Poverty Alleviation and Social Protection in Pakistan.

Mohammad, Irfan

Pakistan Instittute of Development Economics Islamabad Pakistan

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By:

Mohammad Irfan
Sarhad University Peshawar
Pakistan

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Introduction.

Multidimensionality of poverty defies a neat demarcation. Often several but not separable meanings can be attributed to poverty which essentially should encompass totality of deprivation experienced by an individual or group of individuals. Encyclopedia of social sciences for instances suggests that definition of poverty is convention specific and distinguishes between Social Poverty and Pauperism. The former includes economic inequality or property incomes etc in addition to social inequality such as dependence or exploitation while Pauperism denotes ones inability to maintain at the level conventionally regarded as minimal.

Pauperism has been the focus of researchers and policy makers in the developing world wherein efforts have been made to quantify the poverty, thus defined, using essentially arbitrary poverty lines or norms with application of varying procedures for estimation. Planning Commission of Pakistan suggested an official poverty line in terms of minimum caloric requirement per adult (2350 per day) and the needed expenditure of Rs. 670 per person for 1998/99 which was changed for subsequent years taking into account the changes in the price level. Not only the caloric intake level is different than what has been used by other researchers but the procedures used to estimate poverty levels also vary, using essentially the same data source (HIES) House hold Income and Expenditure Survey. Obviously the poverty lines constructed vary with the caloric intake needed, their conversion into expenditure and estimated nonfood expenditure. In contrast to this so-called revealed preference a normative approach is also opted, wherein money value of bundle of commodities regarded as minimum acceptable level of living is used as a surrogate of poverty line. These include food, clothing, housing, health, education, transport, social interaction and recreation facilities. Because of varying poverty lines and procedures to estimate the poverty it is extremely difficult to arrive at firm data for a point of time or time trend.

Poverty Over the Years

There is ,however, almost a consensus that in an historical perspective Pakistan was successful in reducing poverty over the decades since independence. Absolute poverty, Head Count ratio based on caloric intake, declined from 46.5% in 1969/70 to 17% in 1987/88. Since then the reversal has taken place till 2001 when it rose to 34 percent. Most recent research exercises for the period since 2002 are suggestive of improvement, according to the

Government – around 10% point decline in poverty incidence, which is contested by independent researchers including the WB which claim that poverty level may have declined from 34 in2001 to 29 % in
2004/05. It is extremely difficult to offer a firm conclusion about the poverty levels in Pakistan but the official claim of 10% point decline during the three years period must be supported by other indicators such as real wages, the inequality and unemployment rates. In the absence of meticulous research the general impression is that these variables do not support
the official position.

GDP Growth and Poverty

Admittedly, overall economic growth has a direct bearing on poverty level in a country, however, Pakistan's experience reflects a dissonance between these two for some periods during the past sixty years. For example, high growth period of 1960s is associated with a decline in poverty only in urban areas. In rural areas, the poverty situation worsened. During the next decade, GDP growth rate was lower than the previous one but level of poverty declined. During 1980s, one finds a straightforward and expected relationship between GDP growth rate and poverty wherein the poverty situation improved while the economy registered a remarkable growth rate. During the 1990s the poverty situation worsened ,being 24.9% in 1992/3 to 32.1 in2001, because of low and erratic growth profile. The decline in GDP growth continued till 2003, a period associated with strict implementation of Stabilization and Structural Adjustment Program. Since 2003 the economy appears to have a turn around by registering around 6% GDP growth rate during the past five years.

A perusal of research studies conducted over the years reflects that in addition to growth there are some important determinant of poverty situation. For instance, high growth rate of 1960s failed to reflect any improvement in the poverty situation in rural areas because of the eviction of tenants and rise in landlessness [Irfan and Amjad (1984)]. In the wake of subdued economic performance of the early 1970s, a decline in the poverty level was made possible through escalation in the public sector employment and a massive rise in public sector expenditure [Zaidi (1995)]. Similarly, Middle East emigration and return flow of remittances
had a positive influence on GDP growth as well as poverty till late 1980s. In other words, Pakistan's experience suggests a very close link between employment generation, remittances and tight labour market and poverty.

The slippage of the economy into debt trap around late 1980s and reduction in the foreign aid, in fact put a halt to the past practices wherein the entire development expenditure and occasionally the current expenditure used to be financed by internal and external borrowing. To the extent the improvement in poverty situation during 1970 & 1980's occurred because of the policies and measures resulting in huge budget deficits and mounting indebtedness, these represent inter-generational poverty shift, wherein future generations have to pay back what was borrowed for sustaining as well as inflating the consumption level of current generation. . In order to rectify the internal and external imbalances through curtailing expenditure, raising revenues and better export performance under IMF/World Bank reform packages, the economy was subjected to a discipline. Pakistan agreed to implement various structural adjustment and stabilization programs. It is in this context that four programs beginning with 1987-88 were signed by the Government of Pakistan for implementation. With the exception of the last 1999-2003, there were implementation lapses though. Pakistan has been successful in attaining macroeconomic stability by implementing SAP during 1999 to 2003 at the cost of subdued economic performance squeeze of the development expenditure and worsening poverty.

. The deterioration of the poverty conditions in the country in the context of Structural Adjustment Programs during the first five years of the current regime was due to a number of factors which explain poor economic performance as well as worsening poverty situation in the country till 2003.. For instance, decline in the GDP growth rate has been attributed to low level of investment and lack of effective demand occasioned by the squeeze entailed by massive reduction in the public sector expenditure to address the problem of budget deficit. Furthermore the failure of the state to bring the rich into tax net rendered the taxation structure regressive wherein the poor were subjected to a disproportionate burden. Similarly, the withdrawal of input subsidies in agriculture sector along with provision of international prices to producers benefited only those who had marketed surplus in the agriculture sector which explains the failure of respectable growth in agriculture during 1990s to have a positive influence on the poverty in rural areas. The conjunctive influence of tariff rationalization, financial sector reform and privatization led to closure of factories and downsizing which in turn resulted into substantial job losses. It may be added that poverty related expenditure of the government drastically reduced as a percentage of GDP during the decade of 1990s till 2003 thereby crucifying the poor at the alter of macro stabilization. The labour market outcome as indexed by rising unemployment rate and stagnant or declining real wages also an offshoot of these measures, further compounded the situation.

Whilst the above mode of analysis provides explanation for rise in poverty during 1990's, there is also a need to disentangle the effect of structural adjustment from the inherent limitation of the overall dispensation of the country. A case in point is that of failure of investment to rise, the basic factor which explains low growth. Of course this can be attributed to the inconsistency of the policies along with law and order situation but these can not be regarded as the off-shoot of the structural adjustment program. Similarly, massive reduction in public sector expenditure is more a failure of the state to generate resources because of the particular compositional specifics of the society than an effect of the transition of the economy under the structural adjustment. Obviously, there is a need to mount more investigative pursuits with a view to understand the given constellation of the power brokers in the country and their impact on the poor, through the choices they make. Few if any research endeavour has been made to understand the power play and assess the sustainability of the interventions through critical scrutiny of their financing mechanism both in case of the Macro or household level. Most of the poverty estimates at the level of household exclusively focus on consumption expenditure with little investigation of the financing mechanism. This glossing over of survival strategy of the poor leads to equate those who have been out of poverty clutches at a point of time because of distress sale of their assets or through reckless borrowing resulting into high level of indebtedness, with those who have regular and permanent sources of income. This argument is equally valid for country level study too, because in general the sustainability of pro poor interventions has not been reckoned by researchers. An intriguing fact of the history is that Pakistan was successful in reducing the poverty level during the periods when the country received massive funds from abroad(1980s and 2000-2006)It is also not coincidence that during these periods the country was under the non democratic dispensation. In other words whatever the poverty alleviation occurred was not indigenous and hardly enmeshed with the dynamics of growth.

Turnaround of the economy during the recent sub period(2003-2006)wherein the GDP growth of 6% per annum has been registered may have led to the decline in poverty and little bit unemployment but inequalities not only persisted but increased . Inflow of funds from abroad due to geo-political factors and remittances facilitated the government to expand public sector spending thereby having positive effect on poverty situation. Short tern prospects of the sustainability of the GDP growth are not bright. The high inflation rate, widening current account deficits ,sluggish export performance and reasonably high level of interest rates besides failure of the regime to increase tax to GDP ratio and national savings are the worrisome factors..

Response to poverty

Various regimes since independence have, devised programs to alleviate poverty as a byproduct of rural development or employment creation. These were for instance rural development programs such as - Village Aid in 1950, Rural Works Program, People Works Programs and other similar ventures. Construction of Dams and irrigation networks, and provision of social services – education and health etc. were also relied upon for addressing the poverty in Pakistan. Asset distribution, the land reforms were implemented twice but the reforms were not designed to introduce a radical departure from the erstwhile skewed land distribution. In addition to officialization of Zakat , food rationing and provision of subsidies to consumers and small producers were some times also introduced. Mostly these measures were believed to be reflective of the visibility concern of various regimes with limited and short lived impact wherein poverty alleviation still remains a challenge as discussed in the previous section. Under the paradigm of globalization and market imperialism the power of the state to influence the poverty situation has been curtailed. Unlike the past when the employment generation was possible in the public sector ,the current emphasis is on privatization. Workers and labour are no more regarded as social partners rather they are just like other factors of production. This is manifest from the benign neglect of the current regime towards wage legislation, failure to inject any progressivism in the taxation structure rather the wealth tax is abolished and land reforms are banished for ever thereby explicitly making the dispensation as pro-rich.

A number of programs and initiatives still are being undertaken under the rubric of Social Safety nets which are essentially reactive and not sharply focused besides carrying no entitlement as a right .A need for clearly defined norms and standards to be attained, the type of risks against which the vulnerable to be protected, and measures identified to address the chronic as well as transient poverty is yet to be articulated in terms of a social protection strategy. Admittedly the Government has designed several instruments with a professed objective to help the poorest segments of the population . These include transfers in cash and kind for smoothening their consumption and provision of credit through specialized institutions for income generation through investment and creation of employment opportunities through public works programs, as discussed below.

Social Safety Nets

SSN constitute of cash transfers, Social security schemes Pensions of the public sector employees and some other measures. Cash transfers such as through Zakat, BaitulMaal and wheat subsidy can be regarded as safety nets, envisaged to address the vulnerabilities, In addition the Governmental pensions and social security system administered by Ministry of Labour are legally guaranteed, though partially, with heavy tilt towards formal sectors employees. Finally measures which carry instrumentalism aiming at employment generation through public works and credit programs, having little impact on poverty though much of it remains unknown and not quantified. Below a description of the extent and coverage of these measures is made.

Zakat

Zakat is levied at the rate of 2.5% on the financial wealth of the rich, in contradistinction to the true spirit of the religion which extends the coverage of Zakat to all types of wealth. In Pakistan Zakat is deducted at source by companies on the par value of shares held, and by the financial institutions on assets such as saving bank accounts, fixed deposit saving certificates, NIT units, ICP's mutual fund certificates and government securities, etc. Recently, under a judgment of the Supreme Court, payment of Zakat has been made voluntary. This decision is most likely to have a curtailing effect on the level of annual Zakat collection. Zakat is deposited in the Central Zakat Fund maintained by the State Bank of Pakistan (SBP). The Central Zakat Council allocates these funds on the basis of population to the Provincial Zakat Council for onward distribution among the districts, managed by the District Zakat Committees. As a percent of the GDP, Zakat was around 0.31 percent in 1980-81, falling to 0.2 percent during 1990s and 0.14% since 2000. During this entire period Rs. 74 billion was collected as

Zakat and Rs. 59 billion was disbursed. Resultantly, the Central Zakat Fund has Rs. 15 billion in reserve. Large reserves of unspent funds prompted the GOP and the Central Zakat Council to introduce in 2002 the Permanent Rehabilitation Scheme (PRS). However, it will not be possible to carry out these programs once the accumulated reserves have been exhausted, because the average annual collection of Zakat has now decreased to below Rs. 4 billion.

Cash transfers to the poor and disadvantaged under Zakat are through the Guzara Allowance (a monthly transfer of Rs.500 - earlier Rs.300 - per recipient to approximately 800,000 households) and the Permanent Rehabilitation Grant (an average transfer of Rs. 17,000 to close to 10,000 households), accounting for 70% of Zakat related disbursements. Other Zakat programs include educational stipends, financing of healthcare and marriage assistance grants.

The impact and targeting of Zakat can not be ascertained because it entails verification of expenditures with in the district. The HIES 2001-02 reflects that two bottom quintiles, ranked on the basis of per capita expenditure, accounted for 57%of the zakat recipient households and 40%of total zakat distributed. Average size of zakat is modest compared with the needs of the poorest segments of the society. PSES conducted by PIDE in 2001 is suggestive of dominant role of District zakat committee and the local councilors in identification of the beneficiary. Favoritism and patronage as well as corruption can hardly be ruled out. According to the said survey 31% of the bottom quintile did not receive the full amount of zakat.

Improvements in the targeting system through some type of proxy means testing to sharpen the eligibility criteria are needed, also the Central Zakat Council need to be vested with the powers to verify provincial and district records. There is also a need to review the Zakat allocation formula on the basis of provincial and district populations which should be based on the levels of poverty as experienced by different areas. In view of the much smaller base of annual inflows of Rs. 3.7 billion, the PRS program under Zakat will most likely have to be shelved. Besides, its impact and the quality of the targeting cannot be ascertained, because of lack of information.

Bait-ul-Maal

The Pakistan Bait-ul-Maal (PBM) funded by grants from Federal Budget, to help the needy, runs a number of programs, the main ones being the Food Support Program (FSP) and Individual Financial Assistance (IFA). Food Support Program (FSP) was launched in August

2000, with an annual budget grant of Rs. 2.5 billion to be distributed as a cash transfer of Rs. 2,400 per annum, in two installments of Rs. 1,200 each, to 1.25 million households. This represents an additional income of 4% for households living on the poverty line. Provincial and district-wise allocations of FSP funds reportedly are on the basis of the distribution of poor households using the national poverty profile by province and urban/rural locations derived from the HIES. The eligibility of the applicant is not assessed rigorously, with inclusion in the program essentially being an administrative decision. It may be noted that the size of the transfer under FSP is significantly smaller than the Guzara Allowance of Rs. 500 per month per household, although both programs are targeting similar groups of the poor.

There are a number of programs under Individual Financial Assistance (IFA); the total allocation of Rs. 229 million in FY04 benefited 20,000 households. The IFA is distributed among the provinces on the basis of population with no further formal allocation to districts. Thus there are large disparities among districts in the number of recipients benefiting from the transfers. Selection of beneficiaries and violation of eligibility criteria are also major concerns in this context.

Wheat Subsidy

Atta subsidy in budgetary allocations partly represents subsidy to poor because the bulk of the cost of the activities related to wheat operations also includes expenditures on bagging, handling, storage and stock carrying costs. Thus one can not infer effect of Atta subsidy on level of poverty. Moreover, the subsidy also increases with higher inefficiency and increase in administration costs. If one uses the revised poverty line of Rs.849 per adult equivalent per month, the economic subsidy for 2004 works out to less than 5% of the poverty line, and around 8% for households earning Rs.2,500 per month. Therefore, the benefit to the consumer is little. One estimate however suggests that if the entire allocation on the subsidy, Rs.16.8 billion (which include the allocations for the wheat subsidy and the Food Support Program of the Pakistan Bait-ul-Maal) were distributed among the 15% most vulnerable households. It would be sufficient to meet their wheat consumption requirements for close to six and a half months.

In contrast to above mentioned cash transfers aiming to address the poverty problem, the social security schemes discussed below are designed to benefit the formal sector employees irrespective of the poverty status of the beneficiary besides being legally guaranteed.

Pensions for Government Employees

Permanently employed government servants of the federal or the provincial governments receive pension and other benefits under the laws of their respective governments, covered under the Government Servants Pension Funds Scheme. The government servants are entitled to receive pension and other benefits such as provident fund, on retirement, at the age of 60 or earlier after 25 years of pensionable service. Government servants who have worked for less than 25 years are not entitled to receive pension. Also the contract employees of the government are not entitled to any social benefits. It is noteworthy that much of the new recruitment during the recent period in government is on contract though with better salary package than the previous regular government employees. It may be added that government pension scheme is unfunded and pensions constituted 30% of total salary in 1996 budget. Pensions are fixed according to the length of the service and because of non-indexation of the pensions as used to be the case under cost f Living Relief Act of 1973 the inflations erodes their real content overtime, thereby passing substantial number of pensioners below poverty line.

Employees Old Age Benefit Institution

EOBI established under Employees Old-age Benefit Act. 1976. administers the only national pension scheme for employees in private sector industries/establishments with at least ten employees, excluding those in managerial and professional categories and directors. EOBI, a corporate body gets policy guidance from a Tripartite Board of Trustees, with Secretary Labour as its Chairman, four representatives from the Federal Government, four provincial Labour Secretaries, four provincial representatives of employers, and four provincial representatives of workers, and the Director General EOBI. According to the existing rules, employers pay mandatory contributions of 5% of the first Rs. 3,000 of employee's wages per month. The government had been contributing an equivalent matching grant until July 1995, but it withdrew thereafter. Old age pensions accrue at the rate of 2% of the final year wage (maximum of Rs. 3,000 p.m.), subject to a minimum of Rs. 630 p.m. (recently increased to Rs. 1000 p.m). Survivor's pension (for spouses on death after retirement and on death in service after 36 months of coverage), invalidity pension, and old-age grants are also provided. These benefits are portable only between covered establishments, thus depriving many workers of their rights if they moved out of the covered establishments a widespread phenomenon under downsizing and privatization... Normally workers become eligible to draw pension after reaching the age of 60 years (55 years for females) provided they complete 15 years as covered service.

At the end of year 2000, the EOBI had 43,560 employers, 1,572,014 insured persons and 181,547 pensioners on its register. EOBI, coverage is simply inadequate and only a minor fraction of total wage employees in the country. The number of beneficiaries is only a small proportion of the covered workers (10.4%), although this number is growing at a much faster rate (19.3% p.a) than the growth rate of the number of person entering the scheme (7.3% p.a) This slow growth is due to employer's evasion of paying contribution as well as low employment growth in formal sector. However, this generates a sustainability problem for EOBI because benefit outgo is higher than the increments in contribution. According to some estimates the Fund will start decreasing in next 20 years and get depleted in just a few more years under unchanging conditions. This un-sustainability has been pointed out by many actuarial assessments.

Sharp growth in EOBI's administrative expenditures is quite noticeable. These expenditures (4.9% of total receipts and 20.7% of contributions in 2000) are much higher than similar institutions in other countries, and are growing rapidly (19.3%) p.m. in 1997-2000). These high establishment costs would exert downward pressure on the benefit level. The system is managed poorly and reportedly suffers from several governance and administrative problems. Procedures for monitoring of payments, filing of returns and assessment, and resolution of disputes are cumbersome. There are numerous complaints from employers and employees against harassment at the hands of the EOBI staff. Records are alleged to be poorly maintained and there is a lot of evasion and manipulation.

Finally pensions are not indexed and erode quickly due to inflation. The government has at times attempted to partially relieve this hardship by raising the minimum pension. But this relief has not been enough and even the minimum pensions have lost one thirds of their value in last 15 years. The erosion produces un-predictable effect on pensions, creates inequities between different age cohorts, and diminishes the effectiveness of the plan.

Employee Social Security Institutions

The Employees Social Security Institutions (ESSIs) have been established to provide benefits to employees (with salaries below the specified threshold) in the event of sickness, maternity, disability or employment injury. Provincial ESSIs cover all establishments notified/registered by the Social Security Institution (irrespective of the size of the establishment in terms of numbers of workers, asset base, etc.). Until recently the employers paid contributions at the rate of 7% of wage of their permanent employees earning a gross salary of a maximum of Rs. 5,000 per month.

From July 1, 2001 an employer can opt for a self-assessment scheme under which he is liable to pay a flat rate, lump sum, contribution of Rs. 350 rupees per month per secured employee on the books of the company on June 30, 2001, while the Government of Punjab instituted a new system in 2003 under which organizations are required to pay contributions based on a slab system. The affairs of ESSIs are managed by provincial governing bodies comprising representatives of the provincial government and of employers and employees. Representatives of employers and employees are selected by the government. Currently, close to 534,000 workers are registered with the Punjab Employees Social Security Institution (PESSI) and an estimated 310,000 with its counterpart in Sindh.

A number of hospitals, dispensaries and other medical facilities for medical treatment of secured workers has been set up by ESSI..The location of these facilities hardly synchronizes with the dispersion or spread of the industrial or secured workers. Irrespective of the duplication wherein these facilities co-exist along the general system the quality of services provided through these institutions Is regarded to be poor both by workers and employers.. While the expenditure on medicines per person covered (including workers' dependents) is roughly Rs. 59, administrative expenditure works out to a substantive Rs. 58 per person covered, indicating the high costs and low efficiency of delivering health services to workers through the SSI of PUNJAB. Similarly, the difference between income per worker and the medical expenditure estimated on the basis of workers secured is attributed to the high administrative costs (Rs. 149.9 million-nearly Rs.480 per secured worker spent by the organization in Sindh..

The coverage of Essi is limited because of widespread contract employment in the formal sector, only a small proportion of the workforce. Currently around 0.8 million workers are enrolled with ESSI. Concerns are also expressed on the implementation of the eligibility criteria, the transparency of the decision making processes and overall functioning of worker welfare schemes which are reflective of poor governance. Worker welfare organizations are involved in a host of activities including the provision of cash benefits, health and education services. Not only is there an overlap between programs run by the WWF and the ESSIs (for instance both these organizations have established health facilities), these services are also provided through the government's service delivery systems. Although the poor quality of services delivered through government service outlets are used as a justification of their duplication by the labour welfare organizations, these organizations do not have adequate capacity to effectively undertake these activities; these functions can not be regarded as their core competency.

Workers Welfare Fund (WWF)

The Workers Welfare Fund established in 1971 is managed by a tripartite body comprising government officials and representatives of employers and employees. The identification, planning, and execution of projects is carried out by the Provincial Workers Welfare Boards (PWWBs)

Although the Fund's receipts are collected federally, the bulk of the operations are undertaken by the PWWBs, which can be broadly categorized into housing construction activities, schools and health service outlets and funds/commodities distributed directly to eligible workers (including marriage grants, death grants, sewing machines, bicycles and scholarships for worker's children).

The Fund has an accumulated amount of close to Rs. 6 billion in investment and over Rs. 11 billion lying with the Finance Ministry. It may be noted that the Workers Welfare Fund is collected by the CBR and a large amount of resources are lying with the Federal government and the Fund does not receive any benefit or interest on that amount. The receipts of WWF (2% of the levy and left over amount under Workers Profit Participation Scheme) in the first instance forrm part of Federal Consolidated Fund subsequently these are transferred to Reserve Funds of WWF by debiting to the budget Grant of Ministry of Labour.

At the federal level, the Fund is theoretically run by a tri-partite governing body, but in practice the Federal government controls it. The Fund has, therefore, in general, not been administered according to its mandate; successive governments have used it for outlandish projects such as the Kidney Centers etc. The structural problems such as the relationship between the Fund and the Boards have led to widespread misuse and misappropriation of funds on the one hand and an extremely inefficient allocation of resources, especially in the housing sector on the other.

Quite apart from the problems listed above, the overall performance of the Fund in its major area of activity, the housing sector has been totally unsatisfactory. For example in its 30 years of operations only 20 thousands houses flats, have been built at the cost of RS 5 Billion providing only for 0.4% of industrial labour force. It has over the same period developed 35175 plots (1758/year). Only 44860 workers or 1.1% of those employed in the manufacturing and mining sectors have benefited from the three decade long endeavors. There are serious complaints as to the manner in which the house/flats and plots have been allotted. There are also questions about the legibility of the beneficiaries in most cases. In the area of "other welfare measures" as well, the Fund seems to have been wandering into all kind of activities most of which are regarded to be dubious and many duplicating the functions of other institutions such as the ESSIs, Mine Workers Welfare.

The construction of houses/flats and new schools may be discontinued and schools already constructed and run by the Boards should either be handed over to the provincial education department or to the respective district governments. Existing programs of educational scholarships may be continued and supplemented by educational vouchers that can be used in privately managed educational institutions. Also there is a need to launch major training programs for the unemployed youth with the collaboration of private sector utilizing the funds of WWF.

Micro Credit

Khushhali Bank (KB) and the Pakistan Poverty Alleviation Fund (PPAF) constitutes as the major government's micro-finance initiatives to reduce poverty, however the likely exclusion of very poor, permanently disabled or incapacitated from these credit schemes render these initiatives as instruments for employment generation if effectively utilized , a big if any way. These ventures can hardly be qualified as safety net. Information on lending rates and cost of funds in case of Khushhali Bank is simply not available, however total outstanding loans from KB amounted to Rs 1.06 Billion by June 2004, three-fourth of which was reported to be lent for agriculture and live stock. Administrative cost of the KB appears to be on the high side as its financial statement for the year ending 2002 reflects that interest earning from lending operations net of cost of borrowing failed to cover the administrative cost.

Pakistan Poverty Alleviation Fund

PPAF was established to extend the access of poor and micro enterprises to credit facilities. The World Bank provided a loan of US $ 90 million and an equivalent amount of grant, the former for disbursement as a credit and the latter for infra-structure build up of PPAF and related organizations. The PPAF was established as a joint stock company outside the

Governmental influence, presumably to avoid its discretionary powers. The Board of Directors of PPAF which provides policy guidelines comprises of three members from the government and the remaining nine from the civil society.

PPAF acts as wholesaler and distributes credit through the sister organizations (NGO). While the provision of credit to poor without any subsidy (often reflected through lower interest rates) is understandable, the appropriation of spread between the borrowing rate (at 2%) and ultimate lending rate (20-22%) hardly appears to be justifiable. PPAF and sister organization enjoy this reward simply for organizing CBOs in the villages .The objective of arranging a social collateral through CBO could have been achieved at much lower cost through cooperative credit societies under the administrative control of the Provincial governments. The spread would have been used to build up their reserve fund, which in turn would have ensured sustainability to the venture, currently missing under PPAF.

The coverage of PP AF is currently limited, compared to the needs. That it did not so far had a significant impact on poverty alleviation in the areas of its operation appears to be supported by a study conducted by Gallup. Almost 60% of those surveyed did not experience any increase in their income. PPAF was established because of the encouraging experience of micro-enterprises loan of the World Bank distributed through Banker's Equity Limited wherein loan was extended to successful ongoing enterprises. The extent to which PPAF can achieve such a primacy is difficult to determine. Micro credit is not generally targeted to the poor. However increased access to credit facilities for those with out collateral can serve as a powerful instrument for income generation and poverty alleviation, if lending rates are not inordinately high and entrepreneurial training is also included in the package. It may be of interest to note that the partner organizations of PPAF have not been able to cover all costs from interest income despite high interest rate charged from the borrowers.

Public Works Programs

There is a long history of the public works program in Pakistan. However rarely any evaluative study has ever been undertaken to document the totality of impact of a program for poverty alleviation or employment generation. This simply is reflective of the level of concern of policy maker with respect to efficient use of resources. Incidentally it also exhibits the efforts to cover up the effects of politicization and misgovernance. Targeting efficiency of these programs involve firstly to identify the poverty stricken areas. Geographic or regional incidence of poverty, however, based on HIES or PIHS produces inconsistent results. The provincial ranking using head count ratio fluctuates from year to year. Once project site is selected the participation of poor in construction work is ensured by keeping wages lower than the prevailing market rate. Hardly any information pertaining to wage rates paid to different categories of workers is available to determine the applicability of the above cited self targeting. That public works program in the past have been politicized with attendant misgovernance and sub-optimal use of resources appears to be a foregone conclusion. However, these programs constitute as one of the major interventions for rural development, employment generation and poverty alleviation. The challenge therefore is to strengthen the institutional structure and ensure better governance. In addition there is a need to allocate sufficient funds for maintenance of infra-structure to reap benefits from the past investments. Major initiatives in the construction of new facility holding out potentials for kickback and constituency fortification have to be resisted.

This is not to deny the immense potentials of the public works programs like Khushal Pakistan or Tameer-e-Pakistan Programme but their impact on employment generation both direct as well as indirect and poverty alleviation depends on host of factors mentioned above. In addition it may be kept in view that translation of employment into poverty alleviation is strictly a function of wages which are currently depressed.

Given the dominant role of public works program in the PRSP the existing pattern of distribution of funds on the basis of provincial or federal parliament's constituencies have to be re-examined because poverty is unevenly spread across the country. In addition the employment generation has to qualify as decent work, better wages, and working conditions and permission of social dialogue.

Overview of Social Safety Net Programs.

In general the SSN suffer from the inadequate coverage due to low level of funding. Multiplicity of actors with little co-ordination resulting in duplicity of functions as well as of beneficiaries and widely pervasive problems of leakages and misgovernance further dilute the impact of various measures. According to a recent study the allocations for selected safety nets Zakat and Baitulmaal, the latter being financed through the budget, have only increased moderately as a proportion of GDP, from 0.19% in 2001-02 to close to 0.3% in 2003-04 (including off-budget zakat contributions the total expenditure amounts to under 0.5% of GDP). Together these programs reach a relatively small number of households, less than 35%, of the total 7 million poor households. The limited impact of measures under labor welfare schemes of the Workers Welfare Fund and Social Security Institutions designed for employees in the formal sector[1] is reflected by a mere 4% coverage of the non-agricultural workforce..

The limited extent to which these measures influence the poverty and vulnerabilities is manifest from the table below:

Table 1: Budgetary Contribution (Rs. in Billion) and Number of Beneficiary Households ('000s)

Type of Program	2001/02	2002/03	2003/04 (Budget)	No. of Beneficiary HHs (000s)
Wheat/Atta Subsidy	5.50	10.90	13.30	Univ. subsidy
Bait-ul-Maal:				
Food Support Program	2.00	2.20	3.50	1,132
Tawana Pakistan	0.80	0.60	0.70	530
Low Cost Housing	0.00	0.10	0.20	N/A
Others (IFA, etc.)	0.15	0.15	0.23	20
Total:	**8.45**	**13.95**	**17.90**	**1,682**
Percent of Total Govt. Exp.	**1.02**	**1.55**	**1.87**	
Percent of GDP/Population:	**0.19**	**0.29**	**0.32**	**7.5**

Table 2: Off-Budget (Rs. in Million) and Number of Beneficiary Households ('000s)

Type of Social Protection	2001/02	No. of Beneficiaries
Zakat (Annual Flow now Rs. 3.8 billion)	5,583	1,733
Workers' Welfare Fund	2,600	
Employees' Social Security Institution	1,739	850

Source: Pakistan Review of Selected Social Safety Net Programs. Issues and Policies Consultants Lahore Pakistan, November 2004.

The above simply is reflective of the very low level of effort and resources utilized to reckon with the poverty of one thirds of the population of the country. Even these paltry outlays are not fully utilized effectively because of leakages and constituency built up by the actors at the helms of affairs..

Social Protection – Is It a mission impossible?

Founding father of Pakistani nation always emphasized the importance of justice as a cardinal principle in Pakistan. "There are millions of our people who hardly get one meal a day. Is this civilization? Do you visualize that millions have been exploited and can not get one meal a day. If this is the idea of Pakistan I would not have it" Quaid-i-Azam in annual session of Muslim League in 1943 meeting clearly affirmed his pro-poor agenda Tahir (1999). Needless to mention that successive regimes since independence could not live up to the expectations of the founding father. A renewed commitment was made in 1973 wherein social security as an explicit right of an individual was laid down in the Constitution under article 38 which reads as under:

> *provide for all persons employed in the service of Pakistan or otherwise, social security by compulsory social insurance or other means; provide basic necessities of life such as food, clothing, housing, education and medical relief, for all such citizens, irrespective of sex, creed, caste, or race, as are permanently or temporarily unable to earn their livelihood on account of infirmity, sickness or unemployment; reduce disparity in the income and earnings of individuals. Article 38 (d) and (e).Constitution of Pakistan.*

A closer scrutiny of the development policies pursued during the past six decade since independence, hardly suggests that an explicit pro-poor agenda was ever implemented despite such objectives being reflected in various policy documents and Five Year Plans. This tension between words and deeds could be attributed to various factors. Underdevelopment and lack of financial resources to opt for a generalized social security system, a characteristic of welfare state, have always been cited as a major one by the official and policy makers. Pervasive family based enterprise system and self-employment has been identified as a surrogate of social protection as well as an hindrance to introducing one by the state. A general perception that families, tribes and communities take care of the poor members was also used to justify limited initiatives by state. At the same time one fails to find a sustained mass movement of poor or labourers demanding exclusive pro-poor development strategy. This was presumably because of accommodative value system of the people, an interactive outcome of culture, religion and centuries old domination by foreign powers, and tight grip of those at the helm of affairs. Finally it is also believed that the coalition of policy and decision makers in Pakistan prefers to retain paternalism and dependency which explains their reluctance to introduce any measures which was right based such as, the generalized social security or social protection.

Social protection is often used interchangeably with social security and social safety nets, though all three differ both analytically and in terns of implications. The existing Social security is attributable to ILOs convention of 1952, addresses three essential features –income protection, health provision and child related benefits. But it is confined to public sector employees and to part of the formal sector workers while the remaining majority is excluded. It is however right based. Social safety nets on the other hand entail instruments to alleviate poverty. Besides through the implementation of SSN acceptability of market reforms and changes are supposed to be enhanced as these are envisaged to address the casualties of growth under the globalization .Social protection is a right based approach and carries the notion of public provisioning and guarantees a societally acceptable standards of living to all.

Despite the constitutional guarantees policy makers and planners never tried to make any move from the existing pittance dished out under the SSN towards the social protection .Even the Social security for workers is getting less and less relevant, wage legislation is almost discarded. There is a need to examine the root causes of poverty and deprivation which are intimately related with the power structure and the resultant control mechanism of the society rendering the poor totally asset less and voiceless. .The relations between poverty and politics need to be understood. Collective action of the community and mobilization of the poor are prerequisites for empowerment of the poor. What needed is a coalition of the stake holders supporting the poor. Can the poor of Pakistan expect a public pressure to this effect from civil society and some political leaders? The ground realities of Pakistan, however do not inspire confidence that such a move can be had in near future. Needless to mention that the provision of so called social protection in Pakistan is moving away from social protection as a right to have a more reliance on private sector and market based approaches. This is despite the fact that the official documents such as MTDF, PRSP and Five Year Plans, recognize the importance of right based approach towards provisioning of the social protection but in actual delivery the measures are confined to SSN which are regarded as “ different ways of viewing essentially the same set of measures” thereby construing these as Pakistans Social protection strategy. Below some recommendations to improve the existing system, which is far from the desirable one ,are made

Recommendations

The SSn currently are inadequate in coverage, without a sharp and well defined focus, fuzzy targeting, and multiplicity of actors and shorn of a sound monitoring and evaluation system. In order to improve the situation the following measures are suggested for consideration.

I. Formulate a social protection strategy with well defined objectives in terms of indicators and targets to be achieved and monitored.

II. A substantial increase in the governmental outlays through increased budgetary allocation for BaitulMaal ,matching grants in case of Zakat which is experiencing a downward trend and wheat subsidy along with build up of strategic wheat reserves appears a desirable step, the poverty gap needs to be kept in view while allocations are being made. Currently a minor fraction is available compared to needs. New avenues of taxes such as inheritance tax in addition to agriculture income tax explored for ensuring funds for poverty alleviation and promotion of equity in the country.

III. Inter- agency coordination through development of synergies is imperative to eradicate the duplication of functions as well as double payment to some beneficiaries from different sources. The core competencies of the agencies need to be aligned with their functions; in particular the organizations under the Ministry of Labour have to be examined which tend to undertake all the activities under the sun, but failed to extend the coverage of the social security and let the dispensation to throw Cost of Living Relief Act 1973 in the dust bin and could not mount the confidence to formulate a just minimum wage legislation.

IV. Development of a centralized data base containing the names and addresses of beneficiaries along with the size of benefits from all the programs in the country to be used also as a monitoring device. In addition field surveys must be mounted to assess the transparency, and adherence to prescribed eligibility criteria.

V. Targeting mechanisms can be improved by identification and selection of, beneficiaries for different program benefits on the basis of proxy means tests (by collecting information on wealth, property owned, condition of housing, occupation, locality in which living, widows, orphans, disabled, durables owned, number of earners and dependents etc.)Community participation in the distribution of benefits would improve both transparency and targeting of safety net programs.

VI. Monitoring and evaluation needs to be improved by introduction of Third Party Validation and internal reviews which should be made public.

VII. Governing body approach to administer different organization, particularly in the Labour Ministry, tended to degenerate into monoliths. Broad based GB by making these more representative possibly through induction of persons from civil society is needed.

VIII. The infrastructure development programs are likely to be the major initiatives in the PRSP. The site selection, the type of project implemented need to have a close relationship with the varying level of poverty across the country. The current allocations on the basis of Provincial or Federal parliament members may ensure the party loyality, has to be tempered with poverty concerns. In addition there is a need to prioritize the projects on the basis of both direct and indirect employment effects.

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