Chapter 15

Social Safety Nets

Background

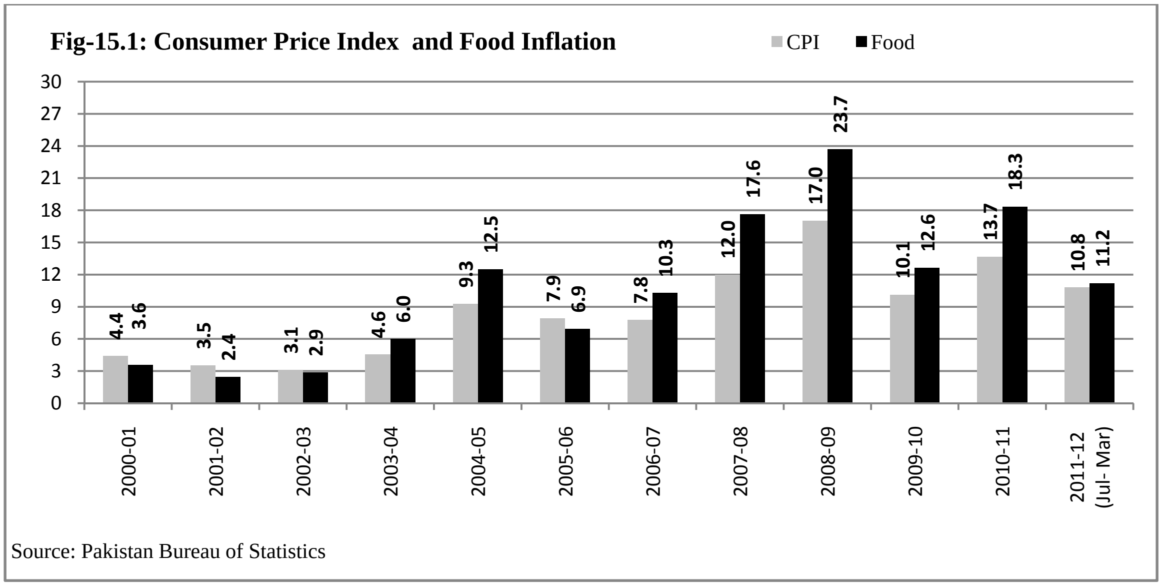
Since 2007-08 the economy has been under considerable pressure due to both domestic and external developments. The global financial crisis hit the country hard when it was already facing a balance of payments crisis stemming from high food and fuel prices in the world markets. The combined effects of the global food and fuel crises adversely affected the economy resulting in unsustainable current account and fiscal deficits and unprecedented high inflation. Moreover, the unstable law and order situation in the country and struggle against extremism put severe strains on the government's finances. These adverse developments led to the signing of an IMF Standby Arrangement Programme. The catastrophic floods of 2010 and 2011 further exacerbated the situation. The floods led to a huge loss of life in 2010, affecting approximately 20 million people directly and a much larger proportion indirectly. Moreover, the huge damage to crops and infrastructure also severely affected the economy at large, which disrupted the supply chain and business activities in the affected areas. This supply shock resulted in high inflation. The floods of 2010 were followed by the rains of 2011, which though of lower intensity compounded the negative impact on the economy and added to the pressures on prices and the welfare of the people.

This chapter describes the impact of prices on household expenditures and welfare of the people in Pakistan and the steps taken by the government to mitigate some of the adverse effects through the series of safety nets that have been put in place to protect the poor and vulnerable.

The Effect of Prices on the Welfare of the Poor

The inflationary pressure on the economy has increased during the last four years due to a combination of the external and domestic shocks described above. Inflation which had increased rapidly during 2007-08 by 17.0 percent for the consumer price index overall and 23.7 percent for food items respectively has started to come down. According to Pakistan Bureau of Statistics during the period July-March 2011-12 it was 10.8 percent for the consumer Price Index overall and 11.2 percent for food. The rise in price indices was mainly driven by food inflation, which rose rapidly during this period. Prices of basic food commodities like wheat, wheat flour, eggs, fresh fruits, chicken, potatoes, rice, vegetable and cooking oil rose sharply during 2008-10. While a sharp increase in world food prices and international oil prices since 2007 were mainly responsible for the escalation of prices, a number of domestic factors also contributed to the price hike.

The government has brought down inflation in the current fiscal year due to a stringent demand management policy, better supply chain arrangements, tight monetary policy and regularly monitoring of the price and supply position of all essential items by taking all the provincial governments on board.



It has been observed that South Asia's poor are particularly vulnerable to food price rises while its economies suffer from higher than average overall inflation when compared to the remainder of developing Asia. ADB estimated the price elasticity of poverty with respect to food prices, which measures the percentage increase in poverty when food prices increased by 1 percent using the latest POVACL (World Bank) database. The analysis simulates the effect of rising food prices by 10 percent, 20 percent and 30 percent on the change in percentage of poor and the total headcounts of poor in South Asia. Table 15.1 shows the impact of the food prices on poverty for South Asian countries vs. Developing Asia

Table 15.1: Impact of food price increases on Poverty for South Asia vs. Developing Asia ($1.25-a-day Poverty Line)

	Change in percentage of poor (in percentage points) with an increase in food prices by:			Change in number of poor (in millions) with an increase in food prices by:		
	10%	20%	30%	10%	20%	30%
Bangladesh	2.5	5.0	7.5	3.8	7.7	11.5
Bhutan	1.8	3.5	5.3	0.01	0.02	0.03
India	2.7	5.4	8.1	29.5	59.0	88.5
Nepal	2.0	4.1	6.1	0.6	1.1	1.7
Pakistan	**2.2**	**4.5**	**6.7**	**3.47**	**6.9**	**10.4**
Sri Lanka	1.2	2.4	3.6	0.24	0.47	0.71
South Asia average	2.1	4.1	6.2	37.6	75.2	112.8
Percentage of increase in total poor in developing Asia by South Asia	-	-	-	58.4%	58.4%	58.4%
Developing Asia	1.9	3.9	5.8	64.4	128.8	193.2

Source: Food price escalation in south Asia - A serious and growing concerns, Asian Development Bank, February 2012

The progress on poverty alleviations its correlates and Millennium Development Goals is presented in Box-1

Box-1
Poverty Alleviation and Millennium Development Goals

The UNDP's Human Development Report, 2011 ranks Pakistan at 145th with HDI value of 0.504. The report shows gradual increase in the value of HDI from 0.503 in 2010 and 0.499 in 2009, through Pakistan's rank has slipped a little during 2011. Other composite indices place Pakistan at a lower rank. The Inequality Adjusted Poverty Index is 0.346 and multi-dimensional poverty index for Pakistan is 0.264. These indices weight inequality and non-income dimensions of poverty more.

Pakistan Social and Living Standards Measurement Survey 2010-11 shows mixed results in terms of the education enrolment indicators. Literacy rate (10+) has improved from 57 percent in 2008-09 to 58 percent and adult literacy improved from 54 percent to 55 percent in the same period, while Primary and Middle school Gross Enrollment Rate also registered a one percentage point improvement. However, slippage on the primary and secondary Net Enrollment Rate is an area of concern for policy makers, particularly after devolution of the subject to the provinces.

Immunization of children also improved during 2011. The PSLM also reported trends in terms of the water supply and sanitation indicators. Whereas the sanitation situation at household level has registered an improvement (in terms of 66 percent of population using flush toilets compared to 63 percent in 2008-09), the access to drinking water to urban and rural population of Pakistan is 94 percent and 84 percent respectively, with an average of 87 percent in 2011.

A committee of poverty experts has been constituted in Planning and Development Division to estimate Poverty Headcount as well as poverty correlates. The committee is working on its task in a professional ways considering all dimensions of poverty and report of the committee will be available shortly.

Source: Planning & Development Division

Profile of Consumption Expenditure

The trends in household consumption expenditure provide an effective insight into understanding the dynamics of poverty in the country. Table-15.2 reveals the per capita consumption expenditure in urban/rural areas and by quintiles. The average per capita expenditures for the richest class in the urban areas are more than four and half times those of the poor class. Analysis along similar lines for rural areas indicates that these averages are more than three and half times those of the poor class. The average per capita expenditure is almost the same for poor in rural and urban areas whereas for the rich class it is higher in urban areas than in the rural areas, indicating that more wealth is concentrated in urban areas compared to rural areas.

Table-15.2 Per Capita Monthly Household Consumption Expenditure by Quintiles & Region

Quintiles	Per Capita Monthly Household Consumption Expenditure					
	2007-08			2010-11		
	Urban	Rural	Total	Urban	Rural	Total
1st	906	868	874	1441	1426	1428
2nd	1216	1208	1210	1985	1966	1970
3rd	1547	1522	1529	2469	2468	2468
4th	2032	1998	2011	3217	3195	3203
5th	4334	3566	3984	6679	5312	6073
Ratio of highest to lowest quintiles	4.78	4.11	4.56	4.63	3.73	4.25

Source: Federal Bureau of Statistics

Table 15.3 compares the percentage of monthly consumption expenditure by commodity groups. The consumption expenditure pattern for different commodity groups shows consistent trend from 2007-08 to 2010-11. The share of food expenditure is relatively higher compared to the other commodity groups. It had increased from 43.05 percent in 2005-06 to 44.22 percent in 2007-08. Since the international food price hike of 2008 and the domestic shocks following the floods it increased further to 48.91 percent in 2010-11.

Further analysis reveals that consumption expenditure in apparel, textile, and footwear, housing, education, transport, communication and recreation and entertainment has, as expected, shown a decreasing trend since 2007-08 while consumption expenditure on fuel and lighting, cleaning and laundry has shown a slightly increasing trend as compared to 2007-08.

Food price inflation and slow growth over a number of years resulting from the combination of international and domestic shocks has led to a greater share of expenditures going to the essential food, fuel, lighting etc.

Table 15.3: Percentage of Monthly Consumption Expenditure by Commodity Groups

Commodity Groups	2005-06			2007-08			2010-11		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Food, drinks & tobacco	35.17	49.56	43.05	37.85	48.87	44.22	41.08	54.71	48.91
Apparel, textile, foot-wear	4.90	6.42	5.73	4.71	6.06	5.49	4.66	5.45	5.11
Transport & communication	7.12	5.39	6.17	6.55	5.92	6.18	6.69	5.51	6.01
Cleaning & laundry	3.54	3.61	3.58	3.77	3.49	3.60	3.55	3.83	3.71
Recreation & entertainment	1.04	0.32	0.65	1.09	0.42	0.70	0.77	0.19	0.44
Education	5.20	2.41	3.67	5.26	2.94	3.92	4.82	2.51	3.49
Housing (rent & other costs)	22.74	8.94	15.19	22.11	9.99	15.10	21.04	8.67	13.93
Fuel & lighting	7.39	8.41	7.95	6.82	8.09	7.55	7.06	8.01	7.60
Miscellaneous	12.91	14.94	14.02	11.85	14.23	13.23	10.32	11.13	10.78

Source: Federal Bureau of Statistics

Table 15.4 shows the percentage share of expenditure on major food items. Out of the total food expenditure 17 food items contributed 82.52 percent. These items contribute 84.61 percent in rural areas and 78.80 percent in urban areas. Comparison of the same 17 food items with the year 2007-08 shows that the overall expenditure level has slightly increased in both urban and rural areas. For food items the major share of consumption expenditure is incurred on wheat, milk, vegetable ghee, vegetables and sugar comprising 58 percent out of 82.52 percent. Wheat continues to be the major expenditure item in both rural and urban areas and its percentage share in aggregate has increased between 2007-08 and 2010-11.

Table 15.4: Percentage of Monthly Expenditure on 17 major Food Items, 2010-11

Food Items	2007-08			2010-11		
	Urban	Rural	Total	Urban	Rural	Total
Wheat	12.07	16.55	14.93	12.82	16.25	15.02
Rice	4.21	4.28	4.25	3.56	3.74	3.67
Pulses	2.25	2.41	2.35	2.53	2.60	2.57
Vegetable ghee	6.76	9.81	8.71	5.75	8.59	7.58
Tea	1.87	2.04	1.98	2.06	2.17	2.13
Milk (fresh)	19.87	20.58	20.33	19.33	19.47	19.42
Butter	0.39	1.49	1.09	0.32	1.22	0.90
Mutton	2.55	1.12	1.64	3.80	3.10	3.35
Beef	3.73	2.90	3.20	2.29	1.12	1.54
Chicken	4.47	3.45	3.82	4.48	3.32	3.74
Fish	0.95	0.54	0.69	0.62	0.44	0.51
Fruits	4.71	3.27	3.79	4.30	3.01	3.47
Vegetable	7.81	7.95	7.90	8.10	8.91	8.62

Table 15.4: Percentage of Monthly Expenditure on 17 major Food Items, 2010-11

Food Items	2007-08			2010-11		
	Urban	Rural	Total	Urban	Rural	Total
Salt	0.22	0.20	0.20	0.16	0.16	0.15
Spices	2.07	1.76	1.88	2.63	2.20	2.35
Sugar	4.09	5.14	4.76	5.91	7.74	7.09
Gur	0.09	0.43	0.31	0.13	0.57	0.41
Total	78.11	83.92	81.83	78.80	84.61	82.52

Source: Federal Bureau of Statistics

Pro-Poor Expenditures

The government's commitment to follow a sustained poverty reduction strategy and a minimum of 4.5 percent of GDP to social and poverty related expenditures is clearly reflected in the allocations to the pro-poor sectors shown in Table 15.5. The government prioritized 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) in the PRSP-II, which provides a link between the policy priorities and the budget realties. Expenditure on pro-poor sectors in 2007-08 stood at 5.57 percent of GDP. In 2008-09, these were 7.46 percent of GDP and in 2009-10, 7.57 percent of GDP. These expenditures were well above the requirement under the law. During 2010-11, total expenditures for these sectors were increased further and amounted to Rs 1245.541 billion, which is 6.9 percent of GDP. Already Rs. 919.564 billion expenditures have been made in these sectors during July-December of the current fiscal year. Box-2 present an overview of social protections programs in Pakistan.

Table 15.5: Budgetary Poverty Related Expenditures by Sectors (Rs. Million)

Sectors	2007-08	2008/09	2009-10	2010-11	2011-12*
Roads, Highways & Bridges	84,825	99,613	98,456	99,567	30,367
Water Supply and Sanitation	19,817	22,204	25,459	28,506	11,788
Education	182,646	240,378	259,525	322,334	156,990
Health	61,127	83,714	94,399	106,017	46,842
Population Planning	13,322	5,345	7,048	4,861	2,247
Social Security & Welfare	18,942	29,129	54,571	55,171	24,934
Natural Calamities	7,728	10,083	12,548	49,115	27,510
Agriculture	83,493	88,912	104,815	115,511	41,732
Land Reclamation	3,130	2,738	1,990	3,669	1,616
Rural Development	23,334	16,362	20,391	19,109	12,724
Subsidies	54,872	220,567	234,926	230,945	463,091
Food Support Programme	4,370	12,420	0	0	0
People's Works Programme-I	1,420	3,329	8,417	5,049	2,222
People's Works Programme-II	2,748	28,000	31,754	21,300	2,902
Low Cost Housing	597	583	1,828	373	101
Justice Administration	7820	9,193	10,996	14,223	7,151
Law and Order	2,429	104,658	143,639	169,791	87,347
Total	**572,620**	**977,228**	**1,110,762**	**1,245,541**	**919,564**
Total as % age of GDP	**5.57**	**7.46**	**7.57**	**6.9**	**-**

Source: Ministry of Finance

* July-December

An overview of social protection programmes of the country is presented in Box-2, which also indicates targeted group of beneficiaries and financing arrangements for these programmes.

Box-2
Social Protection Programs in Pakistan

S. No.	Program	Financing	Type of Benefit	Target Group	Geographical Coverage	Managed By
1.	Benazir Income Support Program (BISP)	Public Funds	Cash as Income Support	Married females belonging to ultra poor households	Nationwide	Federal Government
2.	Microfinance	Donor Funded	Cash as loan for establishing business	Provide financial services, credit to the poor for self employment and move them out of poverty	Nationwide	RSPs/MFIs
3.	Pakistan Bait-ul-Mal	Public Funds	Cash as income support grant for daughters' weddings, food supplement in education	Disabled persons, invalids, widows, orphans and household living below the poverty line	Nationwide	Federal Government
4.	People's Works Program	Public Funds	Cash for Work	Provision of electricity, gas, farm to market roads, good, water supply and other facilities to the rural poor	Nationwide	Federal Government
5.	People's Rozgar Scheme	Commercial Bank Financed	Financing for Selected businesses*	Unemployed educated persons	Nationwide	National Bank of Pakistan
6.	Subsidy on Wheat, Sugar & Fertilizer	Public Funds	In kind as social welfare	Poor people of the country	Nationwide	Federal Government
7.	Utility Stores	Public Funds	In kind as social welfare	Poor people of the country	Nationwide	Federal Government
8	Zakat & Ushr	Special levy on bank balances & agricultural output	Cash	"Deserving/ Needy" among Muslims	Nationwide	Government & Zakat & Ushr Committees
9.	Child Labour and Children in Bondage	Public Funds	Protection survival development and rehabilitation services	Working children facing abuse and exploitation	Nationwide	Federal & Provincial Government, FATA, GB
10.	Employees Old-Age Benefit Scheme	Contributory (Employers)	Cash	Formal Sector Employees	Nationwide	Federal Government
11.	Social Health Insurance	Contributory (individuals)	Cash	General Population	Nationwide	Federal Government
12.	Workers Welfare Fund	Contributory (Employers)	Housing, schools, health facilities	Formal Sector employees	Nationwide	Federal Government

*: Community Transport, Community Utility Sores, Community Mobile Utility Stores and PCO/Tele-Centers with a maximum of Rs 200,000/- three new products including Commercial Vehicle, Shopkeepers and Primary Healthcare Equipments to Medical Graduates, Science Graduates and B-Pharmacy qualified individuals. The maximum limit ranges from Rs 500,000/- to Rs 700,000/-

Social Safety Programmes

Recognizing the need to protect the poor and the vulnerable, the government has launched several safety net programs. The following social safety net programs in particular minimize the adverse effects of poverty on the targeted population of the country.

I. Pakistan Poverty Alleviation Fund

The Pakistan Poverty Alleviation Fund (PPAF) is a flagship element of country's poverty reduction strategy. It is sponsored and supported by the government with an endowment of Rs. 1,000 million and funded by the multilateral and bilateral donors like World Bank, International Fund for Agricultural Development, KfW Financial Cooperation Germany, US Department of Agriculture, Italian Government etc. The funding provided to PPAF is dedicated for micro credit, enterprise development, community based infrastructure and energy projects, livelihood enhancement and protection, social mobilization, and capacity building institutional assistance for the partner organizations of PPAF.

The overall operational and financial outreach during the half year ended December 2011 remained satisfactory. Total disbursements for core operations during the period were Rs. 8,490 million. Loan (micro credit and enterprise development facility) disbursements were Rs. 6,766 million; water and infrastructure disbursements were Rs. 365 million; disbursements for education and health were Rs. 361 million; capacity building disbursements were Rs. 438 million; social mobilization disbursement were Rs. 220 million; and disbursements for livelihood enhancement and protection were Rs. 339 million. In addition to disbursement for core operations, Rs. 576 million (Rs. 273 million from donors' funding and Rs. 203 million from PPAF's own resources) was disbursed for project and flood relief activities.

By the end of December 2011, the total cumulative disbursements were Rs. 100 billion. Credit and enterprise development accounted for 59 percent of total disbursements followed by relief, rehabilitation and reconstruction activities (20 percent); community physical infrastructure (10 percent); human and institutional development (including social mobilization) (7 percent); livelihood enhancement and protection (1 percent); and health & education (3 percent). PPAF interventions are being carried out nationwide with 50% of the resources deployed in Punjab, 19 percent in Sindh, 16 percent in Khyber Pakhtunkhwa, 4 percent in Balochistan; 9 percent in Azad Jammu and Kashmir; 1 percent each in Gilgit Baltistan and Islamabad Capital Territory.

By the end of December 31, 2011, PPAF funding had been disbursed in urban and rural areas of 129 districts of the country (about 297,000 community organizations / groups) through 114 partner organizations of which 12 were focusing exclusively or predominantly on women. On cumulative basis, PPAF has financed 5,352,838 micro credit loans. More than 27,417 infrastructure, health and education projects were initiated and a total of 488,249 staff and community members were trained. In earthquake affected areas, PPAF provided financing to 122,000 households to build earthquake resistant homes and trained over 108,000 individuals in seismic construction and related skills.

II. Pakistan Bait-ul-Mal

Pakistan Bait-ul-Mal (PBM) is making a significant contribution towards poverty reduction through its various poorest of the poor focused services such as providing assistance to destitute, widows, orphans, invalid, infirm and other needy irrespective of their gender, caste, creed and religion. The following are the ongoing core projects/schemes:

a. Individual Financial Assistance (IFA): It is one of its major social dispensation programme to provide financial assistance to destitute and needy widows, orphans, invalid, infirm and other needy persons, to provide for free medical treatment for indigent sick persons, to provide stipend and financial assistance to brilliant but poor students. Under this head PBM has provided financial assistance of Rs. 734.901 million up to February 2012 and 13,171 beneficiaries from all over the country have benefitted from this scheme.

b. Child Support Programme (CSP): This is a cash transfer programme, in which cash incentive is provided to the parents for sending their children to schools. Rs. 300 per month is paid to the families with one child and Rs.600 per month to the families with two or more children of school age. Currently the programme is running in 12 districts. An amount of Rs. 66.754 million has been disbursed up to February 2012.

c. National Centres for Rehabilitation of Child Labour (NCsRCL): PBM has a proactive child labour rehabilitation policy and number of initiatives has been taken for the better`ment of working children. Efforts have been made to withdraw them from work places with a view to their mainstreaming into education by undertaking programmes for non-formal education. 159 centres have been established throughout the country on which Rs. 248.681 million has been spent up till February 2012.

d. Vocational / Diversified Vocational Dastkari Schools (V/DVDS): PBM has established Vocational / Diversified Vocational Dastkari Schools (VDS/DVDS) where poor widows, orphans and needy girls are given training in a variety of skills to make them self-sufficient to earn their livelihoods in a respectable manner. PBM has established 144 VDS and 15 DVDS throughout the country on which Rs. 93.876 million has been spent up till February 2012.

e. Pakistan Sweet Homes (PSHs): PBM has established Sweet Homes for Orphans having accommodation for 100 children in each home. A total of 28 Pakistan Sweet Homes (Orphanages) have been established so far on which Rs. 133.475 million has been spent up till February 2012.

f. Langer Programme: PBM is also working for provision of assistance to needy persons. It provided ration bags to those affected by natural disasters such as the floods of of Sindh and of KPK. In this regard an amount of Rs. 185.306 million expenditures were incurred up to February 2012.

g. Institutional Rehabilitation through NGOs: It provides grant-in-aid to registered non-governmental organization (NGOs) for their projects aimed at institutional rehabilitation of the poor and deserving persons of the society. PBM has disbursed an amount of Rs. 24.383 million in this regard up to February 2012.

h. Jinnah Burn and Reconstructive Surgery Centre, Lahore: On 21st May, 2004, Pakistan Bait-ul-Mal, Health Department, Government of Punjab and Jinnah Hospital, Lahore signed a memorandum of understanding for construction of single purpose state-of-the-art burn and reconstructive surgery centre in Lahore. Pakistan Bait-ul-Mal has so far released Rs. 610 million for construction of the centre out of which Rs. 350 million have been released up to February 2012.

III. Benazir Income Support Programme

Benazir Income Support Programme (BISP) was established by the Government of Pakistan in July 2008 with the primary objective of providing immediate relief to the poor enabling them to absorb the shock of rising prices of food and fuel. BISP has evolved over the past few years into the country's main social safety net. It is committed to the fulfillment of the dream of making Pakistan a welfare state through poverty alleviation and women empowerment. It has made remarkable progress by providing much needed relief to over 4 million recipients including flood and bomb blast victims all across Pakistan. An amount of over Rs 122 billion up to March, 2012 has been disbursed to its recipients. The number of recipients is expected to increase to 7 million once the on-going processing of data collected during the nation-wide poverty scorecard targeting survey is completed. The BISP has launched the following pro-poor activities. Box-3 describes the eligibility criteria for BISP.

Box-3
Eligibility for BISP

Eligible households are identified through a targeting process, which consists of household surveys and the application of a Proxy Means Test Formula (PMT) that determines welfare status of a family on a scale between 0-100. Based on PMT, Nationwide Poverty Scorecard Survey was undertaken in 2010 with following features:

- Resulted in the creation of the largest and most reliable data bank of socio-economic conditions of the country (details at family level) for planning social sector policies and strategies
- First ever census of its kind in South Asia
- Covered almost 27 million households in the country
- Use of GPS devices to map the data of the entire country for informed decision making (to cope with natural disasters and other emergencies)

Families meeting the BISP eligibility criteria listed below are selected for monthly cash transfers:

Proxy Means Test (pmt) Score of 16.17 or below anywhere in Pakistan

- One woman beneficiary per family
- Woman is CNIC holder

Source: Benazir Income Support Programme

Nation-wide Poverty Scorecard Targeting Survey: This survey was launched in October 2010 in all districts of the country, including AJK and Gilgit-Baltistan, with an initial target to cover almost 25 million households. The new system of targeting was aimed at a much higher degree of objectivity, using international best practices, to minimize inclusion and exclusion errors. The use of Global Positioning System (GPS) devices was also made mandatory in this phase to uphold the dignity of households by conducting the survey at their doorsteps. The survey will be completed by June 30, 2012 and over 27 million households will be covered nationwide during this exercise. The task for data entry is entrusted to NADRA and data entry of all collected survey forms has been completed. During 2011-12, over 6.43 million eligible families have been identified through poverty scorecard census. It is expected that this figure will reach almost 7 million families by June 30, 2012.

Payment to Recipients: During the 2011-12, Rs 24.1 billion has been distributed among approximately 3.5 million - recipients up to March 2012. This included over Rs. 3.95 billion paid through Smart Cards to 182,789 recipients and Rs. 826.38 million paid to about 1.3 million recipients through mobile phone banking. The rest of the cash transfers were made through the Pakistan Post money orders. In order to further improve the efficiency of the payment delivery mechanisms, BISP has signed agreements with several commercial banks during the current fiscal year to launch the Benazir Debit Cards in over 100 districts of Pakistan by June 30, 2012. So far 92,000 Debit Cards have been distributed and an amount of Rs.1.02 billion has been disbursed to the beneficiaries. A total of 4,803,126 Debt Cards are planned to be distributed by June 30, 2012. Box-4 contains the innovative payment mechanism used by BISP.

Box-4
Innovative Payment Mechanisms used by BISP

BISP is using alternate payment mechanisms including Benazir Debit Card, Smart Card and Mobile banking to efficiently make payments of the cash grants to its beneficiaries.

1. **Benazir Debit Cards**: In order to improve the efficiency of the payment delivery mechanisms and to provide multiple payment mechanism to its beneficiaries for more timely and efficient services, BISP has signed agreements with several commercial banks during the current fiscal year to introduce Benazir Debit Cards for cash transfers in over 122 districts in Pakistan by June 30, 2012. Launched in Feb 2012 (in phases), 650,000 Debit Cards have been distributed and through these cards Rs. 1.95 billion have been transferred to the beneficiaries. BISP has planned to distribute Benazir Debit Cards to over 3.5 million beneficiaries by June 30, 2012. Beneficiaries are able to collect their cash benefits from ATM machines and/or bank designated franchises
2. **Smart Card:** BISP had signed a contract in early 2010 with United Bank Ltd. (UBL) for making payments to beneficiaries through smart cards in four of the test phase districts (Mianwali, Mirpurkhas, Multan and Sanghar). The beneficiaries were issued Smart Cards, and they collect their cash benefits through bank designated franchises. Over 183,000 beneficiaries are benefiting from this payment mechanism
3. **Phone-to-Phone Banking:** Another Alternate Payment Mechanism already in place is the Phone-to-Phone Banking (P-to-P Banking). It has been implemented in 7 districts. Beneficiaries are provided free mobile phones and SIM's. An amount of Rs. 1.7 billion has been disbursed under this payment mechanism to around 137,000 beneficiaries in the piloted districts.

Source: Benazir Income Support Programme

Graduation Initiatives: Besides cash transfers, BISP has also launched various graduation programmes for its recipients to enable them to exit from the poverty trap. During 2011-12, the following progress has been made by these programmes:

Waseela-e-Haq: Under this programme, microfinance in the form of returnable soft loans up to Rs. 300,000 are provided to recipients, selected through a monthly computerized random draw, for setting up small businesses. During the reporting period, 29 draws were held and a total of 34,807 recipients were pre-qualified. An amount of Rs. 943 million was disbursed to 6,281 recipients while 2,680 new recipients started their own businesses. It is planned to hold another 5 draws by

June 30, 2012 to pre-qualify 10,000 additional recipients.

Waseela-e-Rozgar: Under this programme, BISP provides technical and vocational training to one member per recipient family to help them to secure their livelihood. BISP signed MOUs with several public sector training organizations and initiated training for the recipients and their nominees. On the other hand, a large number of private sector training institutions were also selected all across Pakistan through a competitive process. Training has commenced in the first quarter of 2012 in most of these institutions and so far 964 persons have been trained while 4,044 persons are currently enrolled. It is expected that by June 30, 2012 the total number of trained persons will be approximately 20,000. In addition, BISP organized vocational trainings for a batch of 173 recipients from Rawalpindi division during the 1st quarter of 2012 through the funds provided by a Chinese civil society organization.

Waseela-e-Sehat: Life insurance cover of Rs. 100,000 for the bread winners of BISP beneficiary families was launched from January 1, 2011. Over 3.5 million beneficiary families now have their bread earners covered under life insurance scheme launched by BISP in collaboration with State Life Insurance Corporation of Pakistan (SLIC). Over 900 cases have already been processed by SLIC during 2011-12. A comprehensive Health Insurance Scheme covering entire family of BISP beneficiary has also been piloted in District Faisalabad in April 2012. The same is planned to be extended in other districts of Pakistan in coming years.

Waseela-e-Taleem: BISP designed a co-responsibility cash transfer programme titled "Waseela-e-Taleem" for the primary education of the children of its recipients whereby 3 million children will be imparted education during 2012-2016. The programme is scheduled to be launched in 5 districts during the current fiscal year.

IV. Zakat

Zakat plays an important role in poverty alleviation. Zakat funds are utilized for assistance to the needy, indigent, poor, orphans, widows, handicapped and disabled for their subsistence or rehabilitation. These poor segments of society are provided Zakat funds either directly through respective local Zakat Committee or indirectly through institutions i.e. educational, vocational, social institutions and hospitals, etc. As a consequence of the 18th constitutional amendment, the subject of Zakat has been devolved to the Provinces/Federal Areas. Up to February, 2012 a total amount of Rs.3,668.794 million was distributed in bulk amongst the provinces and other administrative areas. In addition to this, an amount of Rs.4,131.474 million has also been released in March 2012 as a reserve fund available within the Central Zakat Fund to Provinces/Federal Areas to provide financial assistance to mustahequeen. After devolution of the subject of Zakat the Provinces/Federal Areas are directly managing the distribution of Zakat and the beneficiaries.

V. Peoples Works Program-I & II:

Peoples Works programme (PWP) I & II are the welfare programmes comprising of small development schemes for provision of electricity, gas, farm to market roads, telephone, education, health, water supply, and sanitation facilities to the rural poor. PWP-I & II incurred expenditures of Rs 8.4 billion and Rs 31.8 billion during 2009-10 and Rs. 5.049 billion and Rs 21.30 billion during 2010-11 where as Rs 2.222 billion expenditure have been incurred between July-December 2011-12 on PWP-I and Rs 2.902 billion expenditures on PWP-II.

VI. Employees Old Age Benefits Institutions

Employees Old Age Benefits Institution (EOBI) provides monetary benefits to old age workers through various programmes such as Old Age Pension, Invalidity Pension, Survivors pension and Old Age Grants. During the period of July, 2011 to March 2012, Rs.7,961.208 million has been utilized for 350,485 beneficiaries, which is 17.8 percent higher compared to the corresponding period of last year. Furthermore, it is planned that 331,513 more beneficiaries will take benefit from the EOBI up to June 2012, an additional amount of Rs. 3,791.792 million is allocated for these beneficiaries.

VII. Workers Welfare Fund

Workers Welfare Fund (WWF) is also providing assistance to poor labourers all over the country. It provides funds for housing facilities for industrial workers and for other welfare programmes such as the Marriage Grant, Death Grant and scholarships etc. During the current fiscal year from July to March Rs. 77.021 million in expenditures has been incurred for scholarships. There are 1,456 beneficiaries of this program, who are children of poor workers. Another Rs. 636.930 million have been disbursed as Marriage Grants from which 9,138 families of the workers have benefited. WWF has also disbursed Rs. 341.200 million for Death Grants for 1,079 cases of mishaps of workers all over the country. Further, Rs 2,539.900 million expenditures have been incurred during July-April 2012 for 46 housing schemes which will benefit 15,000 families of workers.

VIII. Microfinance Initiatives

Microfinance has been widely recognized as an effective strategy to combat poverty by providing financial services, especially credit, to the poor, to allow them to become economically active. The credit programs offer a small loan to the beneficiaries for self-employment purposes that can start or enhance their income streams, and eventually making them self-reliant and move out of poverty. Although micro credit has been the main thrust in the past, today microfinance is seen as encompassing a wide range of financial services such as credit, savings and insurance.

Microfinance services help the poor in accumulating assets and building income generating capacities that can provide better access to social services such as health and education, food security, and access to basic necessities of life. In addition, savings help them to manage their resources over time and to enable them to plan and finance their investments. Insurance becomes useful in order to mitigate the effects of unexpected shocks such as natural disasters. This has been very evident in 2010 and 2011, in the wake of floods and rains, crop failures, hike in prices, terrorism and macroeconomic shocks.

The microfinance industry provides services in three broad categories namely, micro-credit, micro-savings and micro-insurance. Details of the industry are provided in Table-15.6 below:

Table-15.6: Active Borrowers, Active Savers and Active Policy holders by Peer Group

Details	Micro-credit		Micro-Savings		Micro-Insurance	
	Active Borrowers (Million)	Value (PKR Million)	Active Savers	Value (PKR Million)	Policy Holders	Sum insured (PKR Million)
2009-10	1.98	25.1	2.8	9.6	3.81	53.7
2010-11	2.03	27.5	3.6	12.7	2.7	33.6
Increase/ decrease (Net)	0.05	2.40	0.80	3.10	-1.11	-20.10
Increase/ decrease (%)	2.53	9.56	28.57	32.29	-29.13	-37.43

Source: Pakistan Microfinance Network (PMN).

The objective of the microfinance initiative is to provide liquidity to the microfinance providers in response to tighter liquidity conditions and spikes in inflation. It is provided as a package through microfinance banks (MFBs), microfinance institutions (MFIs), Rural Support Programmes (RSPs), and others including Commercial Financial Institutions (CFIs) and Non-government Organizations (NGOs). Table 15.7 presents the number of Micro-credit beneficiaries with Outstanding Loans Portfolio (OLP) and Disbursements by loan providers.

Table 15.7:

MFP	Active Borrowers	Outstanding Loans portfolio (PKR) Million	Number of Loans disbursed	Disbursements (PKR) Million
Total for Pakistan MF sector (year ended December 31, 2011)	**1969,236**	**26,741.14**	**1800,262**	**36.72**
MFBs				
First Microfinance Bank Limited	139,435	2,625.52	152,683	3,601.61
Khushhali Bank	440,461	4,823.72	374,633	5,279.69
Kashf Microfinance Bank	19,912	694.67	20,942	626.21
Pak Oman Micofinance Bank	11,917	128.23	6601	150.08
Tameer Bank	132,728	5,070.42	150,747	6,881.06
Total for MFBS	744,453	13,342.56	705,606	16,538.64
MFIs				
AKHUWAT	42,069	355.16	43,307	569.43
ASA – Pakistan	142,814	1,580.14	149,224	2,809.73
ASASAH	14,975	170.81	10,080	184.73
Community Support Concern	13,184	160.47	12,862	315.14
Centre for Women's Cooperative Development	7,214	127.51	4,107	214.08
DAMEN	21,036	459.31	24,591	605.31
Kashf Foundation	265,825	2,645.16	150,555	3,306.42
Orangi Charitable Trust	39,289	482.49	25,595	439.52
SAFWCO	31,117	309.07	28,219	467.45
Total for MFIs	**587,523**	**6,290.42**	**448,540**	**8,911.82**
RSPs				
National Rural Support programme	329,975	3,704.93	326,718	5,674.51
Punjab Rural Support programme	61,446	675.55	53,895	916.40
Sindh Rural Suport Organization	38,236	521.85	62,369	979.41
Sarhad Rural Support Programme	2802	19.44	3020	43.51
Thardeep Rural Support programme	44,317	407.08	46,725	669.60
Total for RSPs	**476,776**	**5,328.85**	**492,727**	**8,283.43**
Others				
BRAC	97,547	979.86	96,186	1,653.09
Jinnah Welfare Society	15,825	231.02	15,735	380.87
Narowal Rural Development programme	2443	26.67	1949	137.89
Orix Leasing	16,022	179.18	12,010	260.03
Organization for Participatory Development	20,907	301.98	799	17.29
Rural Community Development society	7049	47.95	19,982	446.54
Sungi Development Foundation	672	11.68	6641	86.37
Swabi WWS	19	0.96	87	6.95
Total for Other	160,484	1,779.30	153,383	2,989.03

Conclusion

Sustained growth on a consistent basis is needed to reduce poverty in the country. Macroeconomic stability is, of course, a pre-requisite for the sustained economic growth but it is not sufficient to reduce poverty. Rather, it is the foundation on which to build a thriving economy. No single policy can completely address the needs of poverty reduction. Food-based interventions may play a supplementary and short term role in eliminating poverty. A multi-pronged approach is needed, which includes interventions to enhance incomes and ensure growth combined with safety nets programs to cater to the marginalized and those that cannot be included directly. This requires interventions in the production system, transfer of resources and employment programmes as well as effective safety net programs. The new growth strategy introduced by the Planning Commission focuses on enhanced growth through increase in productivity in a regulatory environment that enhances competition and promotes innovation. It focuses on markets, competition and youth and on vibrant cities that maximize the efficiency of production and commerce by taking advantage of all growth linkages. Furthermore, successfully targeted social safety net programs, fair and broad based fiscal regimes, efficient labour markets that promote job creation, and high quality education opportunities for the youth are also interventions undertaken by the government to reduce poverty on a permanent basis. Government at all level is highly committed to poverty alleviation programs and all efforts are being made to ensure continuity of these programmes.