



## Poverty and Social Safety Nets

Poverty is defined as “a state or condition in which a person or community lacks the financial resources and essentials to enjoy a minimum standard of life and well-being that's considered acceptable in society”. Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity.

### Measurement of Poverty

Most of the countries of the world define poverty in a uni-dimensional way, using income or consumption level. In developing countries, consumption is more appropriate than income as welfare indicator. First, income is interpreted as a measure of welfare opportunity while consumption as a measure of welfare achievement. Second, it is generally believed that survey respondents are more willing to reveal their consumption pattern than their income. Third, consumption is measured better than

income in developing countries because of difficulties in defining and measuring income for self-employed. Finally, income is subject to seasonal variability while consumption tends to be less variable. So, in Pakistan household consumption is used as a welfare indicator.

Poverty lines are the thresholds which separate the poor from non-poor. Ministry of Planning, Development & Reform measures poverty on consumption based approach using data from Household Integrated Economic Survey (HIES). The official poverty line in Pakistan is calorie based, and consumption based absolute poverty is estimated after converting the household consumption level to adult equivalent based on recommended nutritional requirements of 2350 calories per person per day and providing almost equivalent amount for other basic needs. Table 15.1 gives analytical view of different poverty head counts with improvement in different periods.

Year	2000-01	2004-05	2005-06	2007-08	2010-11
Poverty Line	Rs. 723.40	Rs. 878.64	Rs. 944.47	Rs. 1141.53	Rs. 1745.00
Overall	34.4	23.9	22.3	17.2*	12.4*
Urban	22.6	14.9	13.1	10.0	7.1
Rural	39.2	28.1	27.0	20.6	15.1

Source: Planning Commission estimates using PSLM data of respective years

\*The figures may be considered interim indication of poverty situation in the country. A technical group on poverty is reviewing official methodology and to find out possible causes of variance in poverty numbers and recommend final official estimates.

HIES/PSLM data, using consistent consumption based poverty estimation methodology, shows that poverty declined from 34.4 percent in 2000-01 to 22.3 percent in 2005-06, and subsequently, overall poverty situation in 2010-11 appears to have improved. Poverty headcount, based on consistent consumption based estimates, comes to around 12.4 percent in 2010-11, with 7.1 percent in urban areas and 15.1 percent in rural areas. The decline can be associated with a number of factors including increased allocations to the social safety net programmes like Benazir Income Support Programme, PPAF, better support prices of

agriculture products that helped in reduction of consumption based poverty head count in rural areas, better varieties of crop seed resulting in better agriculture output, improvement in inflow of remittances owing to better manpower export policies are also contributing positively. Targeted interventions including BISP cash disbursements, subsidies, increase in individual and corporate philanthropy, and increase in female labour force participation rate in rural areas are other factors that might have contributed to the decline in consumption based poverty head count.

**Box-1**

According to the World Bank's Poverty Head Count Analysis 2014, if income per adult in Pakistan is taken as \$ 1.25 per day, then 21.04 percent of the population falls below poverty line at 2008 population estimates. But if the poverty line is raised to \$ 2 per day in line with international standards for middle income countries, then 60.19 percent of the population fall below poverty line. The position of poverty in Pakistan is better than India and Bangladesh but Sri Lanka, China and Philippine's are in a better position than Pakistan. However, according to Pakistan Millennium Development Goals Report 2013, the poverty head count has been worked out at 12.4 percent of population tentatively for the year 2010-11.

**15.2 Poverty Head Count Ratio**

Countries	Percentage of population Below US \$1.25 a day	Percentage of population Below US \$2.00 a day
Pakistan (2008)	21.04	60.19
China (2008)	13.06	29.79
Bangladesh	43.25	76.54
India(2010)	32.67	68.72
Sri Lanka (2007)	7.04	29.13
Nepal (2010)	24.82	57.25
Philippines	18.42	41.53

Source: World Bank, World Development Indicators 2014

**Millennium Development Goals (MDGs)**

Pakistan has adopted the Millennium Declaration in the year 2000, and is committed to 'spare no effort to set free the most vulnerable segment of population from the abject and dehumanising conditions of extreme poverty'. Pakistan has adopted 16 targets and 41 indicators against which progress towards achieving the eight goals of the MDGs is measured. The Government of Pakistan recognizes that eradication of poverty & hunger to meet Goal-1 is a first step in promoting a just and progressive society.

According to Pakistan MDG's Report 2013, high growth did not lead to even a moderate decline in

poverty in sixties, while in the seventies the incidence of consumption based poverty decline in spite of low growth due to pro poor policies. In eighties and early 2000s witnessed high growth leading to reduction in poverty, lending support to the poverty-growth nexus.

**Goal 1: Eradicate Extreme Poverty and Hunger**

Under MDG-1, Pakistan aims to halve by 2015, the proportion of people living below the national poverty line, achieve full and productive employment and decent work for all, and halve the proportion of people who suffer from hunger. The targets to be achieved by 2015 and achievements made upto 2010-11 are given in Table 15.3.

**Table 15.3: Poverty Head Counts & MDG-1 Targets**

Goal 1: Eradicate Extreme Poverty & Hunger [03 targets]	1990-91 (Bench Mark)	2001-02	2004-05	2005-06	2007-08	2010-11	2011-12	MDG Target 2015	Status
Proportion of population below the calorie based food plus non-food poverty line	26.1	34.5	23.9	22.3	17.2*	12.4*	n/a	13	On Track
Prevalence of underweight children under 5 years of age	40.0	41.5	38.0	38.0	38.0	n/a	31.5	<20	Off Track
Proportion of population below minimum level of dietary energy consumption	25.0	30.0	n/a	n/a	n/a	n/a	n/a	13	Off Track

Source: Planning Commission estimates using HIES data of respective years

\*The figures may be considered interim indication of poverty situation in the country. A technical group on poverty is reviewing official methodology and to find out possible causes of variance in poverty numbers and recommend final official estimates.

The above table indicates that the benchmark for MDGs was set in accordance with the head count (proportion of people below the poverty line) of 26.11 percent in 1990-91. Consistent with the universal target of halving the poverty head count by 2015, Pakistan set the target for absolute poverty reduction at 13 percent. Against this benchmark, a considerable downward improvement has been witnessed due to timely intervention of the government through different poverty related programmes. The country is off-track on two out of three targets. However, there is a downward trend in poverty incidence over the past decade and Pakistan is on track to achieve the MDG-1, target with regard to poverty.

### Social Safety Nets Programmes

Government recognizes social protection/safety nets as a means to mitigate and manage risk, vulnerability and to reduce poverty through transfers and social insurance for risk mitigation regardless of prior or future contribution. The targeted groups for social safety nets include casual and informal workers, low capital self employed, low rank formal sector workers, women and children without family or community support, etc. In the post devolution situation, on the request of provincial governments, technical assistance is being provided to them in preparing social protection policies that have transparent, improved and easily manageable targeting system, sustainable, comprehensive and integrated provincial social protection policies. A

national framework for social protection will encompass all provincial policies and bring up national features of the national social protection system. It is planned to bring all existing social protection programs under one umbrella with a unified and transparent inclusion criteria, better targeting system and efficient monitoring mechanism.

### Tracking of Pro-Poor Expenditures

There exists full commitment at all stairs of government to follow a sustained poverty reduction strategy and to allocate a minimum of 4.5 percent of GDP to social and poverty related expenditures. This determination is clearly reflected in the allocations to the pro-poor sectors shown in Table 15.4. The government prioritized 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) in the PRSP-II, which provided a link between the policy priorities and the budget reality. Expenditure on pro-poor sectors in 2009-10 stood at 13.4 percent of GDP. In 2010-11, these were 12.1 percent of GDP and in 2011-12, 10.4 percent of GDP. These expenditures were well above the requirement under Goal-I of the UNDP's Millennium Development Goals. During 2012-13, total expenditures for these sectors were slightly decreased and amounted to Rs 1,911.300 billion, which was 12.0 percent of GDP. During July-December of the year 2013-14, Rs 588.105 billion expenditures have been made against an allocation in these sectors to improve the life standards of the people.

<b>Sectors</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14*</b>
Roads, Highways & Bridges	98,456	99,567	111,883	94,750	23,231
Water Supply and Sanitation	25,459	28,506	36,570	34,055	10,376
Education	259,525	322,811	393,523	479,853	222,650
Health	94,399	106,017	134,182	161,202	71,403
Population Planning	7,048	4,861	5,826	7,142	2450
Social Security & Welfare**	54,571	56,315	68,437	70,911	29,732
Natural Calamities & Other Disasters	12,548	49,115	77,096	32,699	6,705
Agriculture	104,815	115,511	134,448	148,554	58,263
Land Reclamation	1,990	3,669	4,347	4,805	2,088
Rural Development	20,391	19,109	32,979	31,926	3,665
Subsidies	234,926	497,441	689,221	556,113	39,804
People's Works Programme-I	8,417	5,049	4,296	3,346	-
People's Works Programme-II	31,754	21,300	33,589	42,486	-
Low Cost Housing	1,828	373	383	603	175
Justice Administration	10,996	14,223	17,082	22,512	10,904
Law and Order	143,639	169,791	194,495	220,343	106,659
<b>Total</b>	<b>1,110,762</b>	<b>1,513,658</b>	<b>1,938,357</b>	<b>1,911,300</b>	<b>588,105</b>
<b>Total as % age of GDP (2005-06 base)</b>	<b>13.4</b>	<b>12.1</b>	<b>10.4</b>	<b>12.0</b>	<b>-</b>

Source: Ministry of Finance

\*: July-December

\*\* : Social Security & Welfare includes the expenditure of BISP (20,034 million) and PBM (746 million)

**Benazir Income Support Programme (BISP):** In the year 2007-08, due to sharp rise in oil prices and primary products in the international as well as domestic market resulted in double digit inflation, which almost halved the purchasing power of the people. Hence, there was an urgent need for direct and speedy relief to the underprivileged sections of the society. Therefore, BISP is the Government of Pakistan's response to cushion the negative impact of slow economic growth, the food crisis and inflation on the poor, particularly women, through the provision of cash transfers of Rs. 1,000/month to eligible families. Its long term objectives include meeting the targets set by Millennium Development Goals (MDGs) to eradicate extreme and chronic poverty and empowerment of women. Present Government has not only continued the Programme but has also increased the cash grant amount to Rs. 1200/ month. BISP was initiated in October 2008, with an initial allocation of Rs. 34.0 billion (US \$ 425 million approximately) for the financial year 2008-09.

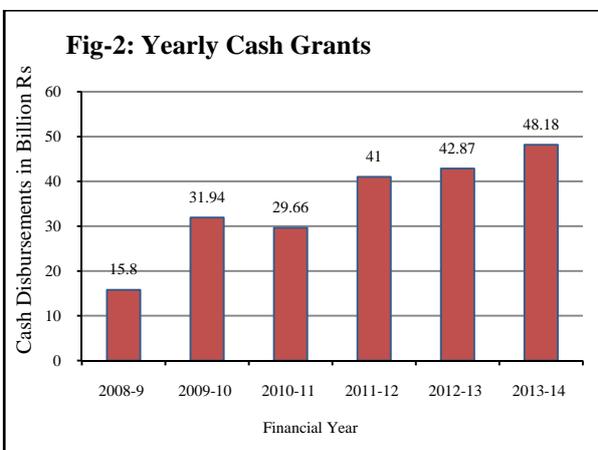
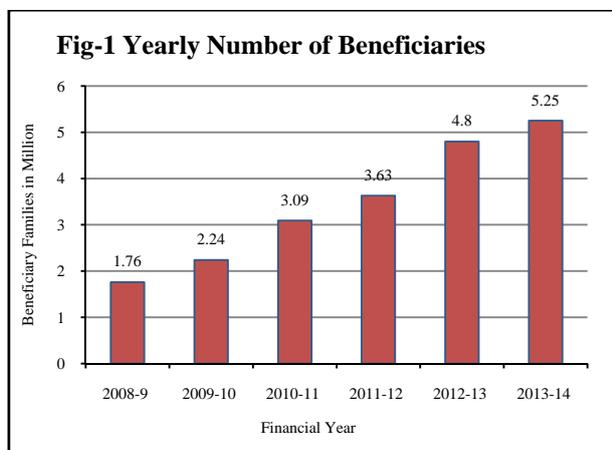
Since its inception in July 2008 to June 2013, BISP has grown rapidly; it is now the largest single poverty alleviation programme in Pakistan. The number of beneficiaries (Fig-1) has increased from 1.7 million families in 2008-9 to nearly 5.25 million in current year 2013-14 and BISP annual disbursements (Fig-2) rose from Rs. 16.0 billion in 2008-9 to Rs. 48.18 billion in the first three quarters of 2013-14.

This period of growth and consolidation of beneficiary related data/information in BISP is characterized by two major transitions. In initial phase of BISP from 2008-09 to 2010-11, the beneficiaries were identified by parliamentarians while in 2010-11, a major transition occurred and poor households have been identified through a Poverty Scorecard Survey based on household demographics, assets, and other measurable characteristics that, in principle, cannot be manipulated by beneficiaries and the survey firms. The Nationwide Poverty Scorecard Survey, the first of its

kind in South Asia, enables BISP to identify eligible households through the application of a Proxy Means Test (PMT) that determines welfare status of the household on a scale between 0-100. The targeting mechanism, although not problem free, tries to avoid the conceptual and empirical difficulties associated with measuring income. The survey was started in October 2010 and has been completed across Pakistan except in two FATA Agencies. The survey has the following features:

- ▶ 7.7 million families are identified living below cut-off score of 16.17<sup>1</sup>.
- ▶ Creation of a large and reliable national registry of the socio-economic status of almost 27 million households across Pakistan
- ▶ GPS coordinates of all the household visited are available to map the data of the entire country for informed decision making (for example, as a response to natural disasters and other emergencies)

The second major transition that took place was use of innovation and technology in delivering payments to its beneficiary households. BISP in its initial phase started delivering cash transfers using Pakistan post due to its outreach across Pakistan. But later, in order to improve the efficiency and transparency of payments to its beneficiaries, BISP started using innovative payment mechanisms in the form of Benazir Smart Card and Mobile Phone Banking on test basis in twelve districts across the country. After testing the pilots, BISP has rolled out Benazir Debit Card across Pakistan. Now, around 78 percent of its beneficiaries are receiving payments through technology enabled innovative payment mechanisms. This massive flow of funds using formal banking sector is contributing immensely towards growth of branchless banking in Pakistan and is providing a link to formal banking sector to reach to the untapped market segment through innovative and careful product design.



<sup>1</sup> Cut-off score of 16.17 is not representing a poverty line. However, this cut-off was decided on the basis of available fiscal space.

There is an increasing role of complementary interventions in determining sustainable impact of cash transfer on access to education and health services, nutrition outcomes, and for improving livelihoods earning skills and opportunities to help them come out of the clutches of poverty. Global experience suggests that where programmes are combined with complementary, well-sequenced interventions, they have greater potential. The programme has four closely associated and complementary components including Waseela-e-Rozgar (Technical & Vocational Training), Waseela-e-Haq (Micro-finance), Waseela-e-Sehet (Life & Health Insurance) and Waseela-e-Taleem (Primary Education).

### **Government Commitment & International Recognition of BISP**

The government has allocated an amount of Rs. 75.0

billion for BISP due to its wide-range coverage and international recognition of its stringent targeting mechanism, innovative design and transparent systems. Until March, 2014 an amount of Rs. 56.250 Billion has been released and due to this commitment of the government the World Bank, US AID, DFID and Asian Development Bank have all appreciated BISP's performance and have provided financial support. The World Bank's role in BISP extends substantially beyond development finance. Since its inception the World Bank generously provided technical advice on different aspects of the programme. Later on, DFID also contributed its financial and technical resources for expansion of BISP. BISP's operational design, separation of function and innovative technology based mechanism has inspired countries like India, Ghana, Mongolia, Cambodia and Nepal to initiate similar programmes to improve lives of their millions of poor.

#### **Box-2: Donor's Support to BISP**

BISP has received a tremendous support from the World Bank, USAID, ADB and DFID as summarized below:

1. World Bank: The World Bank through its organization i.e. International Development Association (IDA) has already disbursed a credit of SDR 100.3 million (equivalent to \$155 million) and two other programmes are under implementation. This include a US\$ 60.0 million to BISP for the "Pakistan Social Safety Net Technical Assistance Project". The implementation period of the TA is August, 2009 to June 30, 2016. Under the TA the WB supported the design of the poverty scorecard, survey of all households in Pakistan and associated activities. After successful implementation the WB has agreed for additional financing of US\$ 150 million for the Pakistan Social Safety Net Project to launch a Co-responsibility cash transfer (Waseela-e-Taleem) programme for the primary education of the children of BISP beneficiaries.
2. USAID: A budgetary support of US\$ 160.0 million was provided to BISP as grant by the USAID, for payment of cash benefits to the beneficiaries identified under the new poverty scorecard system. This amount was fully consumed by January, 2012. USAID also commissioned a 3<sup>rd</sup> party assessment of BISP beneficiaries. The report shows that 98.7% beneficiaries of BISP received their monthly cash transfers.
3. Asian Development Bank in June, 2009, provided an amount of US\$150 million to the Ministry of Finance under the ADB-funded "Accelerating Economic Transformation Programme" (AETP), specifically for use by BISP to make cash transfers to beneficiaries identified through the new targeting system. BISP has fully disbursed the entire amount to its beneficiaries. ADB has signed a project for another \$ 430.0 million for Social Protection Development Project for BISP. This five years financial assistance would be available to BISP, from Dec., 2013 upto June 30, 2019.
4. DFID is one of the major supporters of BISP's initial activities (test phase targeting survey, process evaluation and spot checks etc.) through the Trust Fund managed by the World Bank. DFID is providing a grant of £ 279.0 million (equivalent to \$469.0 million) to BISP for the co-responsibility cash transfer (CCT) programme for primary education of the children of BISP beneficiaries. Implementation period is upto June 30, 2020.
5. IMF Support: The IMF in their 3<sup>rd</sup> Review have re-affirmed their commitment to continue their support to poor & most vulnerable segment of the population and expressed satisfaction in achieving the indicative targets for transfer payment.

The government is committed to reach about 5.25 million poor families by June, 2014. The coverage will be expanded through stepped-up outreach efforts with the target of reaching an additional 0.6 million by end June, 2015. The payment mechanism will be shifted to competitively select e-banking option which will reduce cost and improve beneficiary services.

Source: Economic Affairs Division

### Pakistan Poverty Alleviation Fund (PPAF)

Pakistan Poverty Alleviation Fund (PPAF) is established as an apex governmental Non Profit Organization for community-driven development in the country. PPAF enjoys facilitation and support from the government, The World Bank, International Fund for Agricultural Development (IFAD), Development Bank of Germany (KfW) and corporate donors. Outreach of PPAF now extends throughout Pakistan and its microcredit, water and infrastructure, drought mitigation, education, health and emergency response interventions have been widely recognized. Independent studies have demonstrated positive outcomes and impact of PPAF interventions on the lives of benefiting community's relation to their economic output, household incomes, assets, agricultural productivity skills and other quality of life indices. PPAF aims to be the leading catalyst for improving the quality of life, broadening the range of opportunities and socio-economic mainstreaming of the poor and disadvantaged, especially women. The core operating units of the PPAF deliver a range of development interventions at the grass root/community level through a network of 127 partner organizations across the county.

The sole objective of the PPAF is to improve the quality of life of poor and marginalized people throughout the country. Its specific goals are:

- ▶ To eradicate extreme poverty and hunger
- ▶ To promote gender equality and empower women

- ▶ To achieve universal primary education
- ▶ To improve maternal health
- ▶ To reduce child mortality
- ▶ To establish and strengthen Community Organization (COs) and NGO's for achievement of objectives mentioned above.

Since its establishment in April 2000 to December, 2013, PPAF has disbursed an amount of Rs. 138.4 billion to its 127 Partner Organizations in 121 districts of the country. During the same period, 6.6 million individuals had availed the PPAF financing with 58 percent of the loans going to women. Almost 29,000 water and infrastructure projects had been initiated, 1,843 health and education facilities supported; 391,000 credit groups and 123,500 community organizations formed, 660,800 staff and community members were trained, 203,300 individuals received skills/entrepreneurial trainings, 53,000 assets were transferred to ultra poor and vulnerable households, 26,279 individuals including women and youth trained on enterprise development under Waseela-e-Haq National & Waseela-e-Haq Sindh program of BISP and facilitated in establishing their successful ventures, and 19,000 persons with disabilities were rehabilitated.

During the period July-December, 2013-14, Pakistan Poverty Alleviation Fund (PPAF) has managed to disburse an amount of Rs. 8,418 million to its partner organizations under PPAF core interventions administered through various operational units and special initiatives as shown in Table 15.5.

**Table 15.5: Disbursement by Operating Units/Special Initiatives**

S.No	Components	Amount (Rs.Million)
1.	Waseela-e-Haq (BISP)	298
2.	Institutional Development/Social Mobilization	481
3.	Microfinance Portfolio Management (MPM)	5253
4.	Livelihood, Employment and Enterprise Development (LEED)	1603
5.	Community Physical Infrastructure (CPI)	341
6.	Water, Energy and Climate Change (WECC)	130
7.	Education, Health, and Nutrition (EHN)	312
Total		8,418

Source: Pakistan Poverty Alleviation Fund, Islamabad.

During the period July-December, 2013-14, under Institutional Development /Social Mobilization 2,062 Community Organization (COs) were formed by organizing 40,621 households. Similarly, under Training/Awareness Raising sessions for female COs members, 504 females were trained for "Rights," 634 females were imparted training for properly understanding the legalities and rights inherent in Nikah Namas (Islamic Marriage

Registration Document) and 182 females were trained to understand their rights under the Law of Inheritance. Overall, these projects benefitted approximately 3.274 million poor people including 62 percent women beneficiaries. Detail of major achievements by Operating Units of PPAF is shown in Table-15.6 below:

**Table 15.6: Major Achievements by Operating Units of PPAF**

S.No	Outreach	Numbers
1.	Social Mobilization-Community organizations formed	2,062
2.	Institutional Development-Community and Staff trainees (42% women)	5,169
3.	Livelihood, Employment and Enterprise Development : <ul style="list-style-type: none"> <li>• Individuals received skills/entrepreneurial training</li> <li>• Productive assets transferred to ultra and Vulnerable poor (58% women)</li> </ul>	42,729 11,103
4.	Microfinance Portfolio Management - Micro Loans (71% women)	584,719
5.	Community Physical Infrastructure – Sub-Projects initiated (50% women beneficiaries)	174
6.	Water, Energy and Climate Change - Sub-Projects initiated (52% women beneficiaries)	526
7.	Education – New enrolment	1,087
8.	Health- Beneficiaries (59% female patients)	2,329,879
9.	Overall Beneficiaries – Direct/Indirect (62% women)	3,273,900

Source: Pakistan Poverty Alleviation Fund, Islamabad.

#### a. Waseela-e-Haq (BISP) under PPAF

PPAF has also been implementing Waseela-e-Haq component of BISP targeted at 18,000 ultra-poor women/households across Pakistan. The program was designed to mainstream women in economic activities by giving them opportunities to start earning their livelihoods and come out of poverty cycle. Waseela-e-Haq program offers a soft loan of Rs. 300,000/- to female beneficiaries after graduating from 10 days enterprise development training. The loan is provided to establish their enterprise to improve livelihoods; thus helping in sustainable poverty reduction and women empowerment.

#### b. Waseela-e-Haq Sindh

Based on the performance of Waseela-e-Haq National Program, BISP offered PPAF another program targeted on 30,000 youth of Sindh by the name of “Waseela-e-Haq Sindh”. This program is also based on the same pattern as of Waseela-e-Haq National except the target audience has poverty score between 16.18 to 30, age between 19 to 35 and they should be at least Matriculate. Government of Pakistan is creating a new set of middle class in the province by giving an interest-free loan to the young people who passed the secondary school examination at least, and are currently unemployed.

Waseela-e-Haq Sindh, is a product of the collaboration of the Government of Sindh and Benazir Income Support Programme (BISP). The goal is to spread programs in the province by providing financial assistance to deserving jobless youths to start a business. A project of Rs. 12.0 billion of Waseela-e-Haq Sindh was launched to give interest free loans to every single deserving youth. The loan is given to applicants after verifications that they have no source of income. Anyone from 19 to 35 years old and minimum matriculation qualification is qualified. Aside from

the financial loan grant, the successful applicants would be provided support, advice and training.

#### c. Waseela-e-Haq (Micro-finance)

Aiming to break the vicious cycle of poverty Waseela-e-Haq provides long-term interest free financial assistance of Rs. 300,000 to the randomly selected beneficiaries to start their own business. So far, 41 draws have been held and an amount of Rs. 2.6 billion has been disbursed to 16,119 beneficiaries, while 9193 beneficiaries have started their own businesses.

#### d. Waseela-e-Rozgar (Vocational & Technical Training)

This initiative envisages empowering the female beneficiary or her nominee to become economically independent through acquiring demand-driven vocational skill and technical education. Waseela-e-Rozgar provides free of cost vocational training for every beneficiary woman or her nominee, between the age of 18 and 45, from her own family. So far, around 57,000 individuals have been trained under this initiative. BISP plans to merge its Waseela-e-Rozgar and Waseela-e-Haq schemes so that BISP beneficiaries who do not want to take jobs will be given micro credit loans to start their own businesses.

#### e. Waseela-e-Sehet (Life & Health Insurance)

The Life Insurance scheme was launched to provide insurance coverage of Rs. 100,000 to the life of bread-earners of every beneficiary family. Over 4.1 million beneficiary families now have their bread earners covered for three years under the life insurance scheme. Health Insurance providing full hospitalization, pregnancy care, day-care treatment, and diagnostic tests for all beneficiary families, to a maximum limit of Rupees 25,000/- per family per year has also been launched in Faisalabad on test

basis. To facilitate the beneficiaries, Benazir Health Cards (biometric cards) have been issued to the more than 58,000 enrolled families.

#### f. Waseela-e-Taleem

Financial Limitation hinders millions of children in Pakistan from attending schools. Waseela-e-Taleem aims to encourage BISP beneficiary families, with children in the age group of 5 to 12 years, to send their out of school children to schools for Primary Education and in school children to continue their education, in return for cash transfers of Rs. 200 per child per month for up to three children of each BISP beneficiary family in return for their compliance with the co-responsibilities of school admissions and a minimum of 70 percent quarterly attendance. So far, a total of 33,067 children have been confirmed as admitted in the schools in five districts.

#### Zakat

Zakah is “that portion of a person’s wealth, designate for the poor by ALLAH Almighty”. It’s a compulsory levy imposed on wealthy and plays an important role in poverty alleviation. Zakat system in Pakistan was introduced through an Ordinance called Zakat and Ushr Ordinance, 1980. Zakat aims to take surplus money or wealth from the comparatively well-to-do members of the society and utilize to assist the needy, indigent, poor, orphans, widows, handicapped and disabled. These poor segments of society are provided Zakat funds either directly through respective local Zakat Committees or indirectly through institutions i.e. educational, vocational, social institutions and hospitals, etc.

**Table : 15.7 Disbursement of Zakat, 2013-14**

S.No	Provinces /Other Areas	Disbursed Amount (Rs. Million)
1	Punjab	2162.368
2	Sindh	893.824
3	Khyber Pakhtunkhwa	520.989
4	Balochistan	192.638
5	FATA	131.348
6	ICT	99.710
7	Gilgit Baltistan	52.692
<b>Total</b>		<b>4053.569</b>

Source: Ministry of Religious Affairs

Under the 18<sup>th</sup> Constitutional Amendment, the subject of Zakat has been devolved to the provinces/federal areas. Total amount of Rs. 4,053.569 million was placed in bulk on the disposal of provinces and other administrative areas for further distribution among the deserving

families/persons during the year 2013-14, as given in Table 15.7 above.

#### Pakistan Bait-ul-Mal

Pakistan Bait-ul-Mall (PBM) is an autonomous body set up under 1991 Act of the Government of Pakistan. The purpose of establishment of this institution is eradication of poverty through indiscriminate provision of assistance of various kinds to most deprived individuals in the society. PBM provides financial assistance for fighting hunger, getting medical treatment, getting education and setting up self employment activities. PBM also provides financial support to educational, vocational and other charitable institutions. PBM facilitates and supports the construction of residential and other necessary facilities for the needy, endeavors for elimination of child labour, and any other purpose approved by the board. The funds under PBM are provided to deserving person through IT and e-government.

#### Major Projects/Achievements of PBM

##### a) Individual Financial Assistance

Deserving persons get education, medical treatment and general assistance through Individual Financial Assistance (IFA) Programme of Pakistan Bait-ul-Mall. PBM has envisioned providing Wheel Chairs to every disabled in the country. A family who has two or more special children is called as “Special Family” and has the right to be benefited and Rs. 25,000/- is given to each family annually. An amount of Rs. 605.983 million has been disbursed to benefit 13,434 individuals countrywide during the period July-March, 2013-14.

##### b) Establishment of Pakistan Sweet Homes (Orphans)

Islam has a very rich tradition of providing support and care to children without parental support. Pakistan, a signatory to the Convention on rights of child 1989, is well aware of its responsibility to set up orphanages for taking care of the children without parental support. PBM have established 30 Pakistan Sweet Home orphanages at divisional level under a pilot project where 3000 children are enrolled so far. These orphans get free education through reputed educational institutions, boarding & lodging facilities along with free medical treatment. Total spending for the Pakistan Sweet Homes project during the period July-March, 2013-14, is Rs. 168.105 million.

### c) Endowment Fund (Institutional Rehabilitation for NGOs)

PBM 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. Grant is provided to NGOs in the following strategies; Strategy-I for Financial Assistance to Orphans for Health, Education & Training, Strategy-II for Cataract operations for deserving and Strategy-III for Innovative pilot Rehabilitation Project. During July-March, 2013-14, an amount of Rs. 12.204 million has been spent among 6,102 poor beneficiaries.

### Child Support Programme (CSP)

This program was started with the objective of inducing poor people for sending their children to school and discouraging child labour. A family with one child of school going age is provided with a cash support of Rs. 300 per month and a family with two or more children is provided Rs. 600 per month per child for sending their children to school. Currently the programme is running in 14 districts. An amount of Rs. 31.603 million has been disbursed among 16,680 beneficiaries during the period from July-March, 2013-14. UNICEF is technically collaborating with Pakistan Bait-ul Mal in designing the programme. Gallop Pakistan hired by PBM for Base Line Survey and Rapid assessment has reported encouraging results.

#### a. National Centres for Rehabilitation of Child Labour (NCsRCL)

PBM has launched 159 National Centers for Rehabilitation of Child Labour (NCsRCL) with the objective of progressive elimination of child labour and rehabilitation of the victims across Pakistan. Children, both male and female, between the ages of 5-6 years are induced away from hazardous labour and enrolled in these centers to get primary education in 4 year. PBM has utilized an amount of Rs.285.309 million for these centers during the period July-March 2013-14.

#### b. Vocational/ Diversified Vocational Dastkari Schools (VDS/DVDS)

The goal of poverty alleviation can only be achieved through capacity building and skill enhancement of the poor. Poorest of the poor are generally widows, orphans and poor girls. Therefore, PBM have established 144 Vocational Dastkari Schools (VDS) and 15 Diversified Vocational Dastkari Schools (DVDS)

throughout the country since 1995 for developing their employable skills through free trainings. Presently, an amount of Rs.136.252 million has been utilized July-March, 2013-14.

### Employees Old Age Benefits Institution (EOBI)

Article 38(c) of the Constitution of Pakistan makes it obligatory for the state to provide social security by compulsory social insurance or by any other means to all persons employed in the service of Pakistan or otherwise. For furtherance of this goal, Government of Pakistan has established Employees Old Age Benefits Institution (EOBI). On fulfilling the prescribed conditions regarding qualifying age and payment of contribution etc., the Employee Old Age Benefits Institution (EOBI) provides monetary benefits to old age workers through various programmes such as old age pension on attaining superannuation, Invalidity Pension on sustaining Invalidity affecting insured person's earning more than one third of the normal, survivors pension in case of death of insured person/pensioner and old age grant not meeting the benchmark for old-age pension.

During July-March, 2013-14, an amount of Rs. 10,984.599 million has been utilized for 330,645 beneficiaries. Furthermore, it is planned that 15,744 more beneficiaries will take benefits from the EOBI up to June 2014; an additional amount of Rs. 4875.401 million is allocated for Old-Age Pension, Survivors Pension, Invalidity Pension and Old-Age Grants.

### Workers' Welfare Fund (WWF)

Workers' welfare fund, a federally administered fund, is governed by a body with representation by all the tripartite partners i.e. government, employers and workers. Worker Welfare Fund was established under Worker Welfare Fund Ordinance, 1971 and was placed under the administrative control of Ministry of Overseas Pakistanis and Human Resource Development. WWF is providing services to the industrial workers in the areas of housing, education and health, besides which, financial assistance is also being extended in the form of death grant, marriage grant and post-matric educational scholarships.

WWF finances the projects for the establishment of low cost housing estates or construction of low cost houses for the industrial workers and takes other measures for welfare of workers e.g. free education up to secondary level, scholarships for post secondary study, marriage grants, death grants etc.

### Function being performed by Workers' Welfare Fund

- ▶ To finance the projects connected with the establishment of housing estates for workers which include the following;
  - a) Construction of houses, flats and development of plots.
  - b) Establishment of health facilities like hospitals, wards, and dispensaries.
  - c) Establishment of education facilities like schools, colleges, technical institutes and industrial homes.
- ▶ Provision of free education to worker's children up to higher secondary level in Workers Welfare Model Schools.
- ▶ To impart skill education in Workers Welfare Model Schools & Vocational Training Institutes for students of 9<sup>th</sup> & 10<sup>th</sup> class.
- ▶ To award talent scholarship to worker's children for M. Phil/M.S & Ph.D.
- ▶ WWF is providing Death Grant @ Rs.500,000/- to the widows/legal heirs of the deceased workers as compensation.
- ▶ To provide Marriage Grant @ Rs.100,000/- for the marriage of each daughter of workers.
- ▶ To take different measures for the welfare of workers like provision of sewing machines and wheel chairs.
- ▶ To bear all educational expenses and award of monthly stipends to worker's children (from Rs.1600 to Rs.3,500 p.m) studying at post Matric level.
- ▶ To bear all educational expenses of worker's children studying in any public/private school in big cities where WWF schools either do not exist or insufficient to meet the educational needs of local workers children.
- ▶ To award cash prizes (from Rs. 40,000 to Rs. 90,000) for position holder children of workers in Matric examinations at the level of Board of intermediate & Secondary Education and also at the level of Workers Welfare Model Schools.

During July-December, 2013-14, expenditures amounting to Rs.324.37 million has been made on award of 7,839 scholarships. Another Rs. 280.17 million has been disbursed as Marriage Grant (@100,000/-) from which 3,924 families of the workers have benefited. WWF has also disbursed

Rs.341.8 million for Death Grant against 761 cases of mishaps of workers all over the country.

### Microfinance Initiatives

Researchers associated with poverty are convinced that any measure of poverty reduction save capacity building of the poor will not cure the ailment of poverty on sustainable basis. Microfinance for the self-employment of the poor is considered to be the best tool for capacity building and social mobilization of the poor. Microfinance institutions provide short term loans to the poor beneficiaries for setting up their own small business so that profits of these business help them move out of the clutches of poverty. Microfinance institution help reduce poverty by reaching remote areas and targeting those people who do not have access to formal banking system. The focus areas of microfinance institution engulf a wide range of services such as credit, saving and insurance.

The microcredit outreach growth through microfinance industry in Pakistan saw a healthy increase in 2013, with the growth rate being highest in the last five years. The microcredit outreach stood at 2.8 million borrowers at end of year 2013 as compared to 2.3 million active borrowers last year showing a healthy growth of 19 percent. The total Gross Loan Portfolio (GLP) also increased from Rs. 32.0 billion in 2012 to Rs. 52.0 billion in 2013 showing an increase of 61 percent. The increase in GLP is due to a combination of increasing outreach and rising loan sizes. Khushhali Bank Limited (KBL) continues to remain the largest Micro-Finance Provider (MFP) with 522 thousand borrowers and a GLP of Rs. 9.66 billion. Women borrowers continue to make up bulk of the borrowers with a total share of 55 percent. Moreover, 57 percent of the borrowers belong to rural areas.

Micro-savings stood at Rs. 34.0 billion at the close of the year 2013 up from Rs. 23.0 billion in 2012. TMFB has the largest deposit base with Rs 10.6 billion followed by FMFB with a deposit base of Rs 7.8 billion. In case of micro-insurance, 12 percent growth was observed with policy holders increasing from Rs. 2.85 million in 2012 to Rs. 3.2 million at the end of the year, 2013. The sum insured rose from Rs. 36.0 billion to Rs. 44.0 billion. Credit life continues to dominate this segment with a share of 61 percent. NRSP remains the largest provider of micro-insurance in the country. With the advent of the micro-insurance regulations by SECP it is hoped that this segment will experience growth and increase in the number of products and services

being offered. Details of the industry are provided in Table-15.8.

Buoyed by an enabling environment, new players continue to enter into the microfinance and branchless banking arena. Last year saw start of operations by Advans Microfinance Bank, part of the Advans Group of France, and Waseela Microfinance Bank, a subsidiary of Orascom Telecom, and successful acquisition of Kashf

Microfinance Bank (KMFB) by Foundation for International Community Assistance (FINCA) International. A number of new players launched their branchless banking operation in the previous year including HBL Express, Mobi-Cash, U-Paisa and Time-Pay bringing the number of branchless banking systems deployed in the country to six. Industry infrastructure was also strengthened with the launch of a national level dedicated credit information bureau for the microfinance industry.

**Table-15.8: Active Borrowers, Active Savers and Active Policy holders by Peer Group**

Details	Micro-Credit		Micro-Savings		Micro-Insurance	
	Active Borrowers (million)	(Rs. million)	Active Savers (million)	(Rs. million)	Policy Holders (million)	Sum insured (Rs. million)
2013-14	2.832	52,092	5.977	34,784	3.264	44,182
2012-13	2.355	32,238	4.682	24,974	2.854	36,054
Increase/Decrease (Net)	0.477	16,138	1.295	8,810	0.41	8,128
Increase/Decrease (%)	19.75	61.59	27.66	39.28	14.36	22.54

Source: Pakistan Microfinance Network (PMN).

A number of MFPs have linked up with branchless banking systems to collect loan repayments initially with potential to expand into loan disbursements and other financial services. There are further opportunities for MFPs in this space such as facilitating government to person (G2P) payments via branchless banking. In addition, MFPs are ideally positioned to tap small enterprises as they have similar dynamics as with microfinance clientage. Growth and improvements in performance show that the microfinance is now well positioned to become an integral part of the financial industry.

The tight liquidity conditions and spiraling inflation have made it difficult for the microfinance

institution to maintain smooth running of their business. Under these tight conditions Government of Pakistan have started its microfinance initiative and is providing liquidity to microfinance institutions like Microfinance Banks (MFBs), Microfinance Institutions (MFIs), Rural Support Programs (RSPs) and others including Commercial Financial Institutions (CFIs) and Non-Government Organizations (NGOs).

Table 15.9 presents the number of Micro-credit beneficiaries with Outstanding Loans Portfolio (OLP) and Disbursements by loan providers.

**Table 15.9 Micro Credit Beneficiaries, Outstanding Loans Portfolio and Loan Disbursement**

Micro Finance Providers	Active Borrowers (thousands)	Outstanding Loans portfolio (Rs. million)	Number of Loans disbursed (thousands)	Disbursements (Rs. million)
<b>Total (year ended December 31, 2013)</b>	<b>2,832</b>	<b>52,092</b>	<b>892</b>	<b>23,940</b>
<b>Micro Finance Banks</b>				
First Microfinance Bank Limited	163,544	4,038	51,438	1,605
Khushhali Bank	522,855	9,667	158,266	3,879
Kashf Microfinance Bank	38,839	2,017	13,913	941
Pak Oman Microfinance Bank	11,405	170	937	44
Tameer Bank	197,811	8,331	63,630	3,033
NRSP Bank	171,178	4,845	127,545	3,825
Apna Microfinance Bank	8,606	341	2,108	199
<b>Total</b>	<b>1,114,238</b>	<b>29,409</b>	<b>417,837</b>	<b>13,526</b>

**Table 15.9 Micro Credit Beneficiaries, Outstanding Loans Portfolio and Loan Disbursement**

Micro Finance Providers	Active Borrowers (thousands)	Outstanding Loans portfolio (Rs. million)	Number of Loans disbursed (thousands)	Disbursements (Rs. million)
<b>Micro Finance Institutions</b>				
AKHUWAT	200,930	2,093	63,682	1,134
ASA – Pakistan	179,588	2,215	51,956	948
ASASAH	8,967	109	562	20
Community Support Concern	19,106	345	5,235	179
Wasil (Centre for Women’s Cooperative Development)	6,190	118	1,653	27
DAMEN	35,185	750	7,179	272
Farmers Friend Organization	15,646	198	5,565	172
GBTI	6,431	68	1,842	31
Kashf Foundation	324,139	4,026	62,041	1,707
MOJAZ	5,849	101	2,373	60
Orangi Charitable Trust	44,213	530	4,597	89
SAFWCO Support Foundation	37,322	341	4,663	96
<b>Total for MFIs</b>	<b>883,566</b>	<b>10,894</b>	<b>211,348</b>	<b>4,735</b>
<b>Rural Support Programs</b>				
National Rural Support programme	452,093	6,479	140,034	3,151
Punjab Rural Support programme	75,656	1,039	21,099	443
Sindh Rural Support Organization	48,053	709	12,535	234
Sarhad Rural Support Programme	3,822	27	1,850	25
Thardeep Rural Support programme	86,322	920	30,340	499
<b>Total for RSPs</b>	<b>665,946</b>	<b>9,174</b>	<b>205,858</b>	<b>4,352</b>
<b>Others</b>				
BRAC-P	56,359	884	16,508	285
Jinnah Welfare Society	24,246	388	7,362	225
Narowal Rural Development programme	6,184	159	1,558	48
Orix Leasing	18,484	248	4,429	104
Organization for Participatory Development	5,540	72	1,710	36
Rural Community Development society	35,552	509	10,068	243
Sungi Development Foundation	10,670	89	2,696	42
Swabi WWS	3,148	30	345	15
<b>Total for Other</b>	<b>160,183</b>	<b>2,379</b>	<b>44,676</b>	<b>998</b>

Source: Pakistan Microfinance Network (PMN).

Some of the challenges that the sector faces include

► **Market Segmentation**

As discussed above, the sector has become quite diverse in terms of the types of institutions, and, products and services. In addition to the private sector, government has also introduced schemes of interest free loans and youth business finance. In this context of diversity, there is a need for market segmentation that would allow different models to coexist and prosper.

► **Funding for Growth**

With penetration low at about 10 percent there is a huge potential for growth in the industry. However, there is a need to explore additional

funding options to meet the sector's financial needs.

► **Risk Mitigation Fund**

Pakistan is a country prone to natural disasters, especially earthquakes and floods. It is usually the poor and vulnerable that are worst affected when such calamities strike, and given that it is this segment that microfinance deals with, the sector is exposed to significant risk. In order to provide protection to institutions and their clients, there is a need to establish a sector level disaster risk mitigation fund, so microfinance providers can continue to lend in vulnerable segments and geographies.

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### Interest Free Loan Scheme

Prime Minister's Interest Free Loan Scheme is being initiated to support micro enterprise activities for the poor youth, with an allocation of Rs. 3.5 billion, which will be disbursed through Pakistan Poverty Alleviation Fund. This scheme is meant to provide interest free loans up to Rs. 50,000 to the vulnerable and poverty ridden urban and rural youth for setting up their own small scale business. The amount returned by the borrowers will be accumulated in permanent fund available to community for further lending. Moreover, borrowers under this scheme are encouraged and educated to convert themselves into "giver" from "taker". This scheme will benefit one million beneficiaries in developing the livelihood skills and opportunities.

### Business Loan Scheme

Under this scheme, Skilled and trained youth is provided subsidized financing at 8.0 percent mark up. This scheme is intended to provide business loans with tenure up to 8 years, with first year grace period and debt equity ratio of 90:10 through designated branches of National Bank of Pakistan and First Women Bank Limited. This scheme will help to reduce the poverty and boost productive activities in the unemployed youth and women. To engulf the vision of including women and deprived in the development process fifty percent quota is reserved for women and five percent for families of shaheeds, widows and disabled persons.

### Conclusion

After the 18<sup>th</sup> Constitutional Amendment and passing of 7<sup>th</sup> National Finance Commission (NFC) Award has resulted in a paradigm shift from the previous sole emphasis on overall macro-economic growth as well as Inter and Intra-Provincial development priorities. The 7<sup>th</sup> NFC Award offers greater chunk of funds from Federal to Provincial Governments that will provide more fiscal space to provinces to play their role in addressing intra-provincial disparities. Now most of the projects related to social sectors are planned and implemented by the Provinces, while Federal Government can only concentrate to allocate larger chunk of the budget towards the development of infrastructure, energy and quality improvement of social sectors. The government is taking various measures to keep stable the inflation rate on single digit through prudent expenditure management, tight monetary policy, better supply chain management and monitoring of the prices & supply position of all essential items by taking all the provincial governments on board for the relief of common man.

Efforts will be made to improve overall economic governance, devise social protection policy and strengthen pro-poor institutions that would result in better implementation of poverty reduction strategies and improving HRD indicators by allocating a fair amount under different schemes for social safety net programmes with the aim to directly intervene to transfer resources to the marginalized segment of the society.

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