

Poverty

13.1 Introduction

The inadequacy of income to meet basic needs, low quality of life, denial of opportunities and choices basic to human development are different facets of poverty. The main objectives of government policies are to raise the standard of living and improve the socio-economic conditions of the people and thus reduce the incidence of poverty in the country.

The Government has subscribed strongly to the belief that economic development if it is to be really meaningful and sustained, must involve and accrue to all citizens, especially the poor, unemployed, marginalized communities and generally, the disadvantaged groups. Growth should ensure equitable distribution of wealth and expanding new sources of wealth that promote human resource development. Economic development also should create a productive and experienced labour force and develop necessary skills to meet the challenges in industrial development through a culture of merit and excellence.

13.2 Low GDP and sectoral growth

Sectoral GDP growth rates in case of Pakistan (*except agriculture*) could not improve or even to hold at 2007-08 level. GDP is expected to grow at the rate of 2.0 percent during 2008-09 against the projected growth rate of 5.5 percent and in the back drop of 4.10 percent during 2007-08. Agriculture, the major source of employment and income to the rural population with 21.8 percent share in GDP and 44.6 percent share in employment, is expected to grow at 4.7 percent compared with 1.08 percent during 2007-08.

Services sector, constituting 53.8 percent of GDP and employing 36.1 percent of Labour Force is expected to grow at 3.6 percent during 2008-09 as compared with 6.6 percent during 2007-08. The output in the manufacturing sector has contracted by 3.3 percent against the target of 6.1 percent. The dismal performance shifted pressure for employment to other sectors outside the organized sectors, acceptance of lower grade jobs, lower income, and thus lower consumption.

13.3 Inflation Pressures on Consumers

High imported inflation particularly in case of food and fuel, coupled with rupee depreciation of 17.7 percent during July 2008 to April 2009 triggered inflation in Pakistan with adverse implications for poverty reduction. Food prices have a significant bearing on poverty incidence. A review of price trends of essential items during 2007-08 indicates that the major portion of food inflation during this period stemmed from hike in the prices consumed by the poor household such as wheat, flour, rice, edible oil, vegetables and pulses. Since April 2007, the economy has witnessed over 200 percent increase in the price of palm oil; and an increase of 150 percent in wheat prices, while over 100 percent increase in the price of oil in the international market. Moreover, economic growth has slowed down considerably during the last three years. The industry and construction sectors have contracted due to the domestic slowdown and energy shortage and also due to global recession. Thus job absorbing capacity of the economy has shrunk.

Consumer Price Index (CPI) showed a sharp increase from 12.0 percent in 2007-08 to 22.4 percent in July-April, 2008-09. The food inflation

also witnessed the same trend of increase in prices from 17.6 percent in 2007-08 to 26.6 percent during July-April 2008-09. The second round impact of the food inflation has changed the

chemistry of the core inflation (non-food and non-energy) and it increased from 7.5 percent in 2007-08 to 17.8 percent during July-April 2008-09 [See Table 13.1].

Table-13.1: Price Trend of Essential Commodities						(Rs) per Kg
Items	Weights	Units	2007-08	July 2008	4 th June 2009	% change 4 th June 09 / July 08
Wheat	0.62	Kg	16.44	21.22	23.75	11.92
Wheat Flour	11.91	Kg	18.06	23.92	26.79	12.00
Beef	3.99	Kg	123.30	133.13	155.30	16.65
Mutton	2.81	Kg	236.48	248.67	281.03	13.01
Chicken (Farm)	2.39	Kg	82.72	93.64	102.02	8.95
Milk Fresh	15.73	Ltr	30.44	34.58	40.12	16.02
Cooking Oil	1.90	2.5 Ltr	316.06	398.00	359.06	-9.78
Onion	1.38	Kg	16.19	17.49	20.78	18.81
Sugar	4.46	Kg	27.90	31.44	45.42	44.47
Mash Pulse	0.49	Kg	71.38	73.48	85.48	16.33

Source: Federal Bureau of Statistics

13.4 Recent Trends in Poverty

Based on the Federal Bureau of Statistics' PSLM data, the Centre for Poverty Reduction and Social Policy Development (CPRSPD), Planning and Development Division estimated a sharp decline in the headcount poverty ratio for 2007-08. However, these findings appear to contradict other assessments conducted subsequently, and which better reflect global and domestic price developments after June 2008. These subsequent assessments point towards a strong likelihood of a sharp increase in the poverty incidence in Pakistan as a result of unprecedented food inflation and transmission of international energy prices to domestic consumers.

The Report of a UN Inter Agency Assessment Mission fielded during June-July 2008 found that food security in Pakistan in 2007-08 had significantly worsened as a result of food price hike. The total number of households falling into this category was estimated to be seven million households or about 45 million people in 2008. In relative terms, the increase is more pronounced in rural areas, where food expenditure rose by 10 percent and total expenditure by 4 percent. In absolute terms the increase has been higher in urban areas. The survey further indicates that more than 40 percent of households reported no change

in income in 2008 since last year. Forty five percent of the population working as employees witnessed decrease in their real wages. The Report shows an increase in the share of severely food insecure population, from 23 percent in 2005-06 to 28 percent in 2008.

The main findings indicate that the high food prices are undermining poverty reduction gains, as food expenditures comprise a large share of the poor's total expenditures and food price hike has severely eroded poor household purchasing power. The assessment shows that the share of households that cannot meet medical expenditure increased from six percent to thirty percent in 2008. Similarly, there is a serious risk of massive school dropout and thus loss of the gains in primary school enrolment achieved in past years. The poorest households need to spend 70 percent or more of their income on food and their ability to meet most essential expenditures for health and education is severely compromised. In addition, the diminished purchasing power has severely impaired capacity of poor households to seek health care, and children education, particularly for girls. This situation has further aggravated by falling nutrition levels, particularly for already malnourished children.

The Planning Commission's constituted Panel of Economists in its Interim Report¹ based on 2004-05 poverty head count number of 23.9 percent suggested an increase of around 6 percentage points in poverty incidence for the year 2008-09. Similarly, the Task Force on Food Security based on the World Bank estimates of poverty head count ratio of 29.2 percent in 2004-05 estimated that poverty head count increased to 33.8 percent in 2007-08 and 36.1 percent in 2008-09 or about 62 million people in 2008-09 were below the poverty line.

Since 2008, global increase in POL and commodity prices and financial meltdown has resulted in plummeting global economic growth and shrinking global trade to a level not seen since the Second World War and the Great Depression of the 1930s. These global developments together with sharp slowdown in growth and high inflation have adversely affected Pakistan's economy and negatively impacted poor households. While recent data, based on PSLM 2007-08 are being examined, independent estimates cited above suggest that between 2005 and 2009 more than 12-14 million people may have been added to the ranks of the poor in Pakistan. This would translate into an increase in poverty from 22.3 percent of the population in 2005-06 to between 30-35 percent in 2008-09. However, firm estimates will only be available when data for 2008-09 comes in.

Subsequent to the poverty estimates of 2007-08 produced by CPRSPD, a validation exercise was conducted by the World Bank. In its analysis, the World Bank disaggregated the full year estimate into quarterly estimated HCR and found an almost 4 to 5 percentage point increase in the last quarter of 2007-08, to around 21 percent.

The World Bank has estimated, using methodology consistent with that used by CPRSPD in its poverty estimation, and taking current projections of real GDP growth, that the poverty Head Count Ratio could rise to over 25 percent by 2009-10.

¹ Economic Stabilization with a Human Face, October 2008.

Given the flux produced by large changes in food and energy prices since late 2007, the government intends to commission a rapid household income and expenditure survey to better assess the current position regarding poverty incidence and vulnerability in the country. This survey is expected to be conducted shortly.

13.5 International Financial Crisis - the Adverse Impact

The global economic crisis, the most severe since the great depression is rapidly turning into a development crisis and more so a human crisis. No region or regime is immune. The poor countries are especially vulnerable as they have the least cushion to withstand such upheavals. The crisis coming on the heels of the food and fuel price volatility poses serious threats to the past gains in boosting economic growth and reducing poverty. It is pushing millions back into poverty and putting at risk the very survival of many. The prospects of reaching the millennium development goals (MDGs) by 2015 already a cause for serious concern now looks even more distant.

The impact of the global financial crisis on developing countries is reflected in sharp reductions in their projected GDP growth to rates that are the lowest since the 1990s. The average projected GDP growth in developing countries in 2009 is now only about a quarter of what was expected before the financial turmoil intensified into a full-blown crisis in the latter half of 2008 and a fifth of that achieved in the period of strong growth up to 2007. Advanced economies are projected to register a negative growth rate of 3.8 percent in 2009 compared with 0.9 percent in 2007-08. For developing countries as a whole, growth is projected to fall to 1.6 percent in 2009, from an average of 6.1 percent in 2007-08, with South Asia expected to grow at 4.3 percent compared to 7.0 percent in 2007-08.

World Bank/IMF estimate that because of this crisis there will be more than 50 million additional people living in extreme poverty in 2009 than expected before the crisis. The International Labour Organization projects that some 30 million more people around the world may be unemployed

in 2009, of which 23 million could be in developing countries. A worse-case scenario envisages as many as 50 million more people becoming unemployed in 2009. These numbers will rise if the crisis deepens and growth in developing countries falters further. These numbers have a human face. As a result of sharply lower economic growth rates, about 200,000 to 400,000 more babies may die each year. School enrollments will suffer especially for girls.

13.6 Crisis Impact on MDGs

The global financial crisis can seriously retard progress toward the MDGs. The impact will be felt on all MDGs, including the goals for poverty

reduction and human development. Poor countries that are vulnerable to shocks and have the least capacity to respond with ameliorative actions are at particular risk of falling further behind. A recent assessment by the World Bank found that almost 40 percent of developing countries were highly exposed to the poverty effects of the crisis (with both declining growth rates and high levels of poverty); most of the others were moderately exposed, with fewer than 10 percent facing little risk. Three-quarters of the exposed countries had limited fiscal capacity to expand programs to curb the effects of the economic downturn. Within countries, the poor typically are more vulnerable and have the least cushion.

Box-1: Trend in Poverty indicators

The poverty head count was updated for the year 2005-06 in the last economic survey. The comparison is reproduced below:

Headcount			
Year	Urban	Rural	Pakistan
1998-99	20.9	34.7	30.6
2000-01	22.7	39.3	34.5
2004-05	14.9	28.1	23.9
2005-06	13.1	27.0	22.3

Source: Pakistan Economic Survey 2007-08

13.7 PRSP-II - underpinning and pro poor expenditure

The government is conscious of the cost being imposed on poor families from the sharp escalation in food prices. Many of these needs are strongly linked and need to be addressed holistically — unless health services are improved, the incidence of ill health will continue to rise; unless educational retention is improved, children will never be able to exit from poverty because they will be concentrated in low-return employment or

remain unemployable. It is, therefore, important to address primary needs via social protection, while simultaneously focusing on the mechanisms that ensure that the exit from absolute poverty is permanent for the majority of the vulnerable and a large proportion of the chronically poor. The national Poverty Reduction Strategy covers the three-year PRSP-II period of 2008-09 – 2010-11 while also providing a framework for thinking well beyond this timeframe and is, therefore, to be viewed as an approach to a long-term national

economic strategy that has its main focus on reduction of poverty.

The second generation Poverty Reduction Strategy Paper (PRSP)-II (2008/09-2010/11) has been finalized with an aim to reduce poverty by regaining macroeconomic stability. The Strategy is built upon nine pillars: There pillars are based on nine point economic agenda of the government with the main thrust on economic growth, reduction in poverty and human development which help achieve this objective. (i) Macroeconomic Stability and Real Sector Growth; (ii) Protecting the Poor and the Vulnerable; (iii) Increasing Productivity and Value Addition in Agriculture; (iv) Integrated Energy Development

Programme; (v) Making Industry Internationally Competitive; (vi) Human Development for the 21st Century; (vii) Removing Infrastructure Bottlenecks through Public Private Partnerships; (viii) Capital and Finance for Development; and (ix) Governance for a Just and Fair System. In addition, the government is putting in place a stringent results-based system to monitor and evaluate the implementation of the Poverty Reduction Strategy. Moreover, the government is continuously determined to empower women and to reduce gender disparities. This, in addition to environmental sustainability, is a crosscutting theme and is regarded as an integral part of the programme, which is woven throughout the PRSP-II.

**Box-2: World Bank Support for the Social Protection in Pakistan:
Pakistan Social Safety Nets Development Policy Credit: US\$ 200 m.**

The broad objective of the operation is to promote inclusive economic growth. The specific objective is to establish a national social safety net system that is fiscally sustainable and provides the chronic and transient poor with basic income support and access to opportunities for graduating from poverty. The programme is being implemented by the Ministry of Finance, Benazir Income Support Programme secretariat, and the Planning Commission. Financing is disbursed after the completion of agreed key policy actions. Key reform areas include

1. *Improving the targeting efficiency of the safety nets programme* by establishing a national targeting system to implement the poverty scorecard method through appointment of separate agencies for scorecard data collection and eligibility determination, and undertaking a policy decision on transition of BISP beneficiaries from the old to the new targeting system.
2. *Establishing an effective institutional framework for programme implementation* through development of legal, institutional, and administrative measures for the safety net system. These include establishment of an autonomous federal safety net authority to provide a uniform platform to implement rationalized safety net programmes; the development of administrative policy guidelines for programme implementation; the rationalization of overlapping federal safety net programmes to improve fiscal and administrative efficiency; and the development of graduation and exit strategies to facilitate households' movement out of poverty.
3. *Enhancing fiscal sustainability and strengthen the fiduciary environment*, through ensuring adequate budget allocation for benefit payment and programme administration consistent with the overall macro-economic framework; and developing a reliable and transparent payment system, through appointing a separate payment agency governed by strong fiduciary and social accountability controls on benefit payments.

Monitoring and Evaluation (M&E) of qualitative, as well as, quantitative aspects of PRSP input, output and outcome indicators as outlined in the M&E framework of PRSP-II, are central to the PRSP process; and the government has attached critical importance towards their regular monitoring, analysis and transparency. Since the initiation of PRSP-I in 2001, pro-poor expenditures

have been reported regularly under five broad categories i.e. i) Market Access and Community Services; ii) Human Development; iii) Rural Development; iv) Safety Nets; and v) Governance. These five categories encompassing 17 pro-poor sectors for tracking of budgetary expenditures have been revisited during the process of PRSP-II compilation in the light of changing socio-

economic realities. The sectors under the five categories mentioned above are rearranged to reflect new poverty reduction programmes of the government. The new initiatives of Benazir Income Support Programme and Punjab Food Support Programme are placed under the broad category of Safety Nets. The pro-poor sector, 'Irrigation' has been renamed as 'Agriculture' to reflect a more inclusive picture of expenditure incurred in the agriculture sector. This sector now also includes budgetary expenditure regarding Livestock, Fisheries and Forestry in addition to Irrigation.

As shown in table 13.2, total expenditures incurred on pro-poor sectors under above mentioned categories remained Rs. 572.6 billion during the FY 2007/08, constituting 5.46 percent of GDP, which is in line with the Fiscal Responsibility and Debt Limitation Act, 2005, stipulating that expenditures on social sectors should not be less than 4.5 percent of GDP in any given year. The pro-poor expenditures increased by 34.2 percent in the FY 2007/08 as compared to FY 2006/07 and are expected to further increase by 33 percent to Rs 760.0 billion during the FY 2008/09 which would be equivalent to 5.86 percent of GDP.

Sectors	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Projected
Market Access and Community Services	28.5	41.7	63.6	76.6	104.6	55.8
Roads, Highways & Bridges	22.7	35.1	53.2	60.0	84.8	46.7
Water Supply & Sanitation	5.8	6.5	10.3	16.6	19.8	9.1
Human Development	129.3	152.9	191.1	222.2	257.1	243.6
Education	97.7	116.9	141.7	162.1	182.6	195.6
Health	27.0	31.4	39.2	53.2	61.1	43.9
Population planning	4.7	4.6	10.2	7.0	13.3	4.1
Rural Development	44.6	59.7	78.5	101.8	112.7	117.6
Agriculture	22.5	37.9	59.8	74.8	83.5	91.2
Land reclamation	2.0	2.1	2.7	2.3	3.1	2.6
Rural development	18.6	15.4	15.0	22.2	23.3	9.6
People Works Programme-II	1.4	4.4	1.0	2.5	2.7	14.2
Safety Nets	17.0	11.4	36.1	18.8	87.9	290.5
Subsidies	8.5	5.4	6.0	5.5	54.9	231.1
Social security & welfare	4.1	2.0	7.6	4.5	18.9	37.0
Food Support Programme	2.8	2.7	3.1	3.5	4.4	15.3
People Works Programme-I	0.6	0.08	0	0.02	1.4	2.6
Natural Calamities & Disasters	0.5	0.9	19.1	5.0	7.7	3.2
Low Cost Housing	0.4	0.3	0.3	0.3	0.6	1.3
Governance	41.8	50.5	6.8	7.2	10.2	52.5
Law & Order	39.4	47.4	1.1	2.1	2.4	46.6
Justice Administration	2.4	3.1	5.6	5.1	7.8	5.9
Total	261.3	316.2	376.1	426.7	572.6	760.0
As % of GDP	4.63	4.81	4.93	4.89	5.46	5.86

Source: PRSP Secretariat, Finance Division

An increase in expenditures occurred in all categories between FY 2006/07 and FY 2007/08 with the highest percentage increase registered in safety nets i.e. 368 percent from Rs 18.8 billion to Rs 87.9 billion. The expenditure under the category of safety nets are set to further increase by 230 percent with increasing expenditure on

subsidies by 321 percent during the fiscal year 2008/09. This substantial increase in expenditure under social safety net stems from government's efforts to hedge the poor against spiraling inflation due to global increase in commodity prices. Due to serious law and order situation the expenditure incurred on governance increased by 42 percent

from Rs 7.2 billion to Rs 10.2 billion during FY 2007/08 as compared to FY 2006/07 and are expected to move up further by 414 percent during FY 2008/09, five times higher than last year.

The expenditure on community services including roads, highways & bridges and water supply & sanitation increased by 37 percent to Rs 104.6 billion in FY 2007/08 compared to Rs 76.6 billion in FY 2006/07. These expenditures are expected to decline by 47 percent during FY 2008/09. In human development, expenditure increased from Rs 222.2 billion in FY 2006/07 to Rs 257.1 billion

in FY 2007/08 marking an increase of 15.7 percent. However, in FY 2008-09 expenditures under this head are expected to decline by 5.3 percent due to limited fiscal space available because of increased expenditures on safety nets and security. The focus on agriculture sector and provision of basic facilities to the rural poor moved up the expenditure in this sector from Rs 101.8 billion in FY 2006/07 to Rs 112.7 billion during FY 2007/08 registering an increase of 11 percent. The expenditure on rural development is expected to grow by 4.3 percent in FY 2008/09.

Box-3: World Bank support to the Pakistan Poverty Alleviation Fund

Third Pakistan Poverty Alleviation Fund Project: US\$ 250 m

The development objective for the proposed project is *to empower and improve the capacity and opportunities for the targeted rural poor to achieve sustainable livelihoods all over Pakistan*. This will be achieved by increased inclusion of the rural poor - including women and ultra poor households - in community organizations and their enhanced participation in economic activities, skill enhancement for taking-up higher value employment, and increased income through an increased asset base, improved infrastructure and market linkages. The key outcome indicators to assess success will be:

- Community institutions that are viable and sustainable
- A minimum of 25% increase in household incomes
- Improved access to physical utilities
- Inclusion of the ultra-poor in community decision making processes

The project will be implemented by the Pakistan Poverty Alleviation Fund (PPAF), which was formed in 1999 with World Bank funding and support. The project adopts an integrated approach, supporting livelihoods initiatives and community infrastructure needs as well as micro-credit. Combining strong targeting mechanisms that effectively identify the poor with skills training and micro credit will do this. Under the project, investments will range from skill enhancement, micro-credit, improved access and linkages to markets and local government, community managed grants for social and productive infrastructure.

Access to a range of PPAF resources (asset transfer, internal lending facility, matching grants, infrastructure, micro-credit etc) will depend on community organizations (COs) and village organizations (VOs) meeting a minimum standard of performance and graduating in a timely manner into viable institutions that can manage and leverage resources from government and/or the private sector.

13.8 Initiatives to Combat Poverty

The sharp rise in international oil and food prices and the global financial crisis not only adversely impacted the macroeconomic indicators in Pakistan but also imposed social costs. Recognizing the urgent need to protect the poor and the vulnerable, the Government of Pakistan

(GoP) launched the *Benazir Income Support Programme (BISP)* in 2008 as its main social safety net programme. This programme would serve as a platform to provide cash transfers to the vulnerable identified on the basis of a poverty scorecard and would be backed by an exit strategy. This strategy includes imparting training to one

member of each vulnerable family to sustain itself. The Programme also envisages a workfare initiative through social mobilization. BISP intends to cover 3.4 million families or 22.75 million people in the current year. In the next two years, the government intends to at least double the allocation for BISP to cover 7 million families. The government would require additional resources of US\$ 3.05 billion over the next two years to sustain the above programme. Poverty reduction is at the forefront of government's all economic efforts. Major thrust of the nine point economic agenda, IMF assisted stabilization programme and lastly, PRSP (i&ii) which itself is a poverty reduction program is to improve the economic lot of the poor and thus to improve the headcount ratio. Government undertook various measures to reduce poverty; briefly discussed below.

The government is cognizant of the fact that effective targeting, implementation, and monitoring of the BISP require a well thought out design as well as placement of appropriate institutional arrangements for various processes. As a first step, a policy decision has been taken to improve the targeting system by using the poverty scorecard approach and a test phase is being implemented in 16 districts. In addition, the government is also keen to enhance the governance and social accountability of the programme. These efforts include separation of identification, administration, and payment functions, piloting the payment through paperless smart card technology, process evaluation and spot checks, and fiduciary controls. In the up-coming pilot phase, three partner organizations have been identified to collect scorecard data in the selected districts. Upon receipt of the completed forms, the National Database Registration Authority (NADRA) will process the data in a comprehensive Management Information System (MIS) and then finalize the beneficiary lists. Payments are to be made via the post offices and delivered at the doorstep through money orders to the adult female representative of

the eligible family. A third party process evaluation and spot checks will be conducted immediately after the scorecard data collection to ensure the targeting accuracy. The experience gained through the pilot phase coupled with a careful evaluation of the data collection performance of three partner organizations will help in developing the plan for nationwide rollout to be completed within 2009.

The evaluation strategy of BISP aims to evaluate the impacts of the cash transfers on the socioeconomic conditions of the beneficiary families, such as food and non-food consumption, and potentially on a number of human development indicators such as school enrollment and attendance, health outcomes, and child labour. Given that the cash transfer is provided to the female head of the beneficiary families, the evaluation also aims to assess the impact of BISP on the perceived and actual social status of women.

The cash transfer programme, BISP serves the first step of a more systematic, coherent and effective country safety net programme. In the short to medium term, the BISP shall serve as a platform for various social assistance programmes. These include transition to a Conditional Cash Transfer (CCT) programme, complementary poverty exit programmes, health insurance programmes, and workfare programmes.

Learning from the international experiences on the effectiveness of the Conditional Cash Transfer programme in enhancing human development, particularly in education, health and nutrition, the GoP through Pakistan Bait-ul-Mal (PBM) has already piloted a conditional cash transfer programme - Child Support Programme (CSP) - in three districts and plans to scale up to 11 districts in the current financial year. The CSP currently has only one condition (admission of beneficiary's children aged 5-12 years in school and at least 80 percent school attendance rate) and pays beneficiary families Rs. 300 per month (US\$ 3.7) with one child in school, and Rs. 500 per month

(US\$ 6.2) with more than one child in school. In order to measure the impact of the programme, a baseline survey and a rapid assessment have been conducted with a follow-up survey to be initiated soon.

Health related shocks affect the transient poor more adversely as they cause loss of income and disturbs the livelihoods of the poor pushing them into extreme poverty. Therefore, BISP will also serve as a platform for complementary programmes the main being **health insurance for the poor and the vulnerable**. This programme will cover the entire family including household head and spouse, children up to 18 years, dependent parents, and unmarried daughters, 18 and above. The policy benefit will cover full hospitalization, pregnancy, daycare treatment and diagnostic tests up to a maximum limit of US\$Rs.25000 per person per year. This insurance policy will also provide accident compensation for earning members of the family. The premium for this health insurance policy will cost Rs.800 per family per year and is proposed to be picked up by the government as a part of the BISP benefits.

Two key initiatives have been launched as an exit strategy to help the BISP target population graduate out of poverty on a sustainable basis. **Skill development** coupled with rehabilitation grants would ensure that the poorest of the poor are provided with skills to enable them to become productive members of the society. The skill development component will undertake training of one family member of the targeted households enabling him/her to seek a job relevant to the skill acquired. The skill development programme would be demand driven ensuring employment/self-employment to the trainee on successful completion of training. Trainings will be provided to 0.5 million people in the first year which will be doubled in the subsequent year to a total of 1 million as training capacity gets enhanced over this period. The trainees would also receive commensurate rehabilitation grants on successful completion of the training. The average cost of this

package inclusive of stipend during training would be around US\$ 800 per person.

Social mobilization is a process in which community members, especially the poor, form their own organization based on common interests and needs. Effective social mobilization goes beyond forming Village/Community Organization; involves a long term process of building institutions of the poor; and results in organized communities making demands upon the system for improved service delivery and accountability. Provision of workfare through small public works under a social mobilization programme will have an immediate impact on poverty levels. This programme is based on the concept of small development schemes for construction of paved streets and water and sanitation facilities at the local level with help of community contribution. This will not only provide essential employment opportunities to the poorest of the poor but will also act as the backbone of many other development outcomes like improved hygienic conditions, nutrition, productivity, the position of women and girls, and lesser depletion of natural resources. Over the last few years several workfare-type programmes have been implemented in Pakistan with the objective of providing temporary employment to the poor and the vulnerable groups with a fair degree of success. These programmes include public works targeted to Afghan refugees, the Khushal Pakistan Programmes and workfare initiative under the Rural Support Programmes. **Community Investment Fund (CIF)** for females will be set up under this initiative, which will be a revolving fund maintained at the union council level to provide interest free loans for income generating activities.

The BISP is, therefore, planned to serve as a platform for many complementary programmes, which are being designed for implementation. These complementary programmes include a **workfare programme through social mobilization**. The latter would be delivered through undertaking small public works in all 6451

Union Councils in the country. The programme envisages an investment of US\$ 80,000 in each Union Council in the first year gradually decreasing to US\$ 40,000 in the second year as the economy starts to pick up and additional fiscal space becomes available for sustained program.

Pakistan Poverty Alleviation Fund has been established to enhance the availability of resources and services to the poor. Since commencement of operations in April 2000 to date, PPAF has disbursed approximately Rs 55.5 billion to 75 Partner Organizations across the country. It is estimated that 15 million and 11 million individuals have been impacted directly or indirectly by PPAF financial and non financial services respectively. Rupees 4.2 billion have been disbursed up to end December 2008 during 2008-09. Rs 5.74 billion from **Zakat Fund** is likely to be disbursed during 2008-09 with an estimated 2186 thousand beneficiaries. **Microfinance** provides low income and marginalized communities with increased financial access, which allows it to become a critical component in the fight against poverty. The industry remains credit driven with 1.7 million active borrowers with a gross loan portfolio of Rs 18.7 billion and roughly 53 percent female clients. Growth in outreach has been achieved by the industry adopting a two pronged approach focused on entering new territories with existing products and improving penetration in existing areas of operation with new credit and non-credit products.

The latent potential of **SME sector** in creation of employment, alleviation of poverty, promotion of economic growth and formation of forward and backward linkages place it in a highly important transformative position across the globe. There are approximately 3.2 million business enterprises in Pakistan and SMEs constitute almost 99 percent of them. The contribution of SMEs towards GDP is over 30 percent, export earnings share 25 percent besides contributing 35 percent in the manufacturing value addition. It also generates 78 percent of non-agricultural employment. SBP has

taken a number of initiatives for promotion of SME sector.

Punjab Government initiatives to eradicate poverty include; **Tractor Subsidy Scheme**; a subsidy of Rs.2 lakh per tractor is being provided for 10,000 tractors in a transparent manner at a cost of Rs 2 billion during, 2008-09. The **“Sasti Roti”** initiative is focusing on the urban population of the province. Under the scheme Sasti Roti at the rate of Rs 2 of 100 gm is being provided across the Punjab on about 12,226 enlisted Tanddoors with daily consumption of about 70000 bags. Subsidized atta is being provided to the Tandoor owners at the rate of Rs 250 per bag.

Punjab Food Support Scheme is a targeted subsidy both for Urban & Rural population aimed at affording relief to the following categories; (i) households that do not have a bread-earner, (ii) widows, orphans, and the destitute, (iii) chronically sick and/or disabled persons, (iv) elderly persons who have been abandoned by their family, and (v) the poorest of the poor segments of the society with marginal income. At present 8th Phase of the Punjab Food Support Scheme is in progress with 1296651 No. of Beneficiaries. So far, Rs. 8,835.537 million has been released to Pakistan Post for all the 8th Phase for disbursement to the beneficiaries of the scheme.

Peoples Works Programme include schemes having immediate bearing on standard of living of a common man under in the area of roads, electrification, gas, telephone, education, health, water supply and sanitation. Expenditure incurred during 2008-09 (up to end April) was 2.18 billion. The programme will create sizeable employment opportunities, improve access of low income groups to basic necessities which will play an important role in reducing poverty and improve quality of life.

Pakistan Bait-ul-Mal (PBM) is making a significant contribution towards poverty reduction through it's various poorest of the poor focused

services by providing assistance to destitute, widow, orphan, invalid, infirm and other needy persons irrespective of their gender, caste, creed and religion. The ongoing core projects/schemes of PBM are: (i) Individual Financial Assistance (IFA), (ii) Child Support Programme (CSP),

(iii) Food Support Programme (FSP), (iv) Civil Society Wing (CSW), (v) National Centres for Rehabilitation of Child Labour (NCsRCL), (iv) Vocational Training Centers (VTCs) and (vii) Jinnah Burn and Reconstructive Centre Lahore.
