this module was



Box 6.4 Declining Standard of Living: Anecdotal Evidence from the Field

The prevailing insecurity has had a deep impact on the economic condition of those living in affected areas. One such case is Hassanullah*, a salt dealer in Bannu who earns around Rs.4,000-5,000 a month. This is not sufficient to fulfill the needs of his wife and three school-going children. Hassanullah's business has suffered due to the security situation as shops and businesses are forced to close down due to curfew. Moreover, threat of bomb blasts also disrupts everyday life. Previously, Hassanullah's monthly income used to be around Rs.10,000, but now he earns half this amount. He wants to send his children to private schools but his financial position does not permit it. The family has had to budget their meager resources to survive. They have stopped spending money on fruits, new clothes, etc. and social activities have also been curtailed due to immobility. Visits to the doctor have become unaffordable so they are forced to do self-medication or use household remedies. Hassanullah is not optimistic about the future. He feels that the U.S. is aiding the terrorists and that strangers in the guise of Taliban are the ones engaging in criminal acts.

The past year has been especially difficult for Sardar Naeem* and his family who grieve the loss of their eldest son, a victim of the military operation in Swat. Although there was no direct operation in their village, the sense of fear and insecurity is palpable. Naeem left Swat along with his family in June 2009 and took refuge in a school in Charsadda. By then his tailoring business had started to slow down due to terrorism, inflation and power crisis. His family therefore was entirely dependent on the support given by his brothers who live in Charsadda and are reasonably better off. No support was provided by the government for evacuation and Naeem was forced to manage the expense of his two-month stay from his savings of Rs.30,000. It was during this time that Naeem's eldest son lost his life when he returned home one day along with friends to oversee their house. Mistaking them for militants, a military helicopter shot a missile at the house that martyred the 18-year old. Sardar Naeem who has five other sons still mourns the loss of his eldest who had also provided financial support to their family. The army did not officially acknowledge their mistake nor did they provide any compensation for the loss. Moreover, when officials came to provide financial assistance to displaced persons, Naeem was unable to benefit as his name was not registered. Instead the government arranged buses for the IDPs and Naeem's family was given a one-hour notice to board the bus. No fare was provided for the journey back home. Faced with personal tragedy and bereft of any help from government, Naeem's family returned to Swat. He again started his tailoring business but the electricity shortage coupled with the loss of an earning son has led him to undertake casual labour for survival. They are completely dependent on the support from their extended family for food and living expenses. It has been one year since their return but their struggle continues.

*Name has been changed to protect privacy.

Table 6.7 Child Enrollment and Labour Force Participation			
Sources	Overall	FATA Contiguous Districts	Swat
BOYS			
Current Enrollment [5-15 years]	84.8	85.0	84.3
Drop outs (after 2009)	2.7	2.0	5.0
Child Labour [10-17 Years]	12.8	12.7	13.2
Child Labour (Entered Labour market after 2008)	4.1	5.0	1.1
GIRLS			
Current Enrollment [5-15 years]	59.1	52.3	78.4
Drop outs (after 2009)	7.8	7.7	8.0
Child Labour [10-17 Years]	2.4	3.1	.0
Child Labour (Entered Labour market after 2008)	1.4	1.8	.0
Source: Household Survey			

to assess the current enrolment rate, drop-outs after 2009 and extent of child labour. The combined enrolment rate for children aged 5-15 years who are currently attending school are computed. This age group covers class 1 to class 10 (Matric). To estimate the extent of child labour, an age group of 10-17 years is considered. Table 6.7 summarizes these estimates.

Overall, 85 percent boys aged 5-15 years are attending school, while the comparative percentage for girls is 59. However, girls' enrolment in Swat is relatively high (78.4 percent) as compared with FCDs (52.3). Drop-out rates (after 2009) were estimated at 2.7 and 7.8 percent for boys and girls aged 5-15 years respectively. In Swat district, however drop-out rate are higher as compared with FCDs. About 8 and 5 percent drop-outs are estimated for girls and boys respectively. Though the statistics do not reflect the impact of conflict on education, Box 6.5 illustrates the environment in which children are continuing their education.

Box 6.5 Education in a Fearful Environment

The mountains which surround Shahid Shah's* village, at an hour's distance from Tank, serve as the hide-out for Taliban. Shahid, a student of FSc, is the eldest of six brothers and three sisters. His father, a dispenser, is the only earning member of the family. It has become harder to make ends meet since the law and order situation began to deteriorate from 2005 onwards. As the military operation commenced, Shahid's family shifted to another house about 4 km away. Shahid's education was suspended during this time due to curfew and terrorist threats. The family was forced to cook meals for one day and consume it over two days; often they would eat only rice and store rations for when the curfew was imposed. After three military operations in the area the situation is now slightly improved. But the Taliban are not entirely out of the picture and they create trouble from time to time. An environment of fear thus continues to persist. Shahid and his siblings have now resumed their education after almost two years of interruption. Children are able to play outside their homes and businesses are open. Hospitals too are open but are not easily accessible whenever the situation worsens. Mobile phones which were closed for about two years are operating again. Weddings are held with less fanfare compared to before as there is a fear of blasts. Everyone in the community is aware of the threats but no one has a contingency plan to deal with the crisis. Shahid regrets that although politicians make promises when they come for campaigns, they do not fulfill them.

*Name has been changed to protect privacy.

Table 6.8 Reasons for Not Sending Children to School

Sources	Overall	FATA Contiguous Districts	Swat
[Boys 5-15 years who are not attending school]			
School Expensive	28.6	27.2	33.3
Insecurity	28.0	23.2	44.4
Not Interested	13.7	16.8	2.8
Had to work for pay	11.8	12.8	8.3
School far	6.8	8.8	.0
Too young	5.0	4.0	8.3
Disability/Illness	5.0	5.6	2.8
Going to Madarsah	1.2	1.6	.0
[Girls 5-15 years who are not attending school]			
Insecurity	30.9	29.0	42.6
School Expensive	22.5	21.3	29.8
School far	14.4	15.4	8.5
Not Interested	10.5	11.9	2.1
Cultural Restriction on Girls Education	9.0	9.1	8.5
Too young	5.1	5.2	4.3
Disability/Illness	4.2	4.2	4.3
Help at home/business	2.4	2.8	.0
Going to Madarsah	.9	1.0	.0

Source: Household Survey

The extent and magnitude of child labour is disturbing. The survey results, reported in Table 6.7, indicate that about 13 percent boys aged 10-17 are currently working for pay. Among these, about 4 percent have been entered in the labour market after 2008.

Tables 6.8 list household responses regarding reasons for not sending children to school. Economic (school is expensive) and insecurity are two main reasons which are documented in the survey. Insecurity and fear of unforeseen events are reported by 31 percent among the girls aged 5-15 who are not attending school, while this percentage is slightly lower (28 percent) in case of boys. Other major reasons for not sending children to school include: cultural restriction for girls (9 percent), not interested (boys 14 percent, girls 11 percent) and distance to school. Insignificant percentage for the reason "Going to Madarsah" is evident from the table.

Cause of Death

A direct impact of armed conflict on households is the destruction of human lives. Empirics from Kenya, Rwanda and El Salvador suggest that conflict victims often are young men in prime working age. To assess the human losses due to conflict, Table 6.9 presents causes of death in sample households since 2005. According to the table, about 9 percent deaths were reported as a result of injuries due to armed conflict. This percentage is quite high (17.4 percent) in district Swat. The average age of these victims, as reported by the sample households, was 40 and 34 years in FCDs and Swat respectively. Box 6.6 reports incidents from the field.

Status of Mental Health

An important objective of the primary survey in the conflict exposed areas of Khyber-Pakhtunkhwa province was to assess the status of mental health of heads of households and other adult male earning members.

Table 6.9 Causes of Death [Deaths after 2005]

Sources	Overall	FATA Contiguous Districts	Swat
Chronic disease (After long illness)	34.6	35.5	30.4
Sudden death	24.1	25.5	17.4
Road accidents	15.0	17.3	4.3
Old Age	12.0	11.8	13.0
Injuries due to armed conflict	9.0	7.3	17.4
Unintentional injuries	2.3	1.8	4.3
Pregnancy complications	1.5	.0	8.7
Newborn	1.5	.9	4.3

Source: Household Survey

Box 6.6**Costly Mistakes**

Many families have paid a high price for the military operation in Swat. Khalid Gul*, a farmer and father of six, has suffered a personal tragedy. On 5 April 2009, his 20-year old son was gunned down by the security forces who mistook him for a suspected militant as he was walking down the street. They later realized that they had shot an innocent young man but the damage was irreparable. In April 2010, the government gave his family a cheque of Rs. 3 lacs and an NGO also promised to help but they have not received anything as yet. In Khalid's area, it is the NGOs who are providing help the most. His family wanted to leave the area but was unable to do so due to the curfew. Khalid Gul and his wife are very depressed and dejected after the death of their son and he is finding it difficult to work as well because of the psychological trauma he has suffered. Further, they are also under a financial burden as whatever little savings they had has now depleted and they have already sold off their livestock.

The pain that Khalid Gul's family has suffered is also shared by others like him. Saifullah*, a street vendor in Swat, was also left bereft of a son in the 5 April 2009 incident. His 22-year old son was going down the street with his friends when the forces opened fire after mistaking them for suspected terrorists. Altogether three boys were martyred in this incident. Saifullah's son had worked as labour and would earn around Rs.6,000-7,000 a month. His death had a profound impact on his entire family. Saifullah's father fell into depression and his wife developed mental disorder. With great difficulty he has tried to gain a handle on these tough circumstances. The medical expenses of his family have increased and are a burden on their meager financial resources. Saifullah has approached several government offices but to no avail. No compensation has been provided to his family as yet whereas the other families have received assistance. Due to the worsening condition he has been forced to sell off jewelry. The family lives in a rented house and owns no livestock which can be sold to make ends meet. For three months, they went to stay at his in-laws in Mardan but have now returned. The government has provided Rs.25,000 assistance. Saifullah notes that although NGOs are active in Swat, unfortunately they have to work along with the more influential people in the community so the deserving people sometimes do not get help. Still, NGOs are helping the poor and the government also has provided food assistance to the IDPs. Even the local people had stepped up to provide food and clothing. In fact, the locals often help the police and security forces. As for now, the situation is gradually improving and Saifullah is hopeful for the future.

*Names have been changed to protect privacy.

Respondents were requested to answer 20 questions on specific health events in the last 30 days. Table 6.10 present the percentage of positive answers to each specific health symptom. A summary of mental health score is also provided which indicates the proportion of respondents who positively affirmed 7 or more symptoms. According to WHO, this population may be considered as having significant psychological distress and being "potential psychiatric cases".

Table 6.10**Mental Health Status**

	Head of Household			Other Adult Male Earners		
	Overall	FATA*	Swat	Overall	FATA*	Swat
Do you often have headaches?	74.8	75.6	72.6	46.8	45.5	57.1
Is your appetite poor?	46.7	49.5	35.9	34.9	33.3	47.6
Do you sleep badly?	46.7	49.3	36.8	36.0	37.6	23.8
Are you easily frightened?	26.8	28.8	18.8	28.5	31.5	4.8
Do your hands shakes?	20.3	21.9	14.5	12.4	13.3	4.8
Do you feel nervous, tense or worried?	33.4	37.0	19.7	23.7	24.2	19.0
Is your digestion poor?	42.9	43.0	41.9	34.4	33.9	38.1
Do you have trouble thinking clearly?	36.5	36.5	35.9	31.2	34.5	4.8
Do you feel unhappy?	44.5	42.3	53.0	37.6	36.4	47.6
Do you cry more than usual?	25.0	25.8	22.2	23.1	22.4	28.6
Do you find it difficult to enjoy your daily activities?	37.2	38.4	33.3	38.2	39.4	28.6
Do you find it difficult to make decisions?	44.2	46.0	36.8	36.6	39.4	14.3
Is your daily work suffering?	39.8	39.1	42.7	34.4	37.0	14.3
Are you unable to play a useful part in life?	30.1	29.5	31.6	31.2	30.9	33.3
Have you lost interest in things?	28.1	29.5	23.1	30.1	31.5	19.0
Do you feel you are a worthless person?	57.7	55.3	65.8	52.7	50.3	71.4
Has the thought of ending your life been on your mind?	42.2	40.9	47.0	21.5	23.0	9.5
Do you feel tired all the time?	64.2	63.0	68.4	41.9	40.6	52.4
Do you have uncomfortable feeling in your stomach?	44.3	44.4	44.4	36.6	35.2	47.6
Are you easily tired?	48.5	51.2	39.3	34.9	36.4	23.8
Mental Health Score - At least 7 (7 or more symptoms) (Population having significant psychological distress and "potential psychiatric cases")	67.0	67.7	64.1	53.2	54.5	42.9
Average Age	48	48	48	28	28	29

* Contiguous Districts
Source: Household Survey

Overall 67 percent heads of households had a mental health score of 7 or more. This high score indicates the alarming level of psychological distress. The table also shows that a large proportion (more than 50 percent) of heads of households indicated that they often have headaches and also feel tired all the time. About 58 percent heads of households had thought that they were worthless person at some point during the last 30 days. This percentage is relatively high in district Swat.

Table 6.10 also presents the percentage of positive answers to specific health symptoms in the case of adult male earners in the household. The average age of these respondents was 28, in contrast the average age of heads of households was 48. About 53 percent of the male earners scored 7 or more. Though somewhat lower than the heads of households, this is also a significantly high percentage and indicates a critical situation. 53 percent male adult earners in the sample (with an average age of only 28 years) had thought that they were worthless at some point during the last 30 days. Box 6.7 presents experiences of families leading to the psychologically distressed states.

Box 6.7**A Forgotten Populace**

Talibanisation poses a serious threat to people in Hangu and the nearby tribal agencies. Akbar Khan* used to record videos at stage programmes and weddings. After receiving threats from the Taliban, he has given up his business. Before 2005, business was good and he would earn up to Rs. 2,000 at a time, whereas, now he barely made a few hundred. He is now forced to do labour instead. Akbar's family has also suffered personal loss due to rapid deterioration in the law and order situation. In March 2010, his mother was martyred in a blast along with his aunt and cousin. In this incident, his five-year old niece lost both her legs. Akbar has four brothers and one sister. In 2009, one of his brothers was killed by Taliban on his return from Afghanistan where he had gone for labour. The attackers stole his money and took the body as well. The family found the dead body after six days. For his niece's treatment, Akbar's brothers provided monetary assistance. Before the attack she used to attend madrassa but now she is not able to go. The situation was not always this bad. Before 2005, there was a thriving market in Hangu where people from tribal areas used to come. But business has suffered as a result of the conflict. Akbar himself used to run a CD shop which was later destroyed by the Taliban. He suffered a huge monetary loss but did not receive any compensation. Football and cricket are popular sports but no major tournaments are organized because of terrorist threats. When the situation was good, big events were organized in which teams from nearby areas used to compete. The government appears apathetic to their plight. The local MNA has not visited the area for the last three years. Moreover, no arrangements were made in Hangu for IDPs arriving from Kurram. It was the local people who provided them with a place to stay, clothes, etc. In some cases, displaced persons have resorted to begging.

Manzoor Khan* also bemoans the persistent insecurity in Hangu which borders the conflict- stricken tribal areas. Manzoor who works as a labourer and is married with seven daughters and two sons has also suffered personal loss as a result of the crisis. In March 2010, his 17-year old son was killed when a suicide bomber attacked a military convoy. Not only did he lose a son but also an earning hand as his son used to work on the fields. Manzoor petitioned to the DCO for assistance but did not receive any compensation. He has a kidney problem and is mentally disturbed because of his son's untimely demise. Due to this he cannot work anymore. Hangu is a gateway to the tribal areas so anyone wishing to go the agencies must travel through it. As a result, this area has become a safe haven for criminals. Incidents of kidnapping for ransom have become very frequent. Due to this persistent insecure environment, business has been badly affected. Manzoor Khan does not feel hopeful of improvement in his state at least in the near future.

*Names have been changed to protect privacy.



Table 6.11 Respondents Open Remarks on the Current Situation

	Overall	FATA Contiguous Districts	Swat
Worse economic condition after the conflict	10.8	10.1	13.9
Lack of employment opportunities	8.6	9.5	4.7
Feel unsafe even at home	8.4	9.2	5.0
Scared of unforeseen incidents	7.5	9.1	0.6
Reduction in business opportunities	7.0	6.4	9.5
No development work in area after the conflict	7.0	8.2	1.6
Increased incidence of suicide attacks and target killing	6.9	8.0	2.2
Government and Taliban both are responsible	6.9	2.2	27.1
Difficult for children specially girls to go to school	6.8	7.1	5.4
US, Israel and Pakistani Government are equally responsible	4.0	5.0	0.0
Living conditions are worsening	3.9	4.8	0.0
Government failure in providing peace, safety and services	3.8	3.8	3.5
Community facing problems due to IDPs	3.3	3.8	0.9
Heavy losses of household assets	3.0	2.1	7.3
Youth heading towards violent activities	2.7	3.3	0.0
Youth are joining Taliban due to unemployment and poverty	2.4	2.9	0.3
Remarkable Role by Pak army	2.2	0.0	11.7
Foreign elements (not Taliban) are involved	2.0	1.6	3.8
Political leadership is responsible for this worse situation	1.6	1.4	2.5
Operation in FATA should be stopped	1.4	1.7	0.0

Source: Household Survey

Respondents' Open Remarks on the Conflict

Besides the structured questionnaire which was administered during the primary household survey, respondents were also requested to comment on the current conflict situation in the area. Comments of the sample households are summarized in Table 6.11. The majority of respondents were worried about the critical economic condition and continuously declining employment and business opportunities. These percentages are relatively higher in Swat district as compared with FCDs. A good percentage of respondents also worried about the deteriorating law and order and security situation. In terms of responsibility of this chaos, there were mixed opinions. In case of district Swat, 27 percent heads of households were of the opinion that Government and Taliban both are responsible for this mess. In contrast, about 4 percent of respondents were of the opinion that foreign elements, and not Taliban are involved in this disaster. Interestingly, only 11 percent respondents admired the role of Pakistan Army in fighting against the militants. A few respondents (3.8 percent) recorded their protest over the government failure in providing safety and public services. About 7 percent indicated the lack of development work since the start of armed conflict. A few respondents also recorded their concerns regarding in-migration of IDPs.

Views of Community Leaders

Indirect impacts of the armed conflict were evaluated through the views and perceptions of community leaders. The questionnaire was administered in 37 communities (27 rural and 10 urban). In each

Table 6.12	Reasons of Outmigration after 2008		
	Overall	FATA Contiguous Districts	Swat
Percentage of Communities Reported Out-Migration	55.3	43.2	100.0
Reasons:			
In search of farm land	4.8	6.3	
In search of employment	26.2	34.4	
Schooling	28.6	37.5	
Escape war/violence	38.1	18.8	100.0
Escape drought/famine/disease	2.4	3.1	
Source: Household Survey			

randomly selected location (Primary Sample Unit), three community leaders (among teachers, elected representatives, mosque imams and social workers.) were requested to comment on the current conflict, household migration, labour market situation, refugee related problems and household coping strategy.

According to Table 6.12, about 19 percent of households in FCDs had migrated because of war, violence or armed conflict. Due to the direct military operation in Swat, however, all households had to escape.

About 14 percent community leaders perceive that the Talibanization is the major cause for the worse standard of living after 2005 (Table 6.13). The comparative percentage is high (23 percent) in case of district Swat. However, the majority (36.2 percent) understand that economic crises or inflation is the most important reason for the worsening standard of living.

Table 6.13	Causes of Worse Standard of Living after 2005		
	Overall	FATA Contiguous Districts	Swat
Economic crisis / Inflation	36.2	40.6	30.8
Immigration/refugees/IDPs	13.8	6.3	23.1
Talibanization	13.8	6.3	23.1
Bad weather / Natural disaster	12.1	15.6	7.7
Crop pests	10.3	6.3	15.4
Worse public services	8.6	15.6	
Declining crop prices	3.4	6.3	
More expensive public services	1.7	3.1	
Source: Household Survey			

Community leaders perceive problems because of Internally Displaced Persons (IDPs). The majority (40.6 percent) were conscious about the declining business and employment opportunities due to the inflow of IDPs. Swat is a special case, where an urban-rural migration phenomenon is taking place due to the intensity of violence. Therefore, all communities in Swat complained about the decline in economic opportunities. Other major worries include: increase in incidence of theft and murder (28 percent) and land and business occupied by refugees (18.8 percent). Shortage of residential houses is also narrated by a few (6.3 percent) community leaders (See Table 6.14).

Table 6.15, documents the various household coping strategies to tackle economic shocks due to the conflict. Friend/family help, temporary out-migration and expenditure management were recorded by community leaders as major strategies to cope with the miseries of

Table 6.14 IDPs Related Problems in the Community

	Overall	FATA Contiguous Districts	Swat
Decline in economic and employment opportunities	40.6	38.7	100.0
Increased incidence of theft and murders	28.1	29.0	
Land and business occupied by refugees	18.8	19.4	
Shortage of residential houses	6.3	6.5	
Impact on law and order situation	3.1	3.2	
Loss of forest areas	3.1	3.2	

Source: Household Survey

Table 6.15 Coping Strategy to Tackle Economic Shocks during the Conflict

	Overall	FATA Contiguous Districts	Swat
Friends/Family help	32.4	11.9	65.4
Temporary out-migration	25.0	40.5	
Expenditure management	14.7	9.5	23.1
Part-Time Job/business	13.2	21.4	
NGOs	11.8	11.9	11.5
Sale of assets	2.9	4.8	

Source: Household Survey

current conflict. Support from NGOs was also cited by close to 12 percent of the respondents. Sale of household assets was indicated by a few community leaders.

Table 6.16 consolidates views of community leaders on the current conflict. About 15 percent were of the opinion that this is an international conspiracy against Pakistan. This percentage is relatively higher in district Swat. Declining employment and business opportunities were affirmed by about 20 percent respondents. Talibanization as a root cause of the current conflict was declared by 8 percent. Insecurity, rising incidence of suicide attacks, theft and dacoities were also raised. About 7 percent community leaders were afraid of youth joining Taliban due to economic as well as religious reasons.

Table 6.16 Open Remarks about the Current Conflict

	Overall	FATA Contiguous Districts	Swat
Less Employment/Economic Opportunities	20.4	21.7	15.8
International conspiracy against Pakistan	14.9	10.5	31.6
Worse impact on business	8.8	8.4	10.5
Insecure due to suicide attack	8.3	10.5	
Talibanization	8.3	9.1	5.3
Insecurity (Law and Order)	7.7	8.4	5.3
Youth joining Taliban due to unemployment	6.6	3.5	18.4
Theft and Dacoities are common	5.0	6.3	
Government failure in providing safety and services	5.0	5.6	2.6
Bad impact on education	3.9	4.9	
Rise in Poverty	3.3	2.8	5.3
Property destroyed	3.3	2.8	5.3
IDP creating problem	2.8	3.5	
Increase Migration	1.7	2.1	

Source: Household Survey

Summary and Conclusions

The survey of households in KPK, in districts contiguous to FATA yields the following findings.

- Per capita expenditures of about 56 percent households are below the poverty cut-off point in sample conflict affected areas. The estimated incidence for Swat is 5 percentage point high as compared with other areas mainly due to the relatively high incidence of rural poverty.
- Overall a 5 percent unemployment rate is estimated, while 8 percent of youth aged 15 to 25 years have reported to be unemployed.
- About 7 percent of children aged 10 to 15 years are working for pay. This percentage is relatively high in FATA bordering districts.
- FATA Contiguous Districts (FCDs) show an increase of about 9 percent in nominal income from 2008 to 2010. Keeping double-digit inflation during this period in mind, it may be easily inferred that real income has dropped and poverty incidence has ascended in FCDs. Nonetheless, in district Swat even the nominal income has declined by about 15 percent.
- The main causes of decline in nominal income include: decrease in sales volume due to the war/conflict, decline in purchasing power and loss of agriculture land due to war. Almost 70 percent of households in district Swat reported negative impact of armed conflict on business scope and activities.
- About 50 percent of households in the sample areas depend on wages/salary from a job. This percentage however is lower in case of Swat where only 29 percent of households declared this source of livelihood. About 11 percent of households reported inland and/or overseas remittances as a main source of income. Interestingly, barring Swat the magnitude of social assistance by government and/or NGOs as a source of income is not so high. Only 8 percent households reported this as an income source. On the contrary, about 22 percent households of Swat depend on social assistance.
- About 13 percent of households reported loss of assets as a consequence of war/conflict. This percentage is 40 in case of district Swat. Sale of household assets due to economic pressure is also recorded by the sample households.
- Overall, 85 percent of boys aged 5-15 years are attending school, while the comparative percentage for girls is 59. However, enrolment of girls in Swat is relatively high as compared with FCDs. Drop-out rates (after 2009) were estimated at 2.7 and 7.8 percent for boys and girls aged 5-15 years respectively. In Swat district, however, the drop-out rates for both girls and boys are higher as compared with FCDs.
- About 13 percent of boys aged 10-17 are currently working for pay. Among these, about 4 percent have entered the labour market after 2008.
- Economic difficulties and insecurity are two main reasons given by respondents for not sending children to schools. Insecurity and fear of unforeseen events were reported by 31 percent among girls aged 5-15 who were not attending school. Other major reasons include cultural restrictions girls and the distance to school. Going to Madarsah" is not a significant reason.

- About 9 percent of deaths since 2005 were reported as a result of injuries due to armed conflict. This percentage is quite high in district Swat. The average age of these victims, as reported by the sample households, was 40 and 34 years in FCDs and Swat respectively.
- Overall 67 percent heads of households are psychologically distressed . About 53 percent of other adult male earners are also under such stress.
- The majority of respondents were anxious with the critical economic condition and continuously declining employment and business opportunities. A good percentage of respondents also worried with the deteriorating law and order and security situation. In Swat, 27 percent head of households were of the opinion that government and Taliban both are responsible for this mess. In contrast, about 4 percent of respondents were in opinion that foreign elements, not Taliban are involved in this disaster. Interestingly, only 11 percent respondents admired the role of Pakistan Army in fighting against the militant.
- The community leaders perceive that 19 percent of households in FCDs had migrated because of war, violence or armed conflict. Due to the direct military operation in Swat however, all households had to escape.
- About 14 percent community leaders believe that Talibanization is the major cause for the worse standard of living after 2005. The comparative percentage is high in case of district Swat. However, the majority understand that economic crises or inflation is the most important reason for the worsening standard of living.
- The majority of community leaders were conscious about the declining business and employment opportunities due to the inflow of IDPs. Other major worries include: increase in incidence of theft and murder and land and business occupied by refugees.
- Community leaders identified various strategies they have used to cope with the situation. Friend/family help, temporary out-migration and expenditure management were recorded. Some also indicated support of NGOs. Sale of household assets was indicated by few community leaders.
- About 15 percent of the community leaders believe that this is the international conspiracy against Pakistan. This percentage is relatively higher in district Swat. Declining employment and business opportunities were affirmed by about 20 percent respondents. Talibanization as a root cause of the current conflict was declared by 8 percent. Insecurity, rising incidence of suicide attacks, theft and dacoities were also documented. About 7 percent community leaders were afraid of youth joining Taliban due to economic as well as religious reasons.





RESPONSE OF THE CIVIL SOCIETY

7

CHAPTER 7

*It is important for the state
and society to come together,
recognise the issues, accept
each other's roles and
responsibilities and come to a
shared vision.*

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10



RESPONSE OF THE CIVIL SOCIETY

With the worsening of the security situation in the country over the last decade, thousands of civilians have been killed or maimed, several million displaced and many are still living as refugees in various parts of the country. Many organisations actively working in the affected areas have either relocated, or ended their programs. The content of public debate and discussion is now predominantly on security issues; media messages have changed to project the effects of terrorism on the civilian population; intellectuals and writers focus on stories of terror and fear; and educational institutions and their staff are overwhelmed with concern for safety of students. The entire population of Pakistan has been affected and it is certain that the physical, social and economic impacts will be felt for a long time.

This chapter as part of an overall analysis of the implications of violence, terrorism and the security situation in Pakistan on social development looks at a broad section of civil society in general, namely those institutions and groups which are outside the government, to understand the issues they confront each day in this changed security environment and its response to the impact of on-going conflict and terrorism. The analysis is based on the review of secondary information, and is supported by direct interviews and email communications with selected non-government organizations and media professionals.

Civil Society in Pakistan- An Overview

Civil society is "an umbrella term for a range of non-state and non-market citizen organisations and initiatives, networks and alliances operating in a broad spectrum of social, economic, and cultural fields. These include formal institutions, non-governmental organisations, trade unions, professional associations, philanthropies, academia, independent pressure groups, think tanks, and traditional informal formations, such as faith based organizations, shrines, seminaries, and neighbourhood associations" (Sattar and Baig, 2001). It plays a role of a watch dog, it initiate and foster social, cultural and intellectual movements, acts as early sensors of social changes and early warning systems, besides giving impetus to behavioural changes within society at large. This broad definition of civil society illustrates the complexity and diversity of organized societal forces, and reflects on the divergent ways in which it can assist, or hinder social development. In Pakistan, traditionally, civil society is perceived to be represented by NGOs and in recent years the media. Therefore, the chapter only addresses selected groups within this broader framework.

In contrast to South Asia, where the civil society movement has been vibrant, active and very vocal, in Pakistan it has been stifled under various military regimes which have ruled the country for more than 30 years, almost half of the country's age. It was in the 80s, that the civil

society movement took on fervour and protests began in all large cities against some of the laws which were deemed contrary to international standards of human rights and also in response to changing socio-political developments in the country. The 90s saw a rapid growth of NGOs involved in the development sector, the expansion of community based organizations (CBOs) and various issue based platforms and coalitions with advocacy as their main strategy for change. The non-governmental sector grew with the influx of donors into Pakistan, and gradually moved from a project based approach to large scale programs, and from service delivery to advocacy. These NGO's are currently major players within civil society.

Most of the NGOs are national, many are relatively small, often set up by individuals for purposes of charity and service delivery. Even though development work by NGOs has increased over the past decade, welfare and charity remains the overriding areas of attention. With the state having proved to be inefficient and unwilling, NGOs have had to move back to service delivery and relief, as seen during recent natural disasters and in country's internal displacement.

The most vocal and effective role of civil society was seen when NGOs working for women issues rose against the military regime in the late 80s. Their advocacy and lobbying role however, relatively limited. It was after the imposition of emergency rule in February 2007 by the Musharraf government that civil society, led by the lawyer's movement found a new impetus to its activism. In the past two decades civil society has shifted its traditional focus from social welfare, and moved towards a rights based approach encompassing human rights. Recently, a section of NGOs have focused on peace and security issues. While civil society represents, by and large, the power of the people, it has faced opposition from state actors. Even when the country went through short phases of elected governments, NGOs and the media have been curbed through restrictions on their freedom.

A study carried out by SPDC (Pasha and Iqbal, 2002) describes the attitude of the government as both ambivalent and inconsistent, supportive at times, and repressive and resentful at others. According to



the study, while the government was supportive at the policy level, it was obstructionist at the operational level, as government agencies saw NGOs as a major competitive force, having increasing influence, and "cutting into the functions and responsibility" of the line departments. The government was seen to be generally supportive of the welfare and service providing role of the NGOs, but openly hostile to their activities in social and political advocacy. Successive governments were "increasingly threatened by the role played by nonprofit organizations in mobilizing support of civil society at large on issues like violence against women, honor killings, blasphemy law, freedom of the press, accountability and corruption, etc. The resulting hostility has been reflected in attempts at penetration of various nonprofit organizations and, in extreme cases, at attempts even for closure through deregistration."

The dichotomy continued well beyond into the early 2000s, although many known civil society workers were inducted into the federal cabinet. Many more national and international NGOs started work in Pakistan, others slowly expanded their charity work to take on a more development approach, and provincial governments provided endowments to NGO such as the rural support programs.

Social mobilization and participative development was actively taken on by the NGO sector, probably because of the policies and approaches determined by development donors. With continued failure of the state to deliver education and health services to the rural population, service delivery became increasingly the role of both NGOs and the private sector.

Also, as the process of devolution brought into action local bodies and locally elected councilors who were supported by the hundreds of CBOs (community based organizations), formed and provided financial and technical help by many national and provincial NGOs. Local opinions of communities began to be highly favourable towards NGOs and the sector has gained strength in terms of recognition and general support.

The dichotomy that exists today is tempered by the realization on the part of government and communities that the non-governmental sector and recent floods have been largely effective where government structures have failed, not the least because of the role played by the



latter in the wake of the 2005 earthquake. The response of civil society to these events has been overwhelming, especially to the earthquake in 2005 and the recent floods. These events have been milestone in many ways, including the manner in which civil society is viewed both by the government and the public.

Despite the odds, civil society in Pakistan does seem to have taken on another dimension. The restoration of the Chief Justice, the growing public resentment of the Taliban, and an increasing pressure on Pakistani politicians for accountability and responsibility to their voters, has led to a surge of reporting and debates in both print and electronic media. This is partly due to a civil society which has gained strength through alliances and coalitions with other stakeholders, including the media, community based organizations to develop a critical mass towards democratic change. Many civil society groups are vying for a consensus for substantial reforms towards good governance, peace, and an inclusive and equitable society.

The chapter primarily focuses on the impact on and response of non-governmental sector and media, whereas the impact on educational institutions (including madrassahs) has also been briefly discussed.



Causes and Spread of Terrorism- A Civil Society Perspective

Some civil society organisations we spoke with raised over concern on the alleged role played by the military, security agencies and militant religious organisations to foster and support "non state actors", who are now variously termed as extremists, jihadis, Taliban and militants. The group of Taliban, who successfully put up a long term resistance and guerilla warfare against the Soviets in Afghanistan, were a diverse but ideologically inspired group from Afghanistan, various Central Asian Republics especially Chechnya, and Arabs. Additionally, there were the militants who were provided support for the ongoing resistance in Kashmir. Along with these groups came the criminals, warlords, smugglers, sectarian groups which had arisen and were indoctrinated in beliefs of violence, intolerance and distortions of religious teachings. Increasingly, among these groups are disgruntled and unhappy ethnic groups who believe they have been deprived of rights and resources for too long by succeeding governments, as in Balochistan.

Since 2001, there have been many accounts of the actions taken to clamp down on terrorists organisations, centres, camps and militant groups. They include the remnants of the Afghan "mujahideen" who were created, nurtured and supported jointly by the US and Pakistan to fight the Soviets in Afghanistan. When the Soviet war ended, thousands of these well trained and highly motivated individuals who were inspired spiritually by the idea of creating an Islamic brotherhood were left without an alternative to channel their skills, which were to fight a guerilla war. Their energies and focus was strengthened by large numbers of young recruits from the thousands of madrassahs which flourished in the 80s and 90s, who were motivated to fight the Indian army in Kashmir. Thus, the numbers of the left over mujahideen expanded to include younger, more ideologically driven and well trained individuals from several provinces, and especially Punjab and Khyber Pakhtunkhwa.

The Pakistani society, led by political and religious parties and groups, remains divided over the justification of an army operation against Pakistanis, and supported by the highly controversial "drone attacks". This is the point of view held by those who believe that the use of force was the only way out for the government to reign in elements such as the followers of Sufi Mohammad and Maulana Fazlullah, who demanded for the implementation of their version of the Sharia law in Swat, started negotiations with the government and then violated the terms of the agreement. Those who hold this point of view, also say that the war is no longer the war of the US, but it is a war for the survival of Pakistan.

The other perspective is that the Taliban are righteous, God fearing people aiming to enforce the laws of Islam, and that the government is following the dictates of the west, killing and maiming its own people and allowing drones to kill civilians. Even groups who are not directly supportive of the tactics used by the Taliban believe that stories of these tactics have been distorted and misrepresented, or that it is not the Taliban who have perpetrated the reported crimes, but elements claiming to belong to Taliban groups.

As the NATO offensive in Afghanistan continues and there are frequent reports of attacks on the convoys by the Taliban, the influence of the Taliban and like minded or vested interest groups is on the rise. It is suspected that the increase in US forces within Afghanistan caused movement of the Taliban from the Pak Afghan border into Pakistan, and further aggravation to a country almost besieged by internal terrorist attacks.

Civil society also argues that had the country been governed by effective democratic institutions, and had the state fulfilled its responsibilities in ensuring protection of life and property, and people's need, rather than to external security threats, Pakistan would not be crippled by the internal terrorism and conflict it faces now. Two years into a faltering democracy, both politicians and parliament have yet to demonstrate sensitivity to what the people need in the country. According to the respondents, people need access to low cost and quality education at all levels, equal opportunities to raise income, large scale investments, easily available and low cost health services and equitable distribution of national resources. The low spending in the development sector continues, and the terrorism rampant in the country has added to neglect and lack of attention to eradicating the reasons which have bred an atmosphere conducive to violence and terrorism.

The militants had initially been able to gather wide support among the people of Swat. They brought speedy justice, resolved disputes over land and property, and established simple and workable systems of revenue collection. They provided a parallel informal system of redress

The militants are not, as is perceived by people in other parts of the country, the Afghan mujahideen. They are a mix of local Taliban including from south Punjab and foreigners from other countries, and criminals. The media projects the number of foreigners to be in a few hundreds. In actual fact, there are 11,000 Uzbeks, 6000 Arabs and 9000 Punjabis. From Waziristan to Swat, there are 4,000 Pushtuns. The people of the conflict ridden areas also believe that the military has been collaborating with the militants all these years, and have only carried out half hearted operations, until 2009.

Peshawar Declaration, Aman Tehreek

and provided alternatives to the people, and filled the vacuum left by the state. They were thus able to become the governance of choice, when compared to what the state had been offering to the people. It was later, when brutal violence began and when executions and flogging became a matter of pride by the perpetrators that the common person began to fear for his/her life, family, and property.

Before 9/11, funds to FATA came primarily for Afghan refugees, and very little was invested for development of the region, or even for provision of basic social services for the people living there. NGOs started work in 1999, and this continued until 2004, when the Taliban factor became serious enough for almost all NGOs to migrate from FATA to Islamabad, Peshawar or other cities. The spread of militancy is attributed to the Taliban's initial strategy to win over people by providing them speedy justice and quick resolution of issues which had been pending for a long time. It was when the brutalities started to appear- the general perceptions changed.

NGO's working on issues related to FATA believes that many of the issues in FATA are due to the low level of development, and the Frontier Crimes Regulation (FCR) which controls FATA. This regulation is the cause of lack of political, social and economic deprivation of society. According to some of the senior analysts, the main issue is the neglect of FATA, the lack of justice, and decades of neglect. There is a lack of trust among the tribal people and the authorities, who do not recognize the growth and integration of the tribal people into the economy of the country. Over the years, these tribal people have educated themselves, moved into an upper stratum of society, migrated to the Gulf countries in search of employment, and contributed to the social, economic and political development Pakistan. Yet, they have to subscribe to an archaic system of governance. For many years no real reforms have taken place, to include these areas into the mainstream. The absence of social justice and basic rights, where power is still controlled by the political agent is an unfair system. The FCR contains a clause where an entire tribe can be punished for the crime of an individual. This law of "collective responsibility" is still applicable in areas governed by the FCR. This complete lack of understanding of the problems, and allowing incidents of injustice to accumulate and grow into contentious issues, are the main reasons for the rise of violence, and terrorism in the tribal areas.

Terrorism is not confined to FATA and Khyber Pakhtunkhwa, and is far more pervasive phenomenon, with all major urban areas of Sindh, Punjab including Islamabad and Balochistan, spilling into AJK and the Gilgit Baltistan province affected by it. The Taliban are no longer the militants who had gathered and regrouped after the defeat of the Soviets in Afghanistan. They are now almost indistinguishable from the criminals, land grabbers, drug mafias, sectarian and ethnic groups, tribal clans, political and ideologically based parties, disaffected youth and individuals with vested interests. The TTP (Tehrik-e-Taliban of Pakistan) is still flourishing, but its aims have been bolstered by these diverse groups with whom it has developed working relationships.

Thus, many blame rampant poverty, far above the percentages quoted in official documents, to be the underlying cause of terrorism, hard line militants luring the young and the disaffected to promises of a better future, whether in terms of riches in this world, or paradise in the



hereafter. Others cite the spread of rigid and misunderstood religious doctrines to be the main cause. Both are valid, but the reasons for widespread poverty and religiosity, the nature of it, and any cures for the same requires further analysis and understanding if terrorism is to be effectively countered.

"Within civil society, an important source of this conflict is the education system in Pakistan, which is stratified according to socio-economic class and is expressed roughly in terms of media of instruction or type of educational institution. At one extreme, there are elitist English-medium schools that cater for the upper classes. On the other end of the spectrum are the madaris, which cater for very poor children mostly from rural and urban working class localities. In the middle, there are non elitist Urdu medium schools catering for lower-middle and middle class children. The worldview of the students of these institutions is so different from each other that they seem to live in different worlds. The most acute polarization is between the students of madaris and of elitist English-medium schools. The former are deprived but they express their anger --the rage of dispossessed--- in the idiom of religion. This brings them in conflict with the Westernized elite which looks down upon them in contempt (Rehman, 2003)."

While poverty and illiteracy are at alarmingly high levels, there is also a very large number of people out of jobs. Many are unemployable, lacking basic skills, whether technical, business or service oriented, and others cannot find opportunities, except if they move to large cities where civic systems are already overburdened by increasing populations. High rates of unemployment, coupled with lack of opportunities to improve their lot has provided the young, and especially the rural young to lose hope and look for a meaning to their lives by whichever means they can find. They are recruited by militants, criminals, drug traffickers and dope pedlars, and resort to violence and acts of aggression against both the state and the society.

Consistently repressive policies, state control over social and cultural activities and lack of encouragement to sharing of information



and debates have contributed to rigidity and intolerance to any views other than one's own. Availability of justice to the wronged, and strict implementation of laws has not been a priority. Many alliances have been developed between criminals, the police and powerful politicians, bureaucrats and business men, resulting in frauds, crimes against humanity and social evils.

Major cities, places of worship and gatherings of minorities have been targets by ethnic and sectarian groups. In Karachi alone, a mix of ethnic clashes and sectarian killings cause hundreds of deaths and injuries, the number rising every year. Sufi shrines, Shia and Sunni mosques, churches, places of worship of Ahmadis and Hindu temples have been targeted frequently. Political rival groups have mixed with ethnically motivated individuals to create the much feared "target killings" in Karachi, and to which there seems to be no pragmatic solution as yet. According to the Human Rights Commission of Pakistan, the monthly average number of those killed in Karachi has increased from 104 in 2008 to 147 in 2009 and 172 in 2010 (Cawasjee, 2010).

With such a corrosive mix of social, economic and political issues, and the apparent lack of ability, willingness and commitment from successive governments, has civil society been responsive at all? One may argue that civil society has been restricted, controlled and prevented from developing a coherent and collective deterrence. Yet, civil society itself is partly responsible. It has been too absorbed in individually driven agendas, competing for funds rather than investing in coalitions and networks for better advocacy, giving up difficult issues in the face of resistance, and retaining an elitist mode of operation. Civil society has not been able to bring groups with differing opinions to the same table, and has continued to act in isolation of each other, either duplicating efforts, or neglecting major issues altogether for want of funding or interest.



Impacts of Terrorism on Civil Society

While the findings of the previous chapter highlight the affect of conflict on household in selected districts of Khyber Pakhtunkhwa, civil society at large throughout the country has been affected. The impact of terrorism on civil society has been much more severe, because the militants themselves are non state actors, and have been drawn from the same society they are targeting. The underlying sense of shock still exists, since most people cannot believe that local people have decided to wage a war against their own kind. And it is not necessarily "foreign" elements that are causing this chaos.

This impact has been multifold, because the most affected are the general public. The number includes over 500,000 children who have been affected, and in particular, over 3.5 million people displaced in NWFP and over 1.3 m from the tribal areas who were forced to move to other cities as a consequence of either the activities of the militants, or the army operations, or both (IDMC, 2009).

One of the less tangible, and incipient impacts has been on cultural norms and traditions. Social interactions, arts and music have been deeply affected in the Khyber Pakhtunkhwa and FATA, since the Taliban banned what they termed frivolous and ant-Islamic activities. Additionally, the indiscriminate use of violence against unarmed people has in reality

assaulted the traditional "pashtun" culture, where no violence was allowed against women, and enemies were treated with utmost courtesy if he were to take refuge within one's home (Momand, 2010).

One of the main dangers faced were kidnappings for ransom. No authentic data is available to determine how many were kidnapped, but it is known that some were released after negotiations and payment, and some people have never been released.

SPDC survey and anecdotal evidence based on personal interactions with people of different cities and villages show that terror attacks claimed to have been carried out by the Taliban and their other militant sympathizers are feared in Khyber Pakhtunkhwa, but are increasingly considered to be the added costs of living in a country which is waging a war not of its own making. Terms related to terrorism and the war against terror have entered daily conversations, and parents face queries from their children on what is happening to their country. People are increasingly afraid of going to open and crowded areas, including large markets and shopping places.

Civil society is unarmed, with little resources to fight back and is often composed of the more vulnerable groups of children, women and old people. The intensity of this impact will be determined by the pace and effectiveness of the corrective actions taken jointly by the state and society at large.

Many NGOs describe the plight of internally displaced persons (IDPs), in particular, that of women and children as most traumatic as they relate stories of how social, cultural and economic norms have been disturbed, centuries old traditions destroyed and social cohesion lost during the mass migration of families with a large number of women. The impact of this social change may only be felt in the future. Today, it is still a humanitarian crisis.

As discussed earlier, the power structures which had hitherto been seen to be constraining and hindering the work of NGOs, began to be

Box 7.1

Voices from IDPs of Swat

"Those that were involved in petty crime and drugs became the Taliban. But they keep their faces covered so we don't know who they are".

"We don't want to be a burden on our hosts any more. We are ready to return to our homes as directed by the government but we are unsure of the conditions on reaching our homes. We fear that shelling and mortars may have destroyed our homes and schools and colleges. Our children are particularly scared. We are also fearful that the conditions back home may return to lawlessness or be worse than before."

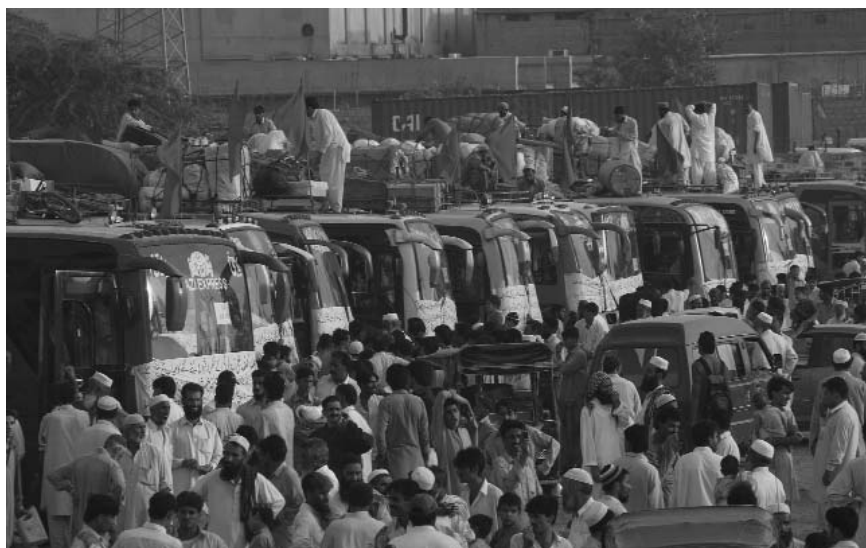
We don't ant to return at this time, as there is curfew and also problems with earning an income. We are not willing to return until there is peace. What will happen if we go back and there is no peace? Will we come back here? "

"The government must help us rebuild our homes and also provide immediate shelter. It should rebuild schools, health facilities, including hospitals and other infrastructure destroyed so that we can live peacefully there. Agricultural loans must be written off, interest free loans should be provided and electricity and gas bills should be waived. Health care should be given free of costs."

"Policies should benefit people, especially the poor so that conditions do not re-emerge that allow for any kind of talibanisation"

"We now understand that we too made some mistakes and were misled by individual and some organizations which is why we have brought this tragedy on ourselves."

Source: OAKDF (2009)



more supportive, or at least, offered less resistance. These positive perceptions continued until 2007, and it was around this time when public opinion in Khyber Pakhtunkhwa shifted again, when offices of NGOs were attacked, and the militants began to put restrictions on the movement of women. These changes are attributed to the propaganda and tactics of Taliban elements, incited by the government operations after 9/11.

NGOs depend on the good will and trust of the communities they are working for. Many offices of NGOs had received threats, but possible damage was averted when villagers came to their support, gathering in madrassahs to talk about, and vocalize support for the community work the NGOs were doing. All the respondents were unanimous in saying that generally communities remain against the militants, and support those who would work towards development and education in their areas.

It has never been easy to work in Khyber Pakhtunkhwa, FATA and the surrounding areas. Some level of extremist tendencies existed even earlier. The serious problems started when the Taliban began to spread their influence amongst the communities, threatened NGOs, restricted movement of women, and were able to create fear and insecurity among the local population. No research has been carried out so far to assess the extent to which social development and the work carried out by NGOs has been affected. What everyone agrees to is the fact that most local grass root organisations have either migrated to other cities and provinces, or stopped their work altogether. Many of these are CBOs (Community Based Organisations) and social activists. This impact was created initially by the threat and fear of the jihadis, and later by the army operations, which resulted in the IDP phenomenon. Back home, these displaced persons face forced kidnappings, murders, thefts, complete lack of social services, an absence of governance structures, with no access to social justice.

In Mansehra, in January 2008, the office of an international NGO, Plan International was attacked by armed men, who lined up their staff and shot them. Plan carries out development work focused on provision of services for children and had been working since 1998 in the area. It



seems that they were targeted merely because the militants wanted to prove that they can carry out such activities with impunity. Everyone knows who they (the attackers) are, but no one dare speak out. Plan has since then, withdrawn from working in Mansehra. International NGOs seem to have been especially targeted and attacked, with several staff deliberately shot. Plan International, World Vision and CARE are among those who have been affected. National NGOs, on the other hand, have been threatened, caught in cross fire and have had attempted attacks which have been aborted through the support of local people. Some of their offices have also been directly bombed. Written and verbal threats have been received, and staff has received threats through telephone and pamphlets. The response has been varied, according to the severity of the threat. Where an office has been bombed, direct operations have been suspended for a few months, but activities have continued, through field based activists. Where women were the main target, care was taken to provide them vehicles with security cover, or to restrict their movement. Both access and mobility have been affected and hence development work has suffered. Where roads were barricaded, or channels closed, alternate routes had to be found to provide access to affected communities. This resulted in additional time, expenses, and additional security measures.

Impact on social development

In the more intensively affected areas, social development has been halted, restricted and hampered. It will take years to rebuild and bring the area back to where it was before the displacement began. One reason cited for the negative effect on development is the shift of attention of development NGOs to relief and rehabilitation. Where livelihoods have been affected, homes and property destroyed, and able men either killed or in hiding, priorities shifted from provision of education or preventive health services to relief and rehabilitation.

Women and children oriented development, particularly in education and health services has suffered too. Announcements over the FM radio that polio vaccinations were against the teachings of Islam caused hundreds of parents to decline to have their children vaccinated, rural BHUs were bombed and destroyed as were thousands of schools, and women were prevented from going out to obtain medical help, especially from male doctors. As service delivery NGOs had to move out to safer cities, many areas were left without even the most rudimentary level of support.

According to some of the people working in NGOs active in Khyber Pakhtunkhwa and FATA, prior to the open conflict, there was no social development at all, and the war on terror may have had a positive impact as it has allowed access to areas previously ignored by the state and NGOs. There is now some hope that development will come to these places. However, the approach to any kind of social development must necessarily be different, involving the people, being responsive to their needs and establishing transparency, accountability and respect. In general, there is a sense of fear and hopelessness, but now tempered with hope. With renewed commitment by the civilian government, and operations by the military, in Swat, Buner and parts of South Waziristan, militants seem to be losing their foothold. The state run war on terror, is



no longer in response to demands from the US to "do more". Instead, there is some recognition of the fact that the situation created by the decade's old alliance of the cleric, and militants and the doctrine of strategic Pakistan created many of the internal problems related to terrorism.

One of the most long term and damaging impacts of terrorism has been on education. Initially, people were ordered not to send their girls to schools and then the Taliban banned school education for girls. Many schools have been destroyed by bombings. According to one estimate, close to 1,000 schools have been attacked or damaged in Malakand and FATA, more than one million children have been deprived of education and thousands of teachers have been affected¹. Since the army operation, several schools have been occupied and are used as camps by security forces. This has made the schools even more susceptible to terrorist attacks².

Other than the physical destruction of schools, both students and teachers have been prevented from going to their schools, having being threatened or intimidated, and many parents have feared sending their girls to school. School closures have affected academics, and many teaching institutions have been closed for a few days almost every month in one city or the other. School, college and university administrations have installed special security measures which have included physical barriers, issue of passes to teachers and students, security personnel and check posts and identity cards. Teaching institutions now resemble army barracks, and security staff holding rifles can be found sitting atop their assigned stations. This and the daily events of bombings and shootings have created a sense of fear and insecurity among the young, particularly the children who find themselves immersed into a world of explosions, death and injury. The mental and emotional impact on the children of Pakistan is as yet un-researched, but psychologists and child experts believe that long terms impacts may be unavoidable.

Responses to Terrorism

In reviewing impact and responses to the security situation in the country, major differences are evident between the state and civil society. For the state, its writ has been challenged by the laws verbalized by the militants and subsequently, state agencies and personnel have suffered casualties. The response has been to direct offensives, marked by military power and strikes, mainly against the militants but giving rise to civilian casualties and sufferings. Although the Parliamentary Security Committee has drafted recommendations to curb terrorism, including banning all militant groups, destruction of all militant training camps, development in conflict areas and indiscriminate application of anti terrorism laws, no progress on implementation is visible. It is as yet unclear what steps, if any, have been taken to adopt measures other than military force. Civil society has different ideas on how to respond.

Response of NGOs

Many organisations claim that peace and democracy has always been a part of their core programs. However, the war on terror and its ramifications have served to reinforce the significance of these core

values, and to intensify efforts in this area of work. Civil society, and NGOs in particular, have responded to the security situation in Pakistan by reinforcing their call for peace, tolerance and a plural and diverse society.

NGOs working in Khyber Pakhtunkhwa responded to the internal displacement which occurred when the army action against militants began in May 2009. Millions fled their homes from FATA and Khyber Pakhtunkhwa leaving behind their livelihoods, personal belongings, and even family members in search of peace and security. The NGOs initially responded with relief goods and services. The internally displaced persons in many areas were provided shelter by local people in neighbouring districts. The government was not prepared to receive this influx of IDPs and these people found themselves in extremely difficult living conditions. Lack of basic facilities, food shortages and the economic strain affected women, the elderly, and children the most. The international community, donors (see Box 7.2), NGO's INGOs, and philanthropists, responded with relief goods, and donations to rebuild shattered lives.

During the relief efforts directed towards IDPs, many NGOs followed a process of setting up small committees who would determine the needs and requirements of the displaced. During this process they also held discussions with the IDPs, asking them about the conditions in the places they had fled, and listened to their stories. Most of the displaced people responded positively to such opportunities of discourse, and made commitments to continue this process of self mobilisation, and collective resolution of issues.

Box 7.2

Response of Donors

Development donors seem to have recognised the role of civil society in building peace and democracy, more than they did before, and this has resulted in increased funds to NGO managed programs on peace and conflict, sometimes at the cost of funds for the government.

The same response, however, is unfortunately lacking for provision of relief and rehabilitation services to the IDPs. A press statement from the Pakistan Humanitarian Forum issued on April 16th, 2010 describes the continuing plight of the more than 3 million IDPs including those who have returned to their villages. Firstly, donors have focused more on the IDPs from the Malakand division, and very little support has been provided to those from the tribal areas. Second, only 16% of the donor funds have been channeled through NGOs, while 56% has been through UN agencies, thus affecting both needs based support and its pace of delivery (Khan, 2010). And finally, most of donor funds have been earmarked for life saving activities, whereas more support is required to enable the affected people, especially women and children to live with dignity and hope to regain their livelihoods. Many NGOs involved in provision of services to the IDPs are likely to end their programs within 2010 unless funds can be found to continue their work. According to almost all NGOs interviewed, very little resources are being earmarked for long term development, provision of basic services and justice to those who have been deprived of these, and the lack of which remains a key factor in the rise of Talibanisation in the affected areas.

In the wake of massive floods which have affected almost one third of the country, and which have exposed the plight of millions of rural people who were extremely vulnerable to such disasters, many donors are beginning to believe that Pakistan needs to invest much more in health, education, income generation and skill development. The US, European Union and the UK plan to fund large social development programs, and have announced working with and through civil society organizations. Such funding is over and above the amounts already announced as aid under the US Kerry Lugar Bill.

Despite security threats, not a single national NGO has stopped working even in the more sensitive areas, except for short periods of time. Nor did the situation restrict movement of women staff. Measures taken include the slowing down of activities or suspension for a while, and women have been asked to travel in office vehicles. Staff has been moved temporarily to "safer" places. The common strategy is of "lying low" for defined periods, and biding time until the situation becomes more stable. This allows these organisations to remain committed to their constituency, garner support amongst them and return when the situation appears to improve. Staff has been provided special training on security measures, office security and additional vigilance systems have been installed. According to these NGOs, they have found it very difficult to retain a "security culture" since their staff feels it creates barriers with the very people they are trying to assist. Thus, while development workers are now much more security conscious, and have more access to security systems, they are more than ever aware of the need to be seen to be a part of the same people they are working for.

The single most prominent difference between the response of the state and that of NGOs at a broader level, is in their approach and strategy. While the state looks to counter terrorism, taking on short term offensives against those it would term militants, civil society is more involved with different segments of society. Several organisations from Khyber Pakhtunkhwa and FATA have called for a new social contract between the citizen and the state, and between citizens (Box 7.3); others have proposed a four pronged strategy based on political, economic,

Box 7.3

Response of NGOs to Contribute to Lasting Peace

Aman Tehrik, an alliance of NGOs, individuals, teachers, activists and political parties based in Khyber Pakhtunkhwa has been set up to promote peace, across NWFP, as a response to the ongoing conflict. It has brought several civil society actors to one platform, using their belief in the Pashtun culture as a binding force, and aims to revive and re-establish interest in cultural activities as one of the essential elements for a tolerant and peaceful society. Aman Tehrik has developed an agenda called the Peshawar Declaration, which makes a three tiered set of recommendations to bring peace to the conflict torn areas, based on political reforms, creation of economic opportunities, enhancing education and awareness and fostering cultural activities.

Aman Ittehad is another movement of civil society individuals and organisations, which is focusing on the establishment of a "new social contract" between citizens and the state, calling for reducing inequity, promoting diversity and tolerance, strengthening democratic processes and institutions and enhancing spending on social development. These networks and others demand the conversion of Pakistan from being a "security state", with priorities determined by perceived threats from its neighbours, to a people's state, with priorities emanating from the needs of its people.

cultural and administrative changes, and many in FATA are asking for a major restructuring of the relationship between FATA administration, the government and the people of FATA.

The situation in FATA is different from that in Khyber Pakhtunkhwa. Expectations of the people after the army operations have been raised in terms of rehabilitation, rebuilding and attention to provision of basic services. This unfortunately is too late, and too far between according to many social workers. The situation, they say is dangerous as it could result in a return to the insurgency conditions. If that happens, peace will

become almost impossible. The environment for NGO workers in the tribal areas remains precarious, and even after the army operations, they find it difficult to resume their identity as suspicion surrounds them and target killings and kidnappings are routine.

Initiatives for peace building still seem isolated and have not yet found resonance at the same level as that of a social movement. It is disappointing to see that civil society at a national level is still not mobilized adequately. Nor does it realize the seriousness of the issue at hand. When terror incidents happen in Khyber Pakhtunkhwa, or FATA, Punjab or Sindh, only those who are physically there feel the intensity of pain. After a couple of days, the news fizzles out, to be replaced by other more interesting items. The "peace movement" has not taken on the imagination of the whole country, unlike what took place during the lawyer's movement. Civil society has still not mobilized itself into a national movement which on the one hand denounces violence and terrorism in all its forms and manifestations and work to change an inequitable and repressive social and economic system which continues to promote and facilitate militancy, intolerance and radicalization.

The issue of terrorism is multi layered, and necessitates a multi layered solution. It must reside in political and social change, with rationalised spending on development vs. defense, investment in human capital, demilitarization of society, breakup of feudal systems and governance which is people centered.

Impacts on and Response of Madrassahs

Madrassahs are an important stakeholder of the civil society sector in Pakistan. Teaching at madrassahs is centered on the study of Islam. However, many of them also provide basic education, including study of language, maths and science. Iqbal and Siddiqui (2008) estimates that the number of madrassahs in 2005 was 16,000. Many of these institutions have come under much scrutiny, and suspicion, particularly from both the international donors and the Pakistan government, and to some extent from certain sections of civil society. They are alleged to be teaching hate and intolerance to young minds on the one hand, and thus creating suicide bombers and terrorists, and on the other, turning out graduates who are ill equipped to find suitable employment or to serve as responsible citizens. Traditional sectarian based religious teachings continue in the majority of such institutions especially those in Khyber Pakhtunkhwa and FATA, and in the absence of any alternate educational mechanism, and financial incentives, people have little option but to send their children to the madrassahs.

The focus of madrassahs has slowly been shifting over the years in response to wider political and economic changes. Many large madrassahs have responded to the job market needs of their target population by incorporating subjects related to modern sciences in their curricula and offering equivalent degrees of bachelors and masters, including in disciplines such as computer science (Iqbal and Siddiqui, 2008).

According to a report by the Pakistan Institute of Peace Studies (PIPS, 2009), most militant groups have also changed their operations by adding a social welfare section to their work, and including English medium curricula. Of the 246 religious organizations active in the country, 145 are sectarian, 25 are politically active and 12 are trying to establish



the Islamic caliphate system. At least 24 are militant and most are running madrassahs and training camps.

It is debatable whether the addition of science based curricula will help in diluting the messages of the intolerance doctrine, and ritualistic interpretation of religion which many madrassahs are known for. Proponents say that many terrorists have not had madrassah education and hence it would be unjustified to put the blame solely on this alternate but necessary form of education in absence of services from the state.

Impact on and Responses by Media

The content of media messages have shifted, from being purely entertainment, to being more provocative, analytical and raising issues for public debate, ranging from terrorism to development and social issues which had hitherto been brushed under the carpet. Another point of view is that terror incidents occupy so much space in the media, that social development gets short shrift, and attention is directed away from the less newsworthy, but more substantive issues. Media has played both a negative and a positive role. They have created panic, brought sensationalism, and played a role in de-sensitisation of the public, but have also helped to raise awareness of bigger issues, and helped to create the beginnings of a more informed society³.

The media in Pakistan has evolved from a small nascent press to a complex and diverse institution, which plays a key role in policy making and forming public opinion. From a few newspapers in 1947 to over 800 newspapers in English, Urdu, and Sindhi in 2010, the print media is an influential player in the decision making process. Radio is another important and effective channel for communication, particularly since the literacy rate is so low those living in remote areas rely on radio for daily information. Radio Pakistan has grown from 5 radio stations in 1947 to 31 stations located all over the country, with outreach to almost 96.5 % of the population. It broadcasts in 21 languages, and covers current affairs, entertainment, sports, and a range of issues relevant to rural and urban listeners. Competing with the FM stations Radio Pakistan has introduced its own FM channels and has 4 stations in FATA.



Television began in 1964, and PTV reaches 95% of the population and telecasts in English, Urdu, and regional languages. Its coverage extends to 75% of the country. However, in the past ten years, there has been an increase in the range of local language T.V. channels which has allowed greater outreach and access to information by people in remote areas. Satellite TV has also entered the arena and subsequently ended the monopoly of State owned television. New channels have increased the choice available to viewers. A change in policy has allowed foreign media access through satellite and internet has also increased the flow of communication and information. Debates and discussions on socio, economic, and political issues are more frequent, and influence public opinion. Due to this wider outreach the media has become a vital medium between state and civil society, and between politicians and the people. Amidst this surge of private TV channels, cross media ownership is another phenomena which makes a few media houses extremely powerful. This is a trend which could become "dangerous" since the media is the only source of information, communication, and entertainment to the public.

Responses from media persons interviewed indicate that, the media in the Khyber Pakhtunkhwa and FATA functions under extremely difficult conditions. Caught in the conflict zone, journalists are in constant danger, live in fear, insecurity, and unpredictable conditions and cover events from the conflict zones at great risk, without the skills, infrastructure, and knowledge required to deal and manage conflict situations⁴. They are in a difficult situation because they are unable to confirm information independently, and to rely on government sources, or militant versions of events. They have no training of how to operate in hostile areas; very little protection against armed militants and security forces, and are paid low salaries. Many have fled the danger; those who remain cannot risk practicing independent journalism. Five journalists have been killed in Bajaur, North Waziristan and South Waziristan since February 2005, according to the Tribal Union of Journalists (Khattak, 2010).

The year 2007, has been recorded as the worst year for the media in terms of attacks on journalists, on media property, and severe restrictions on freedom of the press. Many have been killed; several injured, and almost all live under a constant fear of one or the other organised actors of the war on terrorism⁵. According to a news report, intimidation of the media by militants has become a serious issue, even though journalists are refusing to be intimidated. The country's rampant violence made Pakistan one of the deadliest environments in the world last year for reporters. In 2009, 7 journalists were killed during their assignments, and in 2010 three journalists have lost their lives. Two of them died in Balochistan, and one in Khyber Pakhtunkhwa (Khattak, 2010).

In these circumstances the media has to respond to the changing situation on a regular basis. In terms of responses to the current security situation of content, policy, and coverage, according to Ismail Khan of daily Dawn, "The media has come of age from being confused and ambivalent, particularly the media based in Islamabad and elsewhere, to owning it altogether. I think the last operation in Swat changed its perspective. The media in Peshawar has had frustrating moments while trying to make their colleagues in head offices understand the magnitude and seriousness of the challenges. The change did not occur overnight



and it took time from calling militants, "askariyat pasand" to terrorists.

The media has also responded by adjusting its own role in reporting conflict. It has become central to the way the conflict is perceived and reported, and the relationship between the government and the press changes according to whether official policy is to coerce or cultivate the media. This is based on whether the official position is to project a particular perspective, or to prevent criticism of policy and action (Ahmed, 2010).

According to a senior journalist (Zaffar Abbas, daily Dawn) the security situation has been a learning experience for most people in the media. Those in the print media had some experience in the past of covering terrorism, violence and related issues, but for the more recent private TV channels, this has been an extremely challenging situation. Initially in the past, there was an element of sensationalism in TV coverage, and there was little effort to analyse, or examine the context of the emerging situation. During this time, "grave mistakes were made, and as a result media also contributed to the marked increase in fear and anxiety in society." Another change in terms of response is that there is greater coordination between directors and editors, who share information, and exchange views on the evolving situation. The purpose of this is to improve the quality of reporting, to rectify mistakes, "without compromising on truth". This is an important shift in the level of responsibility of the media, given the intense competition among different sections of the media. It also reflects a maturity and sense of responsibility within the media, which is positive in these difficult and stressful times.

The current conflict has shifted to remote areas, where the media has no access. Therefore, journalists depend on information provided to them by the army, the militants, or security agencies. This means that there is often limited verification of facts, and very little analysis of the underlying issues, or reflection of the scenario. The militants often threaten the press, which increases the difficulty of cross checking facts. Since there is lack of access to the conflict zones journalists tend to support the prevailing policies, in the name of national security.

It seems that the media has not developed any consolidated strategies in response to the security situation. There is no unified strategy while the main issues are related to the safety and security of media personnel. Media representatives and their unions have raised this issue with the government and their respective media companies. There are only a few cases where journalists have been provided trainings, and security in the field. Bullet-proof jackets, helmets, and safety gear, have only been provided to a few people. The courage of these journalists and media persons who operate in such difficult and stressful circumstances must be recognized, and their endurance applauded. Among the many media persons out in the field it is the camera persons and photographers whose job demands that they are closest to the "theatre of war", to take pictures to send the story to the rest of the world.

Some television channels have shown silent empathy towards militancy. It was also felt that since access to the conflict areas is limited, only footage available of army operations is aired, and clashes between the military and the militants is rarely captured. There seems to be a very strong sense of patriotism within the media which does not allow a hard line of questioning to be raised. And there is no focus on the causes of

this conflict, on analysis of history, past and present foreign policy, political processes, and socio-economic factors which have contributed to the root of the conflict.

As discussed earlier, NGOs have formed an alliance with other stakeholders to develop strategies towards achieving peace. These are still in the early stages, but if the momentum grows it may offer some concrete alternatives to the people suffering in the conflict zones. The media has a role to play here as well, in terms of strengthening the movement, supporting the issue of peace, and projecting the message to a wider audience. Issues such as peace and solutions towards harmony are not being emphasized in the media in general. Some channels do discuss this issue, and have covered events organized by these peace movements, but they are limited in their outreach, and there is yet to be a concerted response from the media to the causes of the conflict and finding solutions for peace.

Media in Pakistan has always been inclined to cover political stories as opposed to investigative reporting or development issues. The focus, content, and agenda of each media company depends on the policies of the company owners, and senior news directors and editors. In recent years, the change in political and security situation is reflected in the media as well. In terms of coverage, there has been an increase in reporting about conflict, because these are issues faced on a daily basis. This has led to more "on the spot" reporting, and gradually an analysis of the problem has also emerged. Coverage of issues related to security and an analysis of events dominates the print media, and on television talk shows there is a constant discourse and debate on the implications of the growing threat to security. To a large extent the media has been supportive of the army-led operation. However, it is important to note that a consensus has not developed within the media on what the conflict is all about, and whether there is a need for a collective stance.

Conclusions

The key findings are from this chapter on the impact of the security situation, and responses from development NGOs and media are summarized below.

- Apart from the general public, the main institutions which have been targeted, with loss of property and life have been educational institutions, non-governmental organizations, and journalists. Hundreds of schools have been destroyed, the number is increasing with each passing day. Staff of all three sectors have been killed, kidnapped or wounded.
- While there is no single and collective strategy, by and large, civil society has demonstrated a commitment to continuing its development work and reaffirms their agenda towards supporting peace and harmony.
- In response to the situation in the country, many NGOs have added relief and rehabilitation to their ongoing work, either developed or enhanced their programs on advocacy for rights and peace, and set up people's networks in and around the affected areas.

- Civil society discourse is increasingly focusing on the cruciating affects of the nexus that exists between social development, democracy, peace and good governance.
- Some donors have made commitment to assist civil society and strengthen its initiatives, but very little of this commitment is as yet tangible especially in the directly affected areas such as Malakand and FATA.
- Media, particularly journalists are among the most vulnerable and unprotected. They are caught between the security agencies and the terrorists and prone to attacks from both. The most vulnerable are those reporting from the "war zones." Most TV channels and newspapers rely on stringers and district correspondents in tribal regions, and Malakand, since they are reluctant to send their senior journalists unprotected into these areas.
- To a large extent the media has been supportive of the army -led operation, However, it is important to note that a consensus has not developed within the media " on what the conflict is all about, and if there is a need for a collective stance."
- Media has yet to find a role for itself in promoting peace and tolerance and in joining hands with other members of the civil society to carve out a strategy which can help reduce the prevailing terror and fear.

It is indeed very clear to all that only an army operation is not the answer to a problem of this scale currently faced by Pakistan. It is important for the state and society to come together, recognise the issues, accept each other's roles and responsibilities and come to a shared vision of what needs to be done to get out of the quagmire of terror. Equally important is to develop a national consensus on a comprehensive strategy and a shared program to combat terrorism.

Although public opinion has changed to some extent, civil society remains divided over the justification of the army operations, and the war on terror. This is partly due to anti west sentiments amongst Pakistanis and partly due to the silence maintained by, and lack of condemnation of terrorist attacks from any of the religious parties or clerics. Opinions are divided on the justification of the US drone attacks, and while these claim to have killed many key terrorist leaders, they have also caused collateral damage. For any anti terror strategy to succeed, the actions taken by the state need to be seen to be just and in the interests of the public whereas, the civil society needs to come forward and play a greater role in building an environment conducive to the making of a just and inclusive society.

NOTE:

¹ Daily Dawn, April27, 2010.

² Pakistan Institute of Peace Studies (PIPS), Security Reports.

³ Verbal communications by a senior staff member of a national NGO

⁴ Reporting from the Frontier, media capacity building for peace in Pakistan's Tribal areas, Altafullah Khan

⁵ Capital Talk, Geo News, May 3rd, 2010.



IN SEARCH OF A SOLUTION

8

CHAPTER 8

*The situation demands
for adopting a
consensus-based
strategy aiming both at
preventing terrorism and
minimizing its effects on
social development.*

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10



IN SEARCH OF A SOLUTION

The previous chapters have demonstrated that Pakistan is confronting a dire and unprecedented crisis of its history. Pakistan joined the coalition for the war on terror primarily because of the changed international political environment, which was defined by unilateralism and coercive diplomacy. Over the past one decade, incidence of terrorism has spread all over the country affecting all the major cities of Pakistan including FATA and its bordering areas. However, militancy, extremism, violence and intolerance are not an exclusive outcome of war on terror but also have deep seated roots embedded in systemic failure both of institutions and social development policies. The crisis is multidimensional and can be characterized by a political-security-development nexus where each factor feeds into the other and the failure on one front raises the probability of failure on all fronts.

Terrorism has taken a heavy toll on Pakistan's economy, which is faced with challenges such as slowdown of economic growth, decline in investment, high inflation and higher levels of fiscal and current account deficits. The costs of participation in the war on terror are rising exponentially in terms of dislocation of economic activity, high losses of life and property and impact on the investment climate. The war has shifted public expenditure priorities away from the social sectors especially after 2004-05, which has caused a slowdown in the pace of social development. During the past decade, most of the social development indicators have shown little or no improvement. For instance, the SPDC estimates show the incidence of poverty at 38 percent in 2007-08, which may have crossed 40 percent by the end of 2010. The war has caused serious regression in Pakistan's efforts to meet the targets of the MDGs by 2015.

The province of Khyber Pakhtunkhwa has particularly suffered large economic losses due to the war on terror. At the household level, the armed conflict have disrupted the lives and livelihoods of local populations. The SPDC survey of households in selected affected areas of the province shows an average decline of 75 percent in nominal income of households. Per capita expenditures of about 56 percent of households are below the poverty cut-off point in the sample areas affected by the on-going conflict. The extent and magnitude of child labour in these areas have increased alarmingly where about 13 percent boys aged 10-17 are currently engaged in paid employment. Among these, about 4 percent have entered the labor market after 2008. Another disconcerting dimension of the impact of war, which is largely ignored in public discourse, is the mental health of the people in affected areas. According to the survey findings, 67 percent heads of households could be termed as having significant psychological distress and being "potential psychiatric cases".



Both the state and the civil society have responded to the crisis in different ways and to a different extent. The single most prominent difference between the response of the state and civil society sector is in their approach and strategy. While the state is relying on short term military offensives against militants, civil society organisations are more directly involved with different segments of society. Though there is no single and collective strategy, the civil society, by and large, has demonstrated a commitment to continuing its development work and reaffirmed its agenda towards supporting peace and harmony.

The situation demands for adopting a consensus-based national strategy aiming both at preventing terrorism and minimizing its effects on social development. In view of the analysis and findings presented, some key recommendations are:

- The analysis of budgetary priorities indicates sizable shift of public resources from social sectors to defence and public safety affairs. Moreover, the focus on internal and external unprecedented security has caused a change in the development priorities envisaged in MTDf whereby the financial resources have been taken away from socio-economic sectors. This not only affected the economic growth but has also influenced the pace of social development. Therefore, during the course of the on-going conflict, efforts need to be made to minimize the negative effects of the security crisis on social development. It needs to be ensured that security related expenditures are not enhanced at the cost of spending on socio-economic sectors.
- The 7th NFC Award allocates higher share of taxes to provincial governments, which provides a window of opportunity to provincial governments to focus more on social and economic development. The provincial governments need to ensure that these resources are effectively utilised for achieving MDGs targets. One of the key features of the 7th NFC Award is higher transfers of resources to relatively less developed provinces. These provinces need to avail the opportunity to reduce the gap in socio-economic development among provinces.
- Together with security crisis, supply bottlenecks including gas and power load shedding are considered as a major factor affecting private investment and economic growth. The decline in private investment and economic growth also leads to greater unemployment, which may cause further worsening of the security situation. Therefore, a sustainable and cost effective solution is needed to remove supply bottlenecks.
- In order to make a meaningful impact, the recently announced relief packages by the federal and provincial governments need proper and timely implementation. Moreover, in the development projects, effective targeting of affected population and regions needs to be assured. It is equally important to ensure transparency in utilisation of resources by devising appropriate mechanism for monitoring and evaluation.



- Though a direct and causal link has not been established between poverty and terrorism, there is ample evidence to suggest that a large number of people who join militant groups are from the lowest socio-economic segments of the population in Pakistan. Therefore, the national goal of poverty reduction should be considered an essential element of the strategy to eliminate terrorism.
- It is a known fact that majority of the suicide attacks have been carried out by young males. Given that there is relatively high unemployment rate among youth - the highest in Khyber Pakhtunkhwa compared to other provinces - it can be inferred that 'unemployed young males' are more prone to join the militant groups. There is an urgent need to initiate skill development programs for youth, both in urban and rural areas. The programs need to be designed in accordance with the demand for labour in local economies. Moreover, the programs must have a component on youth career guidance.
- In affected areas, the process of infrastructure development and rehabilitation and re-integration of people needs immediate attention. Rebuilding of schools, destroyed houses, and small industries needs to be done on a priority basis.
- Systemic weakening of the institutions has caused sufferings and insecurity at the societal level. The trend shows that at large governance indicators have worsened over time. The increasing socio-economic disparities alongwith the weakening of governmental institutions have created the vacuum for the emergence of non-state groups. Disequilibrium existing between political institutions and institutions of bureaucracy and military is believed to be one of the major of causes leading to this situation. It is important to address the culture of power politics existing between these institutions.
- There is a need to initiate dialogue at provincial and federal level involving all political parties and representatives from the various segments of civil society for developing consensus on various dynamics of the issues of security. Also, required is a multidisciplinary fact-based research to develop a preventive strategy.
- The Parliamentary Committee on National Security has drafted recommendations to curb terrorism, including banning all militant groups, destruction of all militant training camps, development in conflict areas and application of anti terrorism laws. Recommendations of the committee need to be taken into account for developing the peace plan.
- The parliamentary committee has also called for cessation of the drone attacks in Pakistan. While these claim to have killed many key terrorist leaders, they have also caused major collateral damage. The government needs to take a clear stance on the controversies surrounding the drone attacks and take its people on board.

- The state and society need to address all the various forms and manifestations of extremism and violence. The government needs to play its role in providing an enabling environment for civil society organisations seeking to establish trust, generate ideas and collective actions in affected areas.



In summary, it has become very clear to all that military offensives against militants is a necessary but not a sufficient strategy to mitigate terrorism and violence in the country. It is important for the government to ensure a balance between the military and the civilian surge strategy. Equally important is for the state and society is to come together, recognise the issues, accept each other's roles and responsibilities and develop a shared vision of what needs to be done to escape from the quagmire of terror.



APPENDICES

APPENDICES

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10

A.1

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Social Development in Pakistan: Towards Poverty Reduction

Annual Review 2000.

Social Development in Pakistan: Social Development in Economic Crisis

Annual Review 1999.

Social Development in Pakistan

Annual Review 1998.

CONFERENCE PROCEEDINGS

Proceedings of the Seminar on Prospects and Policies for the Future

CPP 4, January 2000.

Proceedings of the Second Conference on Resource Mobilization and Expenditure Planning

CPP 2, March 1995.

Proceedings of the Conference on Resource Mobilization and Expenditure Planning

CPP 1, April 1993.

OTHER PUBLICATIONS

The Elimination of Textile Quotas and Pakistan-EU Trade

*Shaghil Ahmed, Iffat Ara, Aurangzeb, Haider Hussain and Abdul Aleem Khan
Research Report, March 2007*

ABC of the Economics of Tariffs and Import Quotas

*Shaghil Ahmed and Iffat Ara
Booklet, April 2007*

The Elimination of Textile Quotas and Pakistan-EU Trade

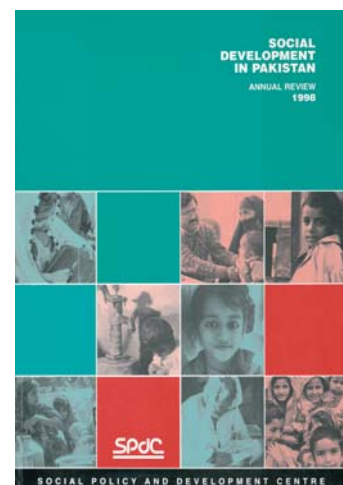
*Iffat Ara
Policy Brief, April 2007*

A.2

ANNUAL REVIEWS OF SOCIAL DEVELOPMENT IN PAKISTAN

Annual Review of Social Development in Pakistan 1998

First of the annual series, the Review of Social Development in Pakistan was launched in the wake of a growing realization that the country was lagging behind in social development. It was felt that access to basic social services such as primary education, health care, and drinking water was limited, and that social underdevelopment had, perhaps, begun to slow down the pace of economic development as well. As such, the Review addressed the relationship between economic and social development, and the central role of human development in the growth process. It then traced in detail the evolution of the social sectors in Pakistan over the 50 years since independence, and compared Pakistan's social development between the provinces and with other countries in the region. Based on the custom-developed 242-equation Integrated Macroeconomic & Social Policy Model, a detailed quantitative analysis and assessment was made of the government's programmes and policies in the social sectors, including the Social Action Programme - the largest single social development programme in Pakistan's history - focusing on issues such as sources of financing, user-charges, and issues relating to cost-effectiveness of social service provision.



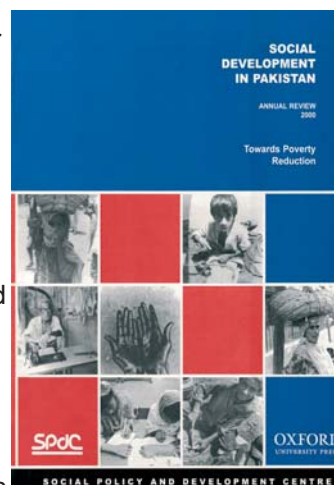
Social Development in Economic Crisis *Annual Review of Social Development in Pakistan* 1999

The second Review dealt with social development in an environment of severe economic crisis caused by international sanctions imposed on Pakistan following the country's decision to conduct the nuclear tests. The Review began by tracing the short and long term causes of the crisis, leading to Pakistan's return to the IMF/World Bank program. Further, based on SPDC's 246-equation Integrated Macroeconomic & Social Policy Model, it quantified the cost of the economic sanctions following the adoption of the nuclear path. It delineated the various options available to deal with the crisis, including the path of self-reliance, to achieve sustained development. It then explored the impact of each option on some of the key social dimensions: poverty, unemployment and the status of women and children. It also appraised the Social Action Programme, and forewarned that it was in jeopardy due to growing fiscal and institutional constraints. Given the prospect of rising poverty, it examined the types, nature and adequacy of different social safety nets - governmental as well as non-governmental - and highlighted the underlying problems of coverage and targeting.



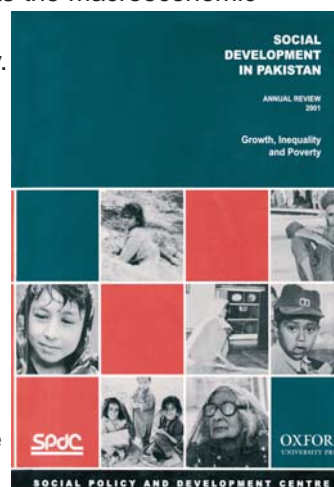
Towards Poverty Reduction **Annual Review of Social Development in Pakistan** **2000**

The Review focuses on the subject of poverty, identifying its nature, extent and profile, and highlighting the structural dimensions of poverty. Based on the conclusions that a poverty reduction strategy will have to be comprehensive and multidimensional in character, it covers a wide agenda. It comprises an appraisal of the role of the informal economy, not only as a residual employer but also as a household or community based welfare and support system, in mitigating poverty. Based on the results of SPDC's 250-equation Integrated Macroeconomic & Social Policy Model, it underlines the need for appropriate macroeconomic and fiscal policies to achieve faster growth in income and employment. In this respect, macro and micro aspects of a revival strategy, including options such as reducing the tax burden on the poor and orienting public expenditure towards the poor have been outlined. It also covers structural issues such as land reforms and development of human resources through access to social services, particularly pro-poor services. It discusses different elements of a strategy consisting of increased economic opportunities for the poor, their empowerment, and access to welfare and support through appropriate social safety nets, namely, public works, microfinance, food support and zakat. It also deals with issues of governance and poverty, devolution, economic governance, institutional capacity, and corruption.



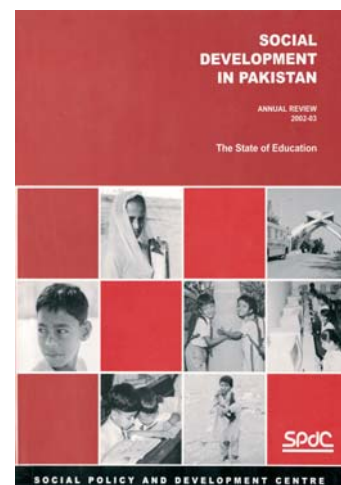
Growth, Inequality and Poverty **Annual Review of Social Development in Pakistan** **2001**

The Review is a detailed analysis and documents the pervasive inequalities across class and regional lines and in access of social services. Spread over six chapters, it begins with the profile of achievements in the realm of economic and social development since 1947; acknowledging as well that the gains have not been equitably distributed. Based on SPDC's 255-equation Integrated Macroeconomic & Social Policy Model, it presents the macroeconomic analysis of the state of the economy, along with the factors behind the aggregates with respect to unemployment, inequality and poverty. It questions the balance between stabilization and growth objectives and discusses policy options that can help or hurt the poor. There follows a comprehensive analysis of inequality from different perspectives: income inequality, consumption inequality, inequality between income groups - nationally and province-wise - inequality in public services and land inequality. The next chapter is devoted to inequality between and within provinces, including a district analysis and ranking of deprivation levels. Social policy finds specific attention, with a review of housing and evaluation of the ambitious Five Point Programme and the Social Action Programme. The last chapter attempts to provide an overview of the factors that determine inequality and poverty, and more generally, social development.



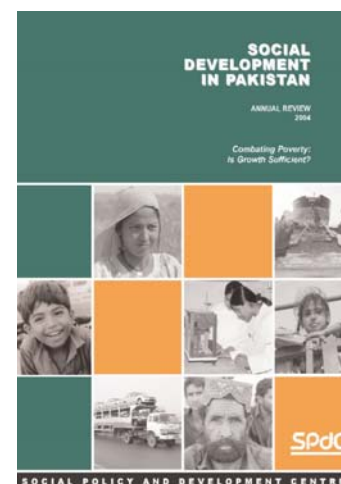
The State of Education Annual Review of Social Development in Pakistan 2002-03

The Review is an in-depth analysis of the state of education in Pakistan. It breaks new ground, given that the traditional discussion relating to education has generally been limited to the issue of enrolment, particularly primary and girls' enrolment, and resource allocation. The Review is spread over seven chapters and begins with a broad profile of education in the country: Pakistan's standing regionally; literacy, enrolment and dropout trends; and availability of schools and teachers. It then documents the regional and class inequalities in education indicators, issues relating to the role of education in development - particularly in the context of the emergence of the knowledge based economy - and fiscal and sociopolitical factors that have inhibited the growth of education. The discussion ranges from the federal-level macroeconomic policy imperatives that have constrained provincial-level resource allocation to social sectors to the role of land inequality on education. There follows specific chapters devoted to critical issues in primary education and science education - matters relating to curriculum, textbooks and examinations- and a final chapter that discusses the sociopolitical impact of the creation of multiple and mutually exclusive streams of education in the country.



Combating Poverty: Is Growth Sufficient? Annual Review of Social Development in Pakistan 2004

SPDC has over the years consistently highlighted the problems of social underdevelopment and inequality and poverty. It has advocated a macroeconomic policy framework that is pro-poor and leads to equitable growth; with equity defined in terms of class, region and gender. The Annual Review 2004 attempts to further advance this agenda. While earlier Reviews have largely been diagnostic, this issue is more prescriptive in nature. It suggests a policy framework whereby accelerated growth and rapid poverty reduction can be rendered complementary and feasible in the medium term. The Review presents a vision of poverty reduction at the outset and subsequent chapters provide empirical support for the suggested strategy. Spread over five chapters, it begins with the analysis of the development experience during the different political eras over the past three decades. It appraises the officially adopted national and provincial Poverty Reduction Strategy Papers (PRSPs). The Review presents the hard empirical analysis of the relationship between growth, inequality and poverty reduction and establishes the imperative of engaging with the issue of inequality to achieve poverty reduction. It also analyses the distribution of the burden of taxes and the benefits of public expenditure, with the objective of rendering the



fiscal regime pro-poor. Further, it discusses issues relating to land reform - considered an essential factor in rural poverty reduction. In addition, the Review also includes a Sector Study, which focuses on the demand and supply aspects of export growth as a means to manage the current account balance.

Trade Liberalization, Growth and Poverty **Annual Review of Social Development in Pakistan** **2005-06**

Since the late 1980s, there has been a clear effort to reduce trade barriers and to liberalize the economy in Pakistan, and this effort has been accelerating over time. The events of September 11, 2001 - and the GoP's response to them - have also led to a substantial change in the external environment facing Pakistan.

The above changes raise a host of questions: What has been the pace and sequencing of trade liberalization in Pakistan? How do Pakistan's trade restrictiveness measures compare to those of other developing countries in Asia? How has Pakistan's trade evolved over time in response to liberalization and how does this compare to the evolution of trade in other developing countries of Asia? What are the most important channels through which the process of trade liberalization affected Pakistan's economy? If trade had not been liberalized in Pakistan, would the economic growth, inflation and poverty situation be better or worse? How can policy makers guard against the adjustment costs of trade liberalization and reap maximum gains from any further increases in trade openness? How have the changes in the external environment and the policy responses resulting from the tragic events of September 11, 2001 shaped Pakistan's economy? How are the effects of the textile quota removal likely to play out on Pakistan's exports going forward? What policies would work best for the GoP's avowed objective in the MTDF of enhancing exports to achieve sustainable high growth?

Trade Liberalization, Growth and Poverty, SPDC's seventh annual review of social development in Pakistan, attempts to answer these questions. It places the on-going worldwide debate on the interactions between trade liberalization, growth and poverty in the context of Pakistan. The authors isolate the effects of trade liberalization on Pakistan's economy using econometric techniques and evaluate the empirical evidence in light of the predictions of economic theory. Policy implications concerning the GoP's goal of poverty alleviation are drawn from the results.



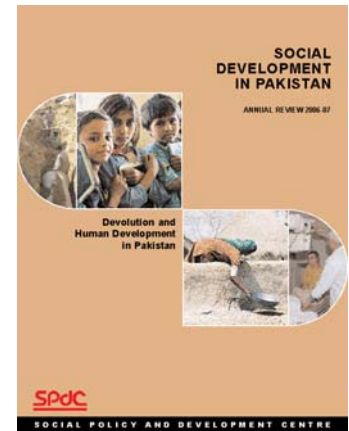
Devolution and Human Development in Pakistan **Annual Review of Social Development in Pakistan** **2006-07**

Implementation of the Devolution Plan in 2001 represents a significant move towards the decentralization of basic services in Pakistan. Six years ago a new legislative framework was introduced to bring a noticeable change in society. With the promulgation and implementation of the Local Government Ordinance, the responsibility of the provision of a large number of basic

social services such as education, health and water supply and sanitation was devolved to the local level.

The critical appreciation of the efforts has raised questions such as: To what extent devolution has improved efficiency in public services? Has devolution empowered the people? Has it improved efficiency and equity in terms of fiscal decentralization? What has been the effect of devolution on human development, regional disparities, gender equality and poverty in Pakistan?

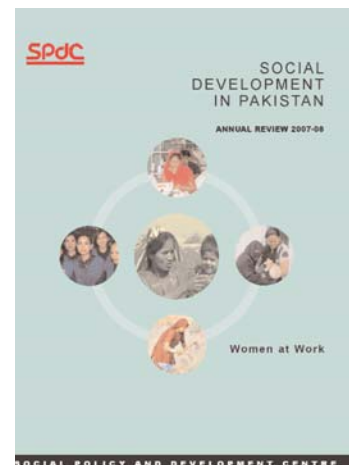
Devolution and Human Development in Pakistan being eighth in the series of Annual Review looks into various dimensions of the process of devolution and decentralization i.e. efficiency, equity, people's participation and empowerment. The report deals with the saliences of the problem and has proposed second generation reforms.



Women at Work

Annual Review of Social Development in Pakistan 2007-08

In Pakistan, although women's labour force participation rate has increased from a very low level to almost 22 percent, it is still disappointing as out of the total female population, 78 percent of women of productive age are out of the labour force. A large part of employed women are working as unpaid family helpers or engaged in residual jobs. These alarming statistics guided SDPC to investigate questions such as: Is there any dynamism in the structure of female employment in Pakistan? Has improvement in women's education translated into their greater integration in the economy? Can women labour force participation be increased by encouraging women entrepreneurship? Will development of the microcredit sector help in generating employment opportunities for women? Does gender differential exist in access to paid jobs, especially at higher levels of education? Does vertical gender segmentation prevail in the labour market of Pakistan? What explains the gender wage gap? Is there any evidence of sexual harassment and violence against women in the workplace in Pakistan? Does domestic legislation provide an enabling environment for working women? How have the recent adverse economic developments affected the working woman? Women at Work, SPDC's ninth Annual Review of Social Development in Pakistan attempts to answer these questions. It also sets out a multi-pronged strategy for promoting women's employment in Pakistan by addressing gaps in various socioeconomic policies.



SELECTED SOCIAL DEVELOPMENT INDICATORS

SELECTED SOCIAL DEVELOPMENT INDICATORS

SOCIAL DEVELOPMENT IN PAKISTAN, 2009-10

EDUCATION

Year	LITERACY RATE			MEAN YEARS OF SCHOOLING			COMBINED ENROLMENT RATE		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
PUNJAB									
1990	45.5	24.2	35.4	3.3	1.0	2.2	36.4	23.6	30.3
1995	52.9	30.3	42.1	3.9	1.4	2.7	36.0	27.0	31.6
2002	63.5	41.7	52.8	9.0	4.7	3.5	38.2	30.7	34.5
2004	63.6	42.9	53.3	9.4	8.7	3.7	39.3	32.3	35.9
2006	66.0	47.0	56.0	4.6	2.3	3.5	52.5	45.3	49.0
2007	67.0	48.0	58.0	4.6	2.4	3.5	54.7	47.3	51.1
2008	70.0	48.0	59.0	4.9	2.6	3.7	55.8	48.0	52.0
2009	69.0	50.0	59.0	5.0	2.7	3.8	56.9	48.6	52.8
SINDH									
1990	45.6	26.9	36.9	4.4	1.5	3.0	32.5	13.1	23.3
1995	51.7	31.5	42.3	4.7	2.0	3.4	31.6	17.3	24.8
2002	58.7	38.9	49.3	10.4	5.9	4.3	34.5	24.0	29.4
2004	66.9	42.2	55.3	10.7	6.4	4.5	36.9	26.6	31.9
2006	67.0	42.0	55.0	5.5	2.7	4.2	47.7	37.6	43.0
2007	67.0	42.0	55.0	5.9	2.7	4.4	51.7	41.1	46.8
2008	69.0	42.0	56.0	6.0	2.7	4.4	52.8	41.7	47.9
2009	71.0	45.0	59.0	6.1	2.7	4.5	54.0	42.4	48.9
NWFP									
1990	36.1	12.0	24.5	2.6	0.3	1.5	43.5	12.1	28.5
1995	45.3	17.0	31.5	3.1	0.4	1.7	46.3	17.7	32.5
2002	60.4	24.1	42.2	8.0	1.7	2.5	41.1	32.9	37.2
2004	61.8	25.2	43.0	8.5	2.2	2.7	52.2	28.1	40.5
2006	64.0	30.0	46.0	4.1	1.0	2.5	59.1	33.9	46.6
2007	67.0	28.0	47.0	4.8	1.1	2.9	63.1	38.3	51.2
2008	68.0	33.0	49.0	4.7	1.2	2.9	65.4	40.4	53.3
2009	69.0	31.0	50.0	5.0	1.3	3.0	67.7	42.5	55.5
BALUCHISTAN									
1990	23.1	8.2	16.3	1.9	0.3	1.1	26.0	9.1	18.4
1995	30.4	11.9	21.9	1.8	0.2	1.1	30.1	13.1	22.4
2002	41.1	18.6	30.5	5.3	1.0	1.7	31.0	19.7	25.8
2004	52.1	17.6	36.0	6.3	1.4	2.1	30.1	21.3	26.0
2006	54.0	20.0	38.0	3.2	0.6	1.9	47.6	26.3	38.3
2007	58.0	22.0	42.0	3.6	0.7	2.2	59.8	37.9	50.0
2008	66.0	23.0	46.0	4.4	0.8	2.7	58.7	42.4	51.4
2009	62.0	23.0	45.0	5.1	0.9	3.1	58.5	46.8	52.8
PAKISTAN									
1990	43.2	22.4	33.3	3.4	1.0	2.3	35.9	18.8	27.7
1995	50.5	27.9	39.7	3.9	1.4	2.7	36.1	22.7	29.6
2002	60.9	37.7	49.6	8.2	3.4	3.0	37.3	28.9	33.2
2004	63.7	39.2	51.6	8.8	4.8	3.3	40.1	29.8	35.1
2006	65.0	42.0	54.0	4.7	2.1	3.5	52.0	40.8	46.6
2007	67.0	42.0	55.0	4.9	2.2	3.6	55.4	44.0	50.0
2008	69.0	44.0	56.0	5.1	2.3	3.7	56.6	45.1	51.1
2009	69.1	45.0	57.0	5.3	2.4	3.8	57.8	46.2	52.3

Definitions:

Literacy rate: The number of literate persons as a percentage of population aged 10 and above.

Mean year of schooling: Average number of years of schooling received per person aged 25 and above.

Combined enrolment rate: The number of students enrolled in all levels as a percentage of the population aged 5 to 24.

Notes:

- Figures for Pakistan represent the four provinces combined
- Prior 2002, primary and secondary school enrolment represent only the enrollment in government sector
- Mean years of schooling and combined enrollment rates for 2009 are extrapolated

Sources: 1. Development Statistics of Provincial Governments (various issues); 2. Education Statistics of Provincial Governments (various issues); 3. GOP, Pakistan School Statistics, Central Bureau of Education (various issues); 4. GOP, Pakistan Education Statistics, Central Bureau of Education (various issues); 5. National and Provincial Education Management Information Systems (various issues); 6. GOP, Labour Force Survey, Federal Bureau of Statistics (various issues); 7. GOP, Census Report of Pakistan, Population Census Organization (various issues); 8. Facts & Figures Pakistan 2002, Ministry of Education, EFAWing; 9. PSLM (various issues), Federal Bureau of Statistics; 10. National Education Census (various issues) FBS, GOP

EDUCATION

Gross Primary Enrolment Rate

Year	URBAN			RURAL			TOTAL		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
PUNJAB									
1996	95	92	93	82	62	72	85	70	78
1999	91	97	94	79	58	69	82	68	75
2002	95	93	94	80	61	70	84	69	76
2005	111	108	110	96	82	89	100	89	95
2006	112	107	110	93	83	88	98	89	94
2007	113	111	112	103	88	96	106	95	100
2008	113	110	111	97	86	92	102	92	97
2009	110	110	110	99	86	93	102	92	97
SINDH									
1996	95	90	93	78	39	59	86	62	74
1999	100	88	94	59	33	47	75	54	64
2002	91	78	84	69	37	53	76	51	63
2005	103	94	99	70	44	58	84	65	75
2006	103	96	100	79	51	66	88	71	80
2007	105	101	103	77	45	63	88	68	79
2008	102	100	101	77	53	66	87	72	80
2009	107	99	103	83	57	72	93	75	84
NWFP									
1996	88	82	85	79	42	61	85	70	78
1999	97	83	90	82	49	66	84	54	70
2002	100	86	93	96	52	74	97	56	77
2005	100	84	92	92	62	78	93	65	80
2006	98	84	91	93	67	81	93	70	83
2007	98	89	94	96	63	80	96	67	82
2008	97	91	94	94	67	81	94	71	83
2009	101	92	97	102	67	85	102	70	87
BALUCHISTAN									
1996	97	72	96	84	61	73	86	63	75
1999	99	77	88	77	42	61	79	46	64
2002	98	75	88	73	38	57	77	44	62
2005	101	86	94	79	41	61	83	49	67
2006	100	83	92	72	41	57	79	50	65
2007	104	78	92	85	45	67	89	52	72
2008	106	87	97	83	50	68	88	59	75
2009	109	91	100	89	45	68	93	54	75
PAKISTAN									
1996	95	90	92	81	54	68	85	64	75
1999	95	92	94	75	50	63	80	61	71
2002	80	52	66	80	52	66	83	61	72
2005	107	100	104	89	68	79	94	77	86
2006	107	100	104	89	71	80	94	80	87
2007	108	104	106	95	72	84	99	81	91
2008	108	104	106	92	74	83	97	83	91
2009	108	104	106	95	74	85	99	83	91

Definition:

Gross Primary Enrolment Rate: The number of total students enrolled in primary level classes (I to V) as a percentage of the population aged 5 to 9.

Sources:

1. Pakistan Integrated Household Survey, 1998-99 and 2001-02, Federal Bureau of Statistics, Government of Pakistan.
2. Pakistan Social and Living Standards Measurement Survey, 2004-05, 2005-06, 2006-07 and 2007-08, Federal Bureau of Statistics, Government of Pakistan.

EDUCATION**Net Primary Enrolment Rate**

Year	URBAN			RURAL			TOTAL		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
PUNJAB									
1996	55	55	55	49	34	42	50	39	45
1999	54	57	56	44	35	40	47	40	44
2002	57	58	57	44	38	41	47	43	45
2005	69	68	68	57	50	54	60	55	58
2006	72	68	70	56	47	52	60	53	57
2007	69	70	70	62	55	59	64	59	62
2008	71	72	71	59	54	56	62	59	61
2009	72	72	72	61	55	58	64	60	62
SINDH									
1996	58	57	57	45	24	35	50	39	45
1999	63	57	60	37	21	29	47	35	41
2002	56	50	53	41	25	33	46	34	40
2005	64	59	61	45	29	38	53	42	48
2006	62	63	62	48	34	42	54	47	50
2007	67	61	64	49	31	41	56	43	50
2008	61	62	62	51	35	44	55	46	51
2009	64	62	63	53	40	47	57	49	54
NWFP									
1996	52	50	51	40	24	32	42	28	35
1999	59	49	54	45	27	37	47	30	39
2002	59	51	55	47	31	39	48	33	41
2005	58	52	56	52	37	45	53	40	47
2006	59	52	55	54	40	47	54	42	49
2007	59	53	56	56	39	48	56	41	49
2008	59	55	57	55	39	47	55	41	49
2009	65	56	61	57	43	50	58	45	52
BALUCHISTAN									
1996	57	41	49	49	39	44	51	39	45
1999	58	51	54	42	25	34	44	28	36
2002	55	41	49	36	21	29	39	24	32
2005	59	53	56	41	24	33	44	29	37
2006	51	42	47	36	23	30	39	27	34
2007	58	49	54	46	28	38	49	32	41
2008	61	53	57	42	29	36	47	35	41
2009	61	56	59	49	31	40	51	36	44
PAKISTAN									
1996	56	55	55	47	31	39	49	38	44
1999	58	56	57	43	30	37	47	37	42
2002	57	54	56	43	33	38	46	38	42
2005	53	42	48	53	42	48	56	48	52
2006	66	64	65	53	42	47	56	48	53
2007	67	65	66	57	46	52	60	51	56
2008	66	67	66	56	46	51	59	52	55
2009	68	67	68	58	48	53	61	54	57

Definition:

Net Primary Enrolment Rate: The number of students aged 5-9 enrolled in primary level classes (I to V) as a percentage of the population aged 5 to 9.

Sources:

1. Pakistan Integrated Household Survey, 1998-99 and 2001-02, Federal Bureau of Statistics, Government of Pakistan.
2. Pakistan Social and Living Standards Measurement Survey, 2004-05, 2005-06, 2006-07 and 2007-08, Federal Bureau of Statistics, Government of Pakistan.

EDUCATION									
Net Middle Enrolment Rate									
Year	URBAN			RURAL			TOTAL		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
PUNJAB									
1999	27	26	26	18	12	16	21	16	19
2002	24	32	28	16	12	14	18	18	18
2005	28	30	29	18	14	16	21	19	20
2006	31	31	31	17	14	16	21	19	20
2007	27	29	28	19	14	17	21	19	20
2008	23	32	27	16	15	16	18	20	19
2009	29	33	31	20	17	18	23	21	22
SINDH									
1999	29	27	28	14	3	9	20	13	17
2002	22	27	24	12	4	8	15	12	14
2005	28	25	26	14	5	10	20	15	18
2006	25	28	26	12	3	8	18	16	17
2007	27	25	26	13	5	9	19	14	17
2008	23	28	25	19	6	13	21	16	18
2009	24	24	24	19	8	14	21	15	18
NWFP									
1999	24	17	21	15	5	10	16	7	11
2002	25	21	23	15	6	11	16	8	12
2005	24	22	23	19	9	14	20	11	16
2006	23	19	21	14	12	13	15	12	14
2007	25	19	23	19	9	15	20	11	16
2008	22	20	21	17	9	13	18	11	14
2009	27	24	25	19	11	16	20	13	17
BALOCHISTAN									
1999	23	13	18	9	5	7	11	6	9
2002	19	13	16	10	2	6	11	4	8
2005	18	17	17	8	4	6	10	7	8
2006	13	15	14	6	2	4	8	6	7
2007	19	22	20	9	3	6	11	7	9
2008	26	23	24	10	5	8	14	10	12
2009	22	18	20	12	4	9	14	8	11
PAKISTAN									
1999	27	25	26	16	9	13	19	13	16
2002	15	8	12	15	8	12	17	14	16
2005	27	27	27	17	11	14	20	16	18
2006	27	28	28	15	11	13	19	16	18
2007	27	27	27	17	11	14	20	16	18
2008	23	29	26	17	12	14	18	17	18
2009	27	28	27	19	13	16	21	18	20

Definition:

Net Middle Enrolment Rate: The number of students aged 10 to 12 enrolled in middle level classes (VI to VIII) as a percentage of the population aged 10 to 12.

Sources:

1. Pakistan Integrated Household Survey, 1998-99 and 2001-02, Federal Bureau of Statistics, Government of Pakistan.
2. Pakistan Social and Living Standards Measurement Survey, 2004-05, 2005-06, 2006-07 and 2007-08, Federal Bureau of Statistics, Government of Pakistan.

EDUCATION

Net Matric Enrolment Rate									
Year	URBAN			RURAL			TOTAL		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
PUNJAB									
1999	14	18	16	9	4	6	10	8	9
2002	15	18	17	10	6	8	12	10	11
2005	17	20	18	9	7	8	12	11	11
2006	14	17	16	7	7	7	9	11	10
2007	16	20	18	9	6	8	11	11	11
2008	15	19	17	12	9	10	13	12	13
2009	18	22	20	12	9	10	14	13	13
SINDH									
1999	16	16	16	12	3	7	14	9	12
2002	17	12	14	5	3	4	10	7	9
2005	17	19	18	9	3	6	13	11	12
2006	16	17	16	6	2	4	11	10	11
2007	15	15	15	7	2	5	11	9	10
2008	13	17	15	9	3	6	11	10	11
2009	17	14	16	9	4	7	13	10	11
NWFP									
1999	8	12	10	5	1	3	6	3	4
2002	10	12	11	5	3	4	6	5	5
2005	12	13	13	9	4	6	10	5	7
2006	16	8	12	10	4	7	10	4	7
2007	13	9	11	7	3	5	8	4	6
2008	14	7	10	5	5	5	6	6	6
2009	13	11	12	9	4	7	9	5	8
BALUCHISTAN									
1999	12	9	11	10	0	6	10	2	6
2002	6	5	6	2	1	2	3	2	3
2005	11	10	10	5	1	3	6	3	5
2006	11	13	12	3	2	3	5	5	5
2007	8	13	10	3	1	3	4	5	5
2008	12	10	11	4	1	3	6	4	5
2009	10	9	9	4	2	3	5	3	5
PAKISTAN									
1999	14	16	15	9	3	6	10	7	9
2002	8	5	6	8	5	6	10	8	9
2005	16	19	17	9	6	7	11	10	11
2006	15	16	16	7	6	6	10	9	10
2007	15	17	16	8	5	6	10	9	10
2008	14	17	16	10	7	8	11	10	11
2009	17	18	18	10	7	9	12	11	12

Definition:

Net Matric Enrolment Rate: The number of students aged 13 to 14 enrolled in matric level classes (IX to X) as a percentage of the population aged 13 to 14.

Sources:

1. Pakistan Integrated Household Survey, 1998-99 and 2001-02, Federal Bureau of Statistics, Government of Pakistan.
2. Pakistan Social and Living Standards Measurement Survey, 2004-05, 2005-06, 2006-07 and 2007-08, Federal Bureau of Statistics, Government of Pakistan.

EDUCATION

EDUCATION											
Year	Pupil-teacher ratio (Primary) ^a			Percentage of cohort reaching Class V			Availability of primary schools			Ratio of boys to girls (Primary)	% of female teachers (Primary)
	Male	Female	Total	Male	Female	Total	Male	Female	Total		
PUNJAB											
1975	43.4	39.6	42.0	52.1	31.2	43.8	176.0	258.0	207.0	1.9	36.0
1980	41.5	41.1	41.3	50.6	29.1	41.3	177.0	251.0	206.0	1.7	36.6
1985	36.1	43.3	38.4	44.1	28.0	37.2	129.0	256.0	169.0	1.7	32.6
1990	38.6	46.7	41.5	46.2	26.9	37.0	136.0	199.0	160.0	1.5	35.7
1995	35.9	49.9	40.9	50.0	32.8	41.3	149.0	221.0	176.0	1.3	35.9
2002	58.1	40.6	48.8	60.0	54.9	57.8	159.7	252.3	194.0	1.3	53.2
2005	57.0	36.2	45.7	51.1	63.3	55.4	159.3	259.1	195.7	1.3	54.7
2008	66.3	40.3	50.9	61.3	58.5	60.0	180.0	186.6	183.1	1.1	59.2
SINDH											
1975	27.9	20.6	25.3	36.8	43.5	38.6	136.0	661.0	220.0	2.5	35.6
1980	35.3	25.8	31.9	37.7	46.0	40.0	154.0	802.0	255.0	2.4	36.3
1985	40.2	30.1	36.5	36.2	41.9	37.9	129.0	633.0	210.0	2.3	36.6
1990	40.4	20.1	32.6	40.6	51.6	42.9	81.0	519.0	138.0	3.3	38.1
1995	22.0	27.1	23.4	38.5	35.4	37.5	82.0	416.0	134.0	2.0	28.5
2002	27.5	29.2	28.2	43.8	47.6	45.1	74.8	376.0	120.8	1.6	37.1
2005	30.3	33.0	31.3	44.7	48.7	46.1	74.2	365.5	119.4	1.5	37.4
2008	31.3	35.9	33.0	42.9	41.9	42.5	87.0	102.3	93.4	1.4	37.8
NWFP											
1975	52.5	52.2	52.4	40.4	37.5	39.7	196.0	510.0	279.0	3.3	23.4
1980	68.8	54.8	65.2	27.9	30.9	28.5	209.0	547.0	297.0	3.7	25.5
1985	50.9	48.9	50.5	23.5	20.3	22.8	207.0	541.0	294.0	3.7	22.1
1990	44.7	36.5	42.6	22.0	17.5	21.0	116.0	357.0	172.0	3.6	25.3
1995	36.8	41.8	38.1	21.2	20.9	21.1	83.0	287.0	126.0	2.5	26.0
2002	34.5	37.8	35.6	71.9	60.0	67.4	99.7	201.8	131.6	1.8	33.9
2005	32.6	30.6	31.9	-	-	-	102.4	212.9	136.2	1.9	35.7
2008	34.3	33.1	33.8	68.6	51.9	61.9	124.0	181.0	145.2	1.6	39.8
BALOCHISTAN											
1975	35.2	40.2	36.2	20.1	23.5	20.8	165.0	686.0	262.0	3.5	20.1
1980	38.3	53.9	40.7	22.9	21.8	22.7	197.0	857.0	315.0	4.0	15.1
1985	40.4	84.0	45.7	15.9	25.2	17.8	121.0	895.0	207.0	3.5	12.2
1990	23.6	41.0	26.1	14.2	26.8	16.5	93.0	869.0	159.0	3.4	14.4
1995	20.7	38.3	23.8	17.5	11.3	15.6	85.0	426.0	133.0	2.5	17.8
2002	66.8	55.2	62.0	39.7	40.8	40.1	91.1	206.5	121.0	1.7	41.5
2005	25.5	33.5	28.1	38.3	41.4	39.5	91.2	205.0	120.8	1.6	32.3
2008	29.0	35.7	31.3	45.4	43.2	44.6	115.3	270.8	154.4	1.6	34.2
PAKISTAN											
1975	39.6	34.4	37.8	45.2	33.7	41.3	167.0	343.0	221.0	2.2	34.1
1980	42.6	37.4	40.8	41.3	32.2	38.1	176.0	352.0	232.0	2.1	34.9
1985	39.1	40.4	39.5	36.1	29.5	33.8	136.0	348.0	192.0	2.1	31.7
1990	38.7	38.9	38.8	36.5	27.9	33.4	112.0	268.0	156.0	2.0	33.4
1995	30.7	42.5	34.4	37.3	30.4	34.5	110.0	267.0	153.0	1.6	31.1
2002	43.0	37.8	40.7	56.4	53.4	55.2	113.8	259.3	155.5	1.5	44.6
2005	41.1	34.5	38.1	56.7	63.1	59.0	113.9	264.7	156.5	1.4	45.1
2008	44.2	37.4	40.9	57.1	53.4	55.5	128.4	155.1	139.7	1.3	47.9

Definitions:

Pupil-teacher ratio (primary): The ratio of pupils enrolled in primary level classes (I to V) to the number of teachers in primary schools

Percentage of cohort reaching Class V: The percentage of children starting primary school who reach Class V

Availability of primary schools: The ratio of population aged 5 to 9 to the number of primary schools

Ratio of boys to girls (primary): The ratio of male students to female students enrolled in primary level classes (I to V)

Percentage of female teachers (primary): The number of female teachers as a percentage of total teachers in primary schools

Note: ^aData for 2002 onwards include private sector schools

Sources:

1. Development Statistics of Provincial Governments (various issues); 2. Education Statistics of Provincial Governments (various issues)
3. GOP, Pakistan School Statistics, Central Bureau of Education (various issues) 4. GOP, Pakistan Education Statistics, Central Bureau of Education (various issues); 5. National and Provincial Education Management Information Systems (various issues); 6. National Education Census 2005, FBS, GOP

EDUCATION

	Availability of Primary School Teachers ^a			Pupil-teacher ratio (Secondary) (Secondary)			Ratio of Boys to Girls (Secondary)	% of Female Teachers (Secondary)
Year	Male	Female	Total	Male	Female	Total		
PUNJAB								
1980	76.0	120.0	92.0	24.9	8.2	18.7	3.1	49.5
1985	57.0	108.0	74.0	26.7	8.6	18.1	2.7	53.5
1990	52.0	87.0	65.0	15.4	14.2	15.0	2.2	33.3
1995	50.0	84.0	62.0	14.6	16.6	15.3	1.8	33.2
2002	69.0	56.5	62.3	14.2	7.7	10.4	1.3	58.8
2004	74.0	57.1	64.8	16.0	8.2	11.3	1.3	59.4
2006	74.4	60.8	67.1	16.9	7.4	10.7	1.2	65.1
2007	76.0	59.2	66.9	17.4	7.6	11.0	1.2	65.2
2008	86.3	55.4	68.0	17.3	7.5	10.8	1.2	65.6
SINDH								
1980	61.0	101.0	75.0	24.2	17.2	21.2	1.9	42.7
1985	63.0	105.0	78.0	30.3	19.4	25.6	2.0	43.5
1990	63.0	97.0	76.0	27.1	17.7	23.1	2.0	42.8
1995	34.0	80.0	47.0	24.8	19.5	22.6	1.9	40.4
2002	36.9	56.8	44.3	20.5	10.6	14.8	1.4	58.1
2004	37.8	57.3	45.1	19.6	8.2	12.4	1.4	63.5
2006	46.1	66.1	53.6	19.7	6.9	11.2	1.5	66.4
2007	47.7	68.3	55.4	20.2	7.4	11.7	1.4	66.5
2008	37.6	57.3	45.0	20.3	7.5	11.8	1.4	66.5
NWFP								
1980	98.0	267.0	141.0	14.6	9.1	13.6	7.5	17.6
1985	70.0	228.0	105.0	14.0	10.3	13.4	7.0	16.2
1990	48.0	131.0	69.0	15.8	13.2	15.4	5.9	16.8
1995	38.0	101.0	55.0	18.8	17.9	18.6	4.1	20.7
2002	35.2	63.3	44.7	16.4	11.9	14.9	2.7	34.1
2004	36.6	60.5	45.1	16.8	12.8	15.5	2.5	34.2
2006	42.5	65.1	51.0	16.3	11.7	14.6	2.3	37.3
2007	42.7	61.1	49.7	17.0	12.2	15.2	2.3	37.8
2008	38.8	52.4	44.2	17.0	12.3	15.2	2.2	38.4
BALOCHISTAN								
1980	125.0	672.0	207.0	6.7	5.8	6.5	3.7	23.5
1985	92.0	607.0	155.0	5.9	6.7	6.1	3.2	21.5
1990	40.0	206.0	64.0	5.7	6.8	5.9	3.9	17.8
1995	33.0	127.0	50.0	8.5	9.3	8.6	4.3	16.4
2002	103.0	115.3	108.1	4.5	5.8	4.8	2.2	25.8
2004	55.6	92.1	67.4	6.7	7.1	6.8	2.0	32.7
2006	61.7	110.4	77.9	7.0	6.7	6.9	1.9	35.3
2007	60.6	112.7	77.7	7.0	6.5	6.8	1.9	36.0
2008	67.0	122.8	86.1	7.1	6.5	6.9	2.0	35.9
PAKISTAN								
1980	76.0	131.0	95.0	21.7	10.0	16.7	2.9	42.8
1985	61.0	123.0	81.0	23.1	10.6	17.5	2.7	45.0
1990	53.0	97.0	68.0	16.3	14.7	15.8	2.4	31.9
1995	42.0	87.0	56.0	16.0	16.9	16.3	2.0	31.6
2002	51.9	59.1	55.1	14.5	8.5	11.3	1.5	53.4
2004	52.9	58.8	55.6	16.0	8.5	11.8	1.5	55.9
2006	57.7	64.5	60.7	16.6	7.6	11.1	1.4	60.6
2007	54.8	59.1	56.8	15.3	7.5	10.6	1.4	59.4
2008	53.3	53.8	53.5	16.2	7.8	11.2	1.4	59.8

Definitions:

Availability of primary school teachers: The ratio of population aged 5 to 9 to the number of primary school teachers

Pupil-teacher ratio (secondary): The ratio of pupils enrolled in secondary level classes (VI to X) to the number of teachers in secondary schools

Ratio of boys to girls (secondary): The ratio of male students to female students enrolled in secondary level classes (VI to X)

Percentage of female teachers (secondary): The number of female teachers as a percentage of total teachers in secondary schools

Note: ^aData for 2002 onwards include private sector schools

Sources:

1. Development Statistics of Provincial Governments (various issues); 2. Education Statistics of Provincial Governments (various issues)
3. GOP, Pakistan School Statistics, Central Bureau of Education (various issues); 4. GOP, Pakistan Education Statistics, Central Bureau of Education (various issues)
5. National and Provincial Education Management Information Systems (various issues); 6. National Education Census 2005, FBS, GOP

EDUCATION

Year	Percentage of cohort reaching						Availability of secondary schools ^a			Availability of secondary school teachers ^a		
	Male	Class VI Female	Total	Male	Class X Female	Total	Male	Female	Total	Male	Female	Total
PUNJAB												
1975	87.0	62.0	79.8	41.6	36.6	40.5	906.0	1705.0	1147.0	96.0	85.0	91.0
1980	91.8	66.9	84.1	32.8	35.6	33.5	947.0	1749.0	1200.0	95.0	83.0	89.0
1985	88.6	71.3	83.1	34.5	33.6	34.2	857.0	1569.0	1088.0	94.0	72.0	82.0
1990	88.2	81.2	85.8	34.7	33.2	34.2	706.0	998.0	819.0	43.0	78.0	55.0
1995	87.9	78.1	84.0	44.2	41.0	43.0	647.0	946.0	762.0	37.0	69.0	47.0
2002	91.3	89.7	90.6	36.0	50.3	41.3	274.0	894.0	413.0	45.0	29.0	36.0
2005	95.4	92.4	94.1	45.7	52.7	48.3	259.0	875.0	393.0	45.0	29.0	35.0
2008	79.9	81.8	80.7	46.4	49.1	47.6	190.0	172.5	181.3	40.7	20.0	27.1
SINDH												
1975	70.5	88.3	75.8	52.5	46.5	50.4	942.0	2066.0	1241.0	96.0	100.0	97.0
1980	70.6	88.0	76.1	56.0	47.0	52.7	1059.0	2472.0	1431.0	99.0	111.0	104.0
1985	81.8	89.2	84.2	52.7	48.3	51.3	1023.0	2687.0	1431.0	104.0	116.0	109.0
1990	83.5	94.5	86.9	46.9	45.2	46.4	938.0	1876.0	1220.0	90.0	103.0	95.0
1995	67.2	78.2	70.7	55.6	54.8	55.3	988.0	1890.0	1268.0	93.0	118.0	103.0
2002	57.9	67.1	61.2	52.6	58.6	54.8	359.0	1622.0	560.0	72.0	44.0	56.0
2005	62.2	72.1	65.7	70.4	68.7	69.7	339.0	1594.0	533.0	62.0	30.0	42.0
2008	64.8	70.2	67.0	62.7	68.5	65.1	315.0	1507.6	520.0	61.2	25.9	37.7
NWFP												
1975	60.1	27.1	52.5	50.3	47.3	50.0	987.0	3457.0	1455.0	73.0	431.0	117.0
1980	65.0	32.6	57.8	45.3	44.6	45.2	1092.0	3602.0	1597.0	69.0	271.0	105.0
1985	74.3	49.5	69.5	34.4	29.9	33.7	1041.0	3533.0	1541.0	64.0	281.0	99.0
1990	77.8	67.9	76.0	40.8	28.9	38.9	869.0	2811.0	1284.0	49.0	212.0	76.0
1995	96.0	72.8	89.8	46.6	36.0	44.3	802.0	1903.0	1105.0	45.0	157.0	68.0
2002	72.5	60.5	68.5	47.0	44.6	46.4	321.0	1236.0	498.0	38.0	67.0	48.0
2005	79.7	65.4	75.1	45.2	50.0	46.5	313.0	1277.0	492.0	37.0	67.0	47.0
2008	81.7	76.0	79.8	48.7	42.7	46.8	590.1	1005.8	733.4	32.5	46.6	37.9
BALUCHISTAN												
1975	72.7	49.5	67.4	42.1	40.9	41.9	905.0	2906.0	1277.0	90.0	308.0	128.0
1980	65.3	73.8	66.8	32.0	47.6	35.0	867.0	3183.0	1253.0	92.0	221.0	123.0
1985	72.2	54.6	67.1	37.4	29.2	35.5	769.0	2635.0	1097.0	63.0	169.0	86.0
1990	80.7	43.8	69.5	26.7	32.8	27.9	546.0	2086.0	791.0	43.0	146.0	62.0
1995	81.3	76.7	80.3	46.5	29.8	42.9	559.0	2117.0	808.0	38.0	129.0	54.0
2002	82.8	65.7	76.4	39.5	44.3	40.8	449.0	1318.0	619.0	23.0	47.0	29.0
2005	86.7	70.6	80.8	43.2	51.3	45.7	428.0	1000.0	562.0	32.0	47.0	37.0
2008	72.3	71.8	72.1	50.4	48.3	49.7	454.0	1139.2	965.3	40.2	64.3	48.9
PAKISTAN												
1975	79.4	63.2	74.9	44.5	40.1	43.5	924.0	1954.0	1208.0	92.0	103.0	97.0
1980	82.3	69.0	78.4	38.9	39.9	39.1	983.0	2084.0	1295.0	91.0	102.0	96.0
1985	84.6	73.7	81.3	38.6	37.7	38.4	907.0	1947.0	1205.0	87.0	92.0	89.0
1990	85.0	85.8	85.3	37.9	35.7	37.2	757.0	1288.0	937.0	50.0	94.0	64.0
1995	84.6	77.6	82.1	46.6	42.7	45.3	719.0	1201.0	886.0	44.0	86.0	57.0
2002	79.3	78.8	79.1	41.4	51.1	44.8	304.0	1056.0	459.0	45.0	36.0	40.0
2005	84.1	82.6	83.5	49.2	55.3	51.4	288.0	1032.0	439.0	45.0	33.0	38.0
2008	77.2	78.7	77.8	49.8	51.8	50.6	233.3	217.1	225.5	38.0	23.2	29.2

Definitions:

Percentage of cohort reaching Class VI: The percentage of children finishing primary school who reach Class VI

Percentage of cohort reaching Class X: The percentage of children enrolled in Class VI who reach Class X

Availability of secondary schools: The ratio of population aged 10 to 14 to the number of secondary schools

Availability of secondary school teachers: The ratio of population aged 10 to 14 to the number of secondary school teachers

Note: ^aData for 2002 onwards include private sector schools

Sources:

1. Development Statistics of Provincial Governments (various issues); 2. Education Statistics of Provincial Governments (various issues)
3. GOP, Pakistan School Statistics, Central Bureau of Education (various issues); 4. GOP, Pakistan Education Statistics, Central Bureau of Education (various issues); 5. National and Provincial Education Management Information Systems (various issues); 6. National Education Census 2005, FBS, GOP

HEALTH**Percentage of fully immunized children**

Year	URBAN			RURAL			TOTAL		
	Male	Female	Both	Male	Female	Both	Male	Female	Both
PUNJAB									
1996	57	58	57	46	43	45	48	47	47
1999	62	68	64	56	37	52	57	52	55
2002	72	80	76	52	50	51	57	58	57
2005	89	89	89	82	80	81	85	84	84
2006	84	91	87	71	71	71	75	76	76
2007	87	86	87	82	81	82	84	83	83
2008	83	84	83	78	68	73	79	73	76
2009	90	87	88	84	83	84	86	84	85
SINDH									
1996	38	45	41	45	48	46	42	46	44
1999	66	54	60	31	24	27	42	35	38
2002	66	63	64	39	26	33	49	40	45
2005	86	87	87	64	60	62	74	72	73
2006	82	81	82	64	63	63	70	71	71
2007	84	84	84	52	53	53	65	65	65
2008	83	76	80	64	55	59	71	62	67
2009	85	84	85	57	58	57	69	68	69
NWFP									
1996	46	50	47	38	37	37	39	38	39
1999	82	74	77	49	54	51	52	56	54
2002	81	57	70	52	57	55	56	57	57
2005	84	86	85	74	72	73	77	76	76
2006	77	79	78	63	59	61	65	62	64
2007	88	86	87	77	71	74	79	73	76
2008	87	88	88	65	78	72	69	80	74
2009	84	88	86	71	72	71	73	74	73
BALUCHISTAN									
1996	67	56	61	60	48	54	61	50	56
1999	51	52	51	35	29	32	36	32	34
2002	34	37	36	22	21	22	24	24	24
2005	80	77	79	57	54	55	64	60	62
2006	69	70	69	50	37	41	56	43	48
2007	68	72	70	53	46	49	56	52	54
2008	75	74	74	47	52	50	55	58	57
2009	73	74	73	37	35	36	43	42	43
PAKISTAN									
1996	48	52	50	45	42	44	46	45	45
1999	64	63	64	47	42	55	52	47	49
2002	48	45	46	48	45	46	53	52	53
2005	86	87	87	73	71	72	78	77	77
2006	83	86	84	67	65	66	72	71	71
2007	86	85	85	74	72	73	77	75	76
2008	83	81	82	71	67	69	75	71	73
2009	87	86	87	75	74	74	78	77	78

Definition: Percentage of children aged 12-23 months that have been immunized (based on recall and record).

Note:

For being classified as fully immunized, a child must have received the following vaccination: BCG, DPT1, DPT2, DPT3, Polio1, Polio2, Polio3 and Measles.

Sources:

1. Pakistan Integrated Household Survey, 1998-99 and 2001-02, Federal Bureau of Statistics, Government of Pakistan.
2. Pakistan Social and Living Standards Measurement Survey, 2004-05, 2005-06, 2006-07 and 2007-08, Federal Bureau of Statistics, Government of Pakistan.

HEALTH				WATER SUPPLY					
Year	Proportion of pregnant women with pre-natal care			Contraceptive prevalence rate			Access to Drinking Water		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
PUNJAB									
1996	-	-	-	21	9	12	47	9	19
1997	43	22	27	26	11	16	48	7	19
1998	58	25	33	28	16	19	49	8	20
2002	64	31	40	33	17	22	54	6	20
2006	73	45	53	41	27	31	50	16	27
2008	73	54	59	52	40	44	51	18	28
2009	75	55	61	53	41	44	52	16	28
SINDH									
1996	-	-	-	26	5	15	77	10	43
1997	76	23	44	29	5	16	78	10	44
1998	70	19	37	32	7	17	64	7	32
2002	68	22	38	27	8	15	67	4	30
2006	82	38	56	32	11	21	71	11	43
2008	82	46	59	40	13	25	73	17	45
2009	84	43	60	43	15	27	74	11	43
NWFP									
1996	-	-	-	25	11	13	60	46	40
1997	44	26	28	20	11	13	64	28	34
1998	36	20	22	21	9	10	62	34	38
2002	45	19	22	29	12	14	57	35	39
2006	53	42	43	31	22	23	56	45	47
2008	61	46	48	37	33	34	70	47	51
2009	67	46	49	39	36	37	66	47	50
BALUCHISTAN									
1996	-	-	-	8	4	5	79	19	30
1997	25	5	8	14	4	5	76	16	25
1998	43	15	18	22	5	7	77	18	25
2002	45	16	21	20	10	12	80	14	25
2006	60	30	36	19	7	10	77	25	36
2008	53	33	39	14	7	9	82	24	40
2009	57	30	36	13	6	9	85	25	38
PAKISTAN									
1996	-	-	-	23	8	13	60	13	28
1997	54	22	30	27	10	15	60	11	27
1998	60	22	31	29	12	17	55	12	26
2002	63	26	35	31	14	19	58	10	25
2006	74	42	52	36	21	26	59	21	34
2008	74	50	56	45	32	36	61	22	36
2009	77	50	58	49	35	39	62	21	35

Notes:

1. Ever married women aged 15 – 49 years who had given birth in the last three years and who had attended at least one pre-natal consultation during the last pregnancy, expressed as a percentage of all currently married women aged 15 – 49 years who had given birth in the last three years.
2. Currently married women aged 15-49 years who are currently using contraceptives expressed as percentage of all currently married women aged 15-49 years.
3. Households obtaining Tap water expressed as a percentage of the total number of households. 'Tap water' includes both tap water inside and out side house.

Source: Same as on previous page

DEMOGRAPHY

Year	Crude death rate			Crude birth rate			Infant mortality rate			Natural growth rate			Life expectancy (years)
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	
PUNJAB													
1979	9.5	11.7	11.1	41.4	42.5	42.2	80.0	107.0	100.0	3.2	3.1	3.1	n.a
1986	8.6	12.5	11.0	39.8	44.6	42.7	88.0	131.0	120.0	3.1	3.2	3.2	57.6
1989	8.3	11.5	10.6	37.6	43.0	41.4	93.0	119.0	105.0	2.9	3.2	3.1	57.8
1992	7.9	11.2	10.2	33.5	41.2	38.9	83.0	129.0	110.0	2.6	3.0	2.9	58.0
1997	7.6	10.3	9.5	31.7	38.3	36.3	71.0	110.0	99.0	2.5	2.8	2.7	60.5
2001	7.0	8.6	7.9	26.1	31.7	29.2	71.0	86.0	80.0	1.9	2.3	2.1	62.3
2005	6.6	7.5	7.2	23.7	27.3	26.0	-	-	-	1.7	2.0	1.9	-
2007	5.6	7.5	6.8	23.4	26.8	25.6	-	-	81.0	1.8	1.9	1.9	-
SINDH													
1979	6.1	11.5	9.2	33.7	43.9	39.5	57.0	83.0	74.0	2.8	3.2	3.0	n.a
1986	8.5	13.0	10.6	40.2	45.3	42.5	86.0	138.0	114.0	3.2	3.2	3.2	55.1
1989	7.8	13.7	10.8	35.4	43.3	39.4	76.0	145.0	113.0	2.8	3.0	2.9	54.4
1992	7.1	13.2	10.1	34.7	44.0	39.3	68.0	138.0	98.0	2.8	3.1	2.9	55.4
1997	7.5	12.3	9.9	31.9	41.3	36.6	65.0	140.0	105.0	2.5	2.9	2.7	57.3
2001	5.9	9.0	7.4	27.0	33.7	30.2	61.0	82.0	73.0	2.1	2.5	2.3	62.5
2005	5.5	7.0	6.3	23.4	27.6	25.6	-	-	-	1.8	2.1	1.9	-
2007	4.7	7.3	6.1	22.9	26.4	24.7	-	-	81.0	1.8	1.9	1.9	-
NWFP													
1979	9.0	11.1	10.7	41.0	43.6	43.2	100.0	111.0	109.0	3.2	3.3	3.2	n.a
1986	10.1	9.8	9.7	38.8	46.3	44.2	146.0	83.0	93.0	2.9	3.7	3.4	58.7
1989	7.3	9.7	9.3	38.1	46.9	45.5	67.0	80.0	76.0	3.1	3.7	3.6	59.3
1992	7.5	10.1	9.7	34.0	44.7	43.1	74.0	94.0	90.0	2.6	3.5	3.3	59.6
1997	6.6	9.1	8.7	31.3	38.3	37.1	53.0	75.0	72.0	2.5	2.9	2.8	57.1
2001	6.8	8.4	7.8	28.8	29.9	29.5	70.0	82.0	78.0	2.2	2.1	2.1	56.6
2005	6.9	8.2	8.0	26.6	27.8	27.6	-	-	-	2.0	2.0	2.0	-
2007	6.3	7.9	7.6	25.6	26.6	26.5	-	-	63.0	1.9	1.9	1.9	-
BALOCHISTAN													
1979	6.4	7.2	7.1	33.1	36.9	36.3	44.0	69.0	66.0	2.7	3.0	2.9	n.a
1986	8.4	13.8	12.1	45.4	45.6	45.9	101.0	166.0	155.0	3.7	3.2	3.4	50.4
1989	8.7	11.4	11.0	44.4	44.3	44.4	104.0	117.0	114.0	3.6	3.3	3.3	51.0
1992	7.9	12.0	11.5	35.5	45.6	44.1	88.0	128.0	117.0	2.8	3.4	3.3	51.5
1997	5.9	9.2	8.6	29.5	37.1	35.7	79.0	119.0	114.0	2.4	2.8	2.7	60.3
2001	7.3	8.4	8.0	28.4	28.8	28.6	85.0	91.0	88.0	2.1	2.0	2.1	57.3
2005	6.5	7.4	7.2	26.0	26.4	26.3	-	-	-	1.9	1.9	1.9	-
2007	6.9	7.5	7.4	24.3	27.3	26.6	-	-	49.0	1.7	2.0	1.9	-
PAKISTAN													
1979	8.2	11.4	10.5	38.4	42.7	41.5	74.0	101.0	94.0	3.0	3.1	3.1	n.a
1986	8.7	12.2	10.8	40.1	45.1	43.0	92.0	126.0	116.0	3.1	3.3	3.2	56.9
1989	8.1	11.6	10.5	37.0	43.7	41.6	85.0	117.0	106.0	2.9	3.2	3.1	57.1
1992	7.6	11.4	10.2	34.0	42.5	39.8	77.0	125.0	105.0	2.6	3.1	3.0	57.3
1997	7.4	10.4	9.4	31.7	38.6	36.4	67.0	103.0	93.0	2.5	2.8	2.7	61.8
2001	6.7	7.1	7.0	26.0	26.7	26.5	67.0	81.0	76.0	1.9	2.0	1.9	64.0
2005	6.3	7.5	7.1	23.9	27.4	26.1	67.1	81.2	76.7	1.8	2.0	1.9	65.0
2007	5.4	7.5	6.8	23.4	26.7	25.6	66.5	80.7	75.2	1.8	1.9	1.9	68.0

n.a: not available

Definitions:

Crude birth rate: The number of live births per thousand population in a year

Crude death rate: The number of deaths per thousand population in a year

Infant mortality rate: The number of deaths of children under 1 year per thousand live births in a year

Natural growth rate: $[(\text{Crude birth rate}) - (\text{Crude death rate})] / 10$

Life expectancy: The number of years a newborn would live if prevailing patterns of mortality at the time of birth were to stay the same

Source:

1. GOP, Pakistan Demographic Survey, Federal Bureau of Statistics (various issues)
2. Unpublished data, Federal Bureau of Statistics
3. Economic Survey, GOP

DEMOGRAPHY												
Year	Percentage of live births ^a in medical institutions			Fertility rate (per woman)			Sex ratio (%)			Dependency ratio (%)		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
PUNJAB												
1976	4.9	0.7	1.8	7.3	7.1	7.1	111	107	108	96	98	98
1979	4.6	0.6	1.6	7.4	7.3	7.3	110	107	108	96	100	99
1985	0.0	0.0	8.2	6.3	8.0	7.2	107	104	105	94	101	98
1990	18.2	4.7	8.2	5.2	6.6	6.1	106	103	104	89	98	95
1996	28.9	9.4	14.3	4.6	5.9	5.4	106	105	105	91	97	95
2001	38.8	13.1	19.7	-	-	4.0	106	104	105	72	88	82
2005	46.5	21.3	30.9	-	-	4.1	105	104	104	67	78	77
2007	52.7	20.8	29.7	-	-	3.9	105	103	104	68	79	76
SINDH												
1976	33.6	0.6	12.4	5.4	7.3	6.4	112	116	114	87	97	93
1979	32.4	0.2	11.2	5.1	7.3	6.3	112	117	115	84	98	92
1985	0.0	0.0	19.1	5.9	7.5	6.6	107	114	110	91	103	96
1990	41.4	4.1	20.7	5.2	6.9	6.0	109	109	109	87	103	95
1996	48.0	8.8	26.7	4.9	6.2	5.5	108	113	111	87	99	93
2001	55.2	14.8	28.7	-	-	4.3	109	112	110	77	98	88
2005	59.2	20.1	37.4	-	-	4.2	110	112	111	71	98	84
2006	69.3	25.0	45.1	-	-	4.3	107	111	112	71	98	84
NWFP												
1976	4.6	0.2	0.9	6.6	6.9	6.8	108	101	102	94	108	106
1979	4.5	0.6	1.3	7.3	6.7	6.7	109	100	101	100	115	112
1985	0.0	0.0	3.8	7.0	8.4	7.8	107	102	104	99	110	105
1990	19.5	3.7	5.6	5.0	6.9	6.6	107	102	103	90	113	109
1996	25.1	12.3	13.6	4.4	5.8	5.5	107	102	103	91	114	110
2001	30.1	14.1	16.2	-	-	4.3	106	100	101	79	96	93
2005	32.5	23.5	26.6	-	-	4.3	105	100	101	78	95	92
2007	45.1	24.5	28.0	-	-	4.3	108	101	101	79	95	93
BALOCHISTAN												
1976	19.8	0.8	2.9	5.9	7.3	7.1	106	108	108	86	91	90
1979	17.9	0.6	4.1	7.6	4.9	5.2	101	115	113	92	95	94
1985	0.0	0.0	2.6	6.6	6.5	6.6	114	109	111	105	109	107
1990	26.2	6.7	9.0	5.2	7.6	7.3	110	105	106	103	115	113
1996	17.6	6.4	7.7	4.0	6.1	5.6	109	115	113	109	108	108
2001	22.4	2.8	6.1	-	-	4.2	112	112	112	92	100	98
2005	26.8	11.0	17.6	-	-	4.2	116	116	116	83	95	92
2007	40.5	8.9	14.8	-	-	4.1	109	110	114	84	97	94
PAKISTAN												
1976	13.7	0.6	4.1	6.6	7.1	6.9	111	108	109	93	99	97
1979	13.0	0.5	3.8	6.6	7.1	6.9	110	108	109	92	101	98
1985	19.8	2.5	10.1	6.2	7.8	7.1	108	106	107	94	103	100
1990	26.8	4.6	10.6	5.2	6.7	6.2	107	104	105	89	102	98
1996	35.1	9.7	16.4	4.7	5.9	5.5	107	106	106	90	101	97
2001	43.5	13.2	21.0	-	-	4.1	107	105	106	75	92	86
2005	45.2	20.5	30.2	3.3	4.1	3.8	107	105	106	69	89	81
2007	57.1	21.3	31.9	3.3	4.5	4.1	106	104	105	70	88	81

n.a: not available

Definitions:

Percentage of births in medical institutions: The number of births in medical institutions as a percentage of total births

Fertility rate: The average number of children that would be born to a woman if she were to live to the end of her childbearing age and bear children

Sex ratio: The number of males per hundred females

Dependency ratio: Dependent population (those under 15 and over 64) as percent of the working-age population (aged 15 to 64)

Source:

1. GOP, Pakistan Demographic Survey, Federal Bureau of Statistics (various issues)
2. Pakistan Contraceptive Prevalence Surveys, Population Welfare Division, Ministry of Planning and Development, Islamabad
3. Pakistan Integrated Household Survey (various issues)
4. Unpublished data Federal Bureau of Statistics

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