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Why Poverty Reduction Programs of Pakistan Did Not Bring Significant Change: An Appraisal

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Abstract

Pakistan is a lower middle-income country, which is home to a large number of poor, constituting about one-third of its population. The incidence of poverty has remained at around 30 percent of the population during last four decades. The country has been struggling for poverty reduction and has been introducing poverty alleviation programs from time to time. Despite these efforts, poverty persists. The country is facing many challenges including low growth, high inflation and unemployment, sectarian strife, and poor governance. This article overviews the incidence of poverty, social safety nets programs of the country and discusses why these programs did not bring significant and tangible results.

Key words: Pakistan Welfare and Poverty Policy, Social Welfare Programs, Transfer Programs, Welfare Policy, *Zakat* management, Safety nets

JEL Classification: 132, 138

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WHY POVERTY REDUCTION PROGRAMS OF PAKISTAN DID NOT BRING A SIGNIFICANT CHANGE: AN APPRAISAL

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Introduction:

Poverty is a multidimensional phenomenon, which includes social, economic and political deprivation. Countries have been struggling for alleviation of poverty. Generally, the public sector has been the main driver for poverty reduction in the past. Recently, in addition to the public sector, civil society and NGOs are also participating in the poverty reduction movement.

Pakistan has been facing high incidence of poverty. It has been around 30 percent, on average, during the last four decades. The country never saw a unidirectional trend in poverty reduction. Pakistan is facing many challenges including low growth, high inflation and unemployment, sectarian strife and poor governance. Many efforts were made in the past to alleviate poverty, but unfortunately, poverty persists and is getting more acute over time.

During the last decade, Pakistan has started an integrated approach to reduce poverty. Poverty Reduction Strategy paper-I and II have been prepared for accelerated and broad-based economic growth, while maintaining macroeconomic stability, improving governance, investing in human capital, and targeted programs with emphasis on social inclusion. Pakistan has identified 17 pro-poor expenditure sectors with the target to spend a minimum of 4.5 percent of the GDP on them. Pro-poor expenditures have been rising significantly from 3.77 percent of GDP in 2001-02 to 9.9 percent in 2011-12.

Pakistan is spending a significant amount on safety nets and social protection programs. Under safety nets and social protection programs, the government provides food subsidies and food support program; social security and, peoples' work program; and natural calamities and disaster management program. Some programs, such as, *Zakat*, Pakistan Bait-ul-Mal and Benazir Income Support programs provide direct cash grants and other indirect supports through various institutions to the poor, while microfinance institutions provide financial services such as micro-credit, micro-savings and micro-insurance to the beneficiaries. Government of Pakistan fully supports the microfinance industry and has provided the enabling environment for successful operation of the industry. Microfinance industry is flourishing and it has been increasing its outreach. However, despite all the efforts, according to estimates, it could hardly cover 10 percent of the potential microfinance market in 2013.

Section 1 of the article discusses the incidence of poverty in Pakistan and section 2 provides an overview of safety nets programs in the country. Section 3 focusses on deficiency of the social protection programs and seeks to explore why social safety nets did not bring a significant change in poverty reduction.

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1. POVERTY IN PAKISTAN

Determining the threshold is the first step to identify the poor. Due to the differences in measuring poverty lines, poverty estimates are not comparable across regions and over time. Arif and Farooq (2012) divided 1963-2008 period into two broad groups; 1963-1992, for which poverty estimates are usually based on secondary or published grouped data, using generally the calorific norm of 2550 calories per day per person. For the 1992-2006 period, poverty has commonly been estimated by applying the official poverty line (based on 2350 calories per adult per day) on micro-data (Household Income and Expenditure Surveys-HIES). During the early period, or until 1992, it was common to have different threshold levels for urban and rural areas, keeping in view the higher calorific requirements of rural population for physical activities. In the late 1990s, a uniform threshold of 2350 calories per adult per day was used for rural as well as urban poverty estimates. However, in general, poverty trends can be found despite the methodological differences.

Although poverty is widespread in Pakistan, it is more prevalent in rural areas than in the urban ones. While there was increase in the incidence of poverty during 1960s, the trend was reversed 1970 onwards. The changes occurring in agrarian structure during the 1960s, contributed to rural poverty. Some of the factors responsible for the decline in poverty from 1970 onwards and throughout the 1980s were overall economic growth and foreign remittances. The introduction of *zakat* and *ushr* also played its role in 1980s[3]. However, poverty re-emerged and aggravated further during the 1990s and in the early 2000s.

The estimates of incidence of poverty presented in the following Table 1 do not show unidirectional trends. The country has been experiencing increasing poverty levels during the 1990s, rising from 26.8 percent in 1992-93 to 30.6 percent in 1998-99. Rural poverty increased form 28.3 percent to 34.7 percent, while urban poverty declined from 24.4 percent to 20.9 percent during the same time. Rural poverty significantly contributed to the overall poverty levels of the country during the 1990s. A number of factors including decrease in economic growth, political uncertainty, economic instability, and wide fiscal and current account deficits were responsible for the increase in poverty during the 1990s. The incidence of poverty, which was gradually increasing in 1990s, continued increasing till it reached 34.5 percent in 2000-2001. Both rural and urban poverty increased to 39.3 percent and 22.7 percent respectively. The incidence of overall poverty then dropped, reaching 22.3 percent in 2005-06. During the same period, the drop in rural poverty was faster (12.3 percentage points) than the drop (9.6 percentage points) in urban poverty. The possible contributing factors for the decline in poverty could be high economic growth combined with increasing public sector spending on education, health and infrastructure. However, the country could not sustain the decline in poverty and level of poverty started rising again 2007-08 onwards. Since the mid-2000s the Pakistan economy has been facing a number of problems including declining economic growth, high food and oil prices and thus high inflation, power shortage, week governance and above all, terrorism. Among others, these have been the main factors, which shattered the declining trend in poverty that the country observed during 2000-01 to 2004-05 and 2005-06.

[3] Shirazi (1994)

Table 1: **Pakistan: Trends in Poverty (Head-count Ratios)**

Year	Urban	Rural	Overall
1963-64	44.53	38.94	40.24
1966-67	40.96	45.62	44.50
1969-70	38.76	49.11	46.53
1979	25.94	32.51	30.68
1984-85	21.17	25.87	24.47
1987-88	14.99	18.32	17.32
1990-91	18.64	23.59	22.11
1992-93	24.4	28.3	26.8
1996-97	22.6	33.1	29.8
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
2007-08			29.9
2008-09			33.8
2008-09			36.1
2008-09			30-35

Source: Poverty estimates from 1963 to 1991 are reported from Amjad and Kemal (1997) and from 1992 onward are reported from Arif and Farooq (2011)

A recent study (Malik and Whitney, 2014) provides consistent estimates of money-metric poverty based on HIES datasets during 2001-2010. Consistent and realistic poverty estimates are important for anti-poverty programs and their impact evaluation. The estimates of poverty from 1998-99 to 2005-06 are based on official poverty lines. The official poverty line was estimated in 2001-02 based on HIES 1998-99 data set, which has been adjusted for inflation in the subsequent years using Consumer Price Index (CPI) . The paper finds following four problems in this methodology: 1) outdated sampling frames underlying the HIES; 2) a non-representative sample used initially for estimating the poverty line; 3) sensitivity of estimates to caloric threshold underlying the poverty lines; and, 4) changes in the consumption basket due to price fluctuations not being adequately represented in the CPI and hence in the estimation. The food price increased much faster (39.5 percentage points during 2006-08), which is not adequately captured in the CPI. The prices subsequent to 2007 are based on Food expenditure Survey that understates the weight of food category in overall consumption than HIES data sets.

Malik and Whitney (2014) estimated the calories expenditure function from data for each of the available survey years. Poverty line expenditure consistent with maintaining a minimum intake of 2350 Kcal per adult equivalent were estimated for each of the surveys. The Foster Greer Thorbecke (1984) class of decomposable money-metric poverty estimates were computed for each of the years based on these poverty lines. In order to account for the provincial variation and variation across rural and urban sectors, the calories expenditure functions were estimated using the intercept and slope dummies. The consistent results are presented in Table 2. The results show persistent increase in the headcount ratios over the years. The official estimates based on official poverty lines adjusted for inflation for the subsequent years are misleading. As it has already been mentioned above, poverty is widespread, but is essentially a rural phenomenon. This is also evident from Table 2. The incidence of poverty is high in all the rural areas of the four provinces. In the year 2010-11, the highest incidence of poverty was found in Sindh-rural (48.5 percent) followed by

Baluchistan-rural (40.8 percent), Punjab-rural (38.0 percent) and the lowest in KPK-rural (36.4 percent)

Table 2: Estimated Headcount (%) by HIES year

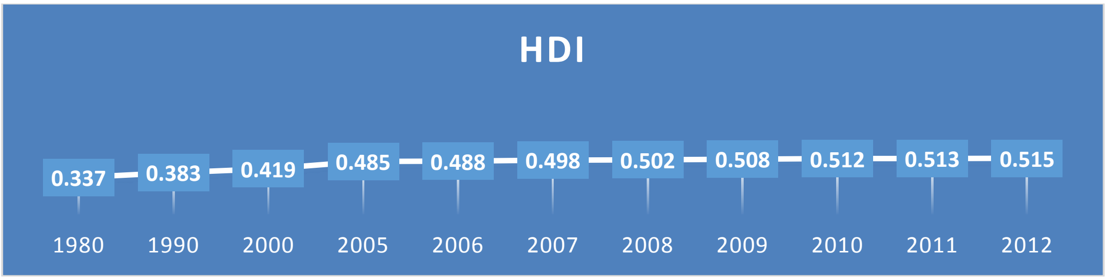
Region	*2001-02*	*2004-05*	*2005-06*	*2007-08*	*2010-11*
Pakistan	30.1	30.6	34	33.1	35.6
Urban	22	20.7	24.1	25	27.7
Rural	33.4	35.4	39.3	37.3	39.7
Punjab – Urban	24.8	22.9	24.1	24.7	28.5
Punjab - Rural	32	33.4	33.8	33.3	38
Sindh - Urban	16.5	15.7	21.2	23.5	24.8
Sindh - Rural	38.7	40.1	53.4	48.7	48.5
KPK - Urban	25.7	29	34.2	29.5	32.4
KPK - Rural	32.5	36.7	39.7	34.8	36.4
Baluchistan - Urban	22.8	20.7	43.9	38	39.3
Baluchistan - Rural	32.1	34.9	54.6	53.7	40.8

Source: Malik and Whitney (2014)

1.1 Social Poverty

Human development index (HDI) is a broader measure of development compared to development measured in terms of GNP per capita only. HDI is a composite measure that takes into account health, education and income indices. UNDP has been using HDI to assess the level and progress of development of the economies. Alternatively, this shows the improvement in social progress or social poverty. Pakistan is ranked quite low in terms of human development at 146th position among 187 countries in 2012. Pakistan experienced an increase in HDI from 0.337 in 1980 to 0.515 in 2012. This moderate increase over 32 years is particularly low over the period 2005-2012. Due to the slow progress in health, education and nutrition, Pakistan has been unable to achieve its targets set in the MDGs.

Figure 1: Human Development Index



Source: HDI, UNDP (2013)

1.2 Income Inequality

Table 3 presents the income distribution of Pakistan with urban-rural breakdown. Gini coefficient is commonly used for measuring income distribution. In the 1990s, income inequality increased in Pakistan with a similar trend in both urban and the rural areas. However, independent estimates (Anwar, 2005) showed higher income inequality than the official ones (e.g. FBS and the World Bank). In the early 2000s, overall income distribution improved marginally, but reversed its trend in 2005-2006. A similar trend was observed in the urban and rural areas of the country. During 2007-2008, the Gini coefficient decreased in the urban and overall country level, but increased in the rural areas of the country. On the other hand, it may be noted that the official estimates of poverty showed a declining trend during 2001-02 to 2005-06, which was due to a respectable economic growth during the same time period. A comparison between the estimates of poverty with Gini coefficients reveals that, the country experienced a negative correlation between poverty reduction and income distribution, Economic growth reduced poverty but increased income disparity, thus implying that benefits of growth were more for the rich than for the poor.

Economic growth is a necessary but not a sufficient condition for the reduction of poverty. Whether growth is pro-poor[4] essentially depends on how the benefits of growth are distributed amongst the different income groups. Haq and Zia (2009) provided analysis of linkages between governance and pro-poor growth in Pakistan for the period 1996 to 2005. On the aspect of pro-poor growth, they demonstrated that the poor do not benefit proportionately from economic growth. The income and expenditure share of the rich increased more than the income and expenditure share of the poor. Over time the share in income and expenditure for the bottom 20 percent of the population remained positive but decreased, while inflation for this lowest income group was high as compared to the highest-income group.

Table 3: Pakistan: Gini-Coefficient by Regions and Overall, 1992/93 – 2007/08

Year	**FBS (2001)**	**World Bank (2002)**	**Anwar (2005)**
Overall			
1992-93	0.2680	0.276	0.3937
1993-94	0.2709	0.276	0.3864
1998-99	0.3019	0.296	0.4187
2001-02*	0.2752	-	0.4129
2005-06*	0.3018	-	-
2007-2008*	0.29		
Rural areas			
1992-93	0.2389	0.252	0.3668
1993-94	0.2345	0.246	0.3647
1998-99	0.2521	0.251	0.3796
2001-02*	0.2367	-	0.3762
2005-06*	0.2462	-	-
2007-2008*	0.25		
Urban areas			
1992-93	0.3170	0.316	0.3970
1993-94	0.3070	0.302	0.3685
1998-99	0.3596	0.353	0.4510
2001-02*	0.3227	-	0.4615
2005-06*	0.3490	-	-
2007-2008*	0.32		
*Based on Economic Survey of Pakistan			

[4] Haq and Zia (2009) defined pro-poor growth as 1) a growth that is good for the poor; a reduction in the proportion of the poor in the population; 2) or growth that results in an increase in the income of the poor or 3) that associates with larger proportionate increases in income of the poor than the rest of the population.

2 SAFETY NETS

In order to protect the hardcore poor and the vulnerable, the country has started many social protection programs. These programs are considered important for creating an environment in which the hardcore poor are protected from the social and political costs of economic and structural reforms. Some social protection programs have been implemented over the last three decades. While the Pakistan Poverty Alleviation Fund (PPAF) was initiated in 2000 and Benazir Income Support Program (BISP) was launched in 2008-09.

Social protection or safety nets programs of Pakistan can be classified into two categories. The first category is meant for the employed labor force or those who have retired from the formal sector. This category does not cover the employees in informal sectors or contract employees. The other one is much broader and covers those who are outside the labor market, the poor and the indigent. The first set of programs provide benefits in the event of contingencies like sickness, invalidity, maternity, old age and work-related injury. These include the Provincial Employees' Social Security Scheme; the Employees' Old Age Benefits Institution; the Government Servants' Pension Fund; the Public Sector Benevolent Funds and Group Insurance; the Workers' Welfare Fund; and the Workers' Children's Education Ordinance. The second category includes schemes like Pakistan Poverty Alleviation Fund (PPAF), Benazir Income Support Program (BISP), the *Zakat* Program and the Pakistan *Bait-ul-Mal* (PBM) program.

2.1 Pakistan Poverty Alleviation Fund (PPAF)

Pakistan Poverty Alleviation Fund (PPAF) was established in 2000 as an apex body, with an aim to reach the poor communities through NGOs and Community Based Organizations (CBOs). PPAF supports microcredit (major financier of microfinance market), water and infrastructure, drought mitigation, education, health and emergency response interventions. PPAF disbursed Rs 17.668 billion in the financial year 2012-13. During the year, PPAF financed about 888,000 microcredit loans; completed 1,229 water and infrastructure projects; provided support to 1,377 health and education projects; formed and revitalized 35,261community organizations;, provided training to 127,506 staff and community members; transferred 24,500 assets to poor households and rehabilitated 2,346 persons with disabilities.

PPAF has disbursed Rs. 129.983 billion since its establishment till June 30, 2013. its credit and enterprise development programs received 61 percent of the funds followed by relief, rehabilitation and reconstruction activities (17 percent). A share of 10 percent was allocated for human and institutional development (including social mobilization) & livelihood enhancement and protection. Community physical infrastructure received 9 percent while 3 percent went to health & education[5]

2.2 Benazir Income Support Program (BISP)

Benazir Income Support Program (BISP) was launched in 2008 to provide direct and speedy relief to the poor who have lost their purchasing power due to high inflation. BISP

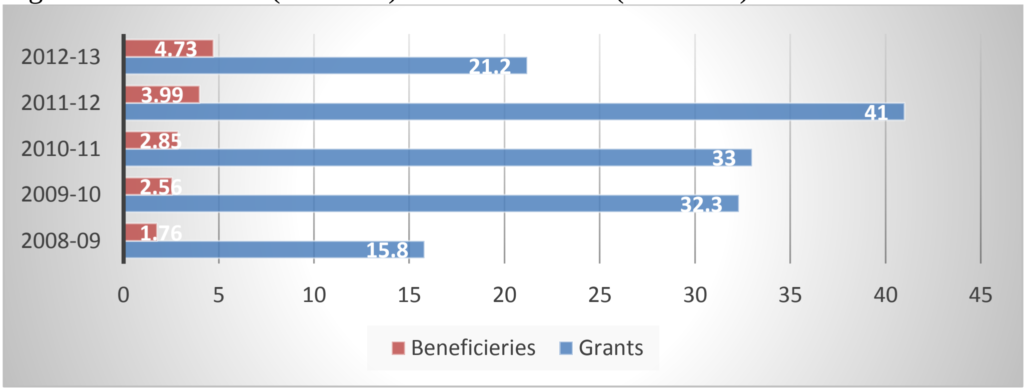
[5] (PPAF, Directors' Report & Audited Financial Statements, June 2013)

was started with an initial allocation of Rs.34 billion (US $ 425 million approximately) to cover 3.5 million families in the financial year 2008-2009. The program was initiated to provide cash grant of Rs. 1,000 each month to the families having income of less than Rs. 6,000 per month.

Initially the targeting of the beneficiaries was the responsibility of politicians. A simple application form was designed and distributed among the Members of Parliament in equal number (8000 to each member of the National Assembly and Senate and 1000 to each member of the Provincial Assemblies) for the selection of the poor families. In order to avoid subjectivity in targeting the beneficiaries, the government stopped this practice in 2010-2011, and replaced it with an objective poverty score-card approach.

The BISP has been supported by multilateral and bilateral institutions and donors including the World Bank, USAID, Asian Development Bank and DFID. BISP has been providing cash grants to an increasing number of families. The number of beneficiary families increase from 1.76 million in 2008-09 to 4.73 million in 2012-13. The annual disbursement to families increased from Rs. 15.8 billion in 2008-09 to Rs. 41 billion in 2011-12. The figure for annual disbursement during 2012-13 is estimated to be Rs 91.2 billion with Rs. 21.2 billion distributed till March 2012-13 (Figure 2). Since inception till March 2013, BISP spent Rs. 165 billion on its various programs including cash transfers, graduation programs, emergency relief and expenditures on conducting a nationwide poverty scorecard survey.

Figure 2: Cash Grants (in billion) and beneficiaries (in million)



Source: GOP, Pakistan Economic Survey 2012-13

The graduation programs including *Waseela-e-Rozgar*, *Waseela-e-Haq*, *Waseela-e-Sehat* and *Waseela-e-Taleem* have been started to transform the lives of the poor. *Waseela-e-Rozgar* was initiated by providing technical and vocational training to one member per beneficiary family to enable them to become the earning hand for the family. Such training is provided by both public and private sector training institutions. About 39,374 members are currently enrolled under this program, while 11,644 members have been trained so far.

Under *Waseela-e-Haq*, interest free loans of Rs. 300,000 each were provided to selected (by monthly-computerized random draw) members for starting small businesses. Uptill March 2013, Rs. 1.8 billion has been disbursed among 40,868 beneficiaries.

Waseela-e-Sehat is a group life insurance scheme of Rs. 100,000 for the bread earner of beneficiary families, which was launched in January 2011 in collaboration with State Life Insurance Corporation of Pakistan. During 2011-13, about 7000 death claims were processed. A comprehensive Health Insurance Scheme covering all members of BISP beneficiaries' families has been started in one district, Faisalabad since April 2012. Other districts will be brought gradually under this scheme.

Waseela-e-Taleem supports the beneficiaries' children of ages between 5-12 years for their primary education. Under this scheme, a monthly cash transfer of Rs.200 per child (up to three children) will be provided subject to their compliance with the required school attendance. Under this scheme, about 3 million children of BISP beneficiaries will be enrolled during 2013-2016.

2.3 *Zakat*

The President of Pakistan, on 20 June 1980, promulgated the *Zakat* and *Ushr* Ordinance, 1980. The clauses of the Ordinance relating to *zakat* became effective from the same date, and the first *zakat* deductions were made by the banks on 21 June 1980. The clauses relating to *ushr* were enforced with effect from 15th of March 1983. *Zakat* funds are utilized for the needy, indigent, poor, orphans, widows, handicapped and disabled. The deserving people are provided assistance directly through the Local *Zakat* Committees or indirectly through the institutions.

Zakat is deducted compulsorily[6] once a year at the rate of 2.5 percent on specified assets[7]. The owners of all other assets[8] relate to the Schedule 2 of the Ordinance on which *zakat* is payable under the Shariah, are expected to pay *zakat* on-self-assessment basis to the *zakat* fund or to other eligible beneficiaries (*mustahqueen*), e.g. the poor of their choice.

The amount of *zakat* deducted at the source, as described in Schedule 1 of the Ordinance, by the financial institutions is deposited in the central *zakat* fund. *Zakat* funds

[6] As per the decision of Supreme Court of Pakistan on March 9, 1999 any person from all recognized fiqhs can claim *zakat* exemption from the compulsory deduction at source on filing the requisite affidavit. These people can pay their *zakat* of their own choice instead of paying to government. This is also one of the reasons that Central *Zakat* Fund is getting small collection compared to potential.

[7] The *zakatable* assets which are mentioned in the first schedule of ordinance are: Savings Bank Accounts and similar Accounts; Notice Deposits Accounts, receipts and similar Accounts and Receipts; Fixed Deposit Accounts and Receipts and similar Accounts and Receipts, on which the return is receivable by the holder periodically or is received earlier than maturity or withdrawal; Savings/Deposit Certificates Accounts and Receipts and similar Certificates/Accounts/Receipts on which return is receivable and is received by the holder only on maturity or encashment; National Investment Trust Units (NIT);Investment Corporation of Pakistan Mutual Funds Certificates; Government Securities on which the return is receivable by the holder periodically; Securities including Shares and Debentures of Companies and Statutory Corporations on which return is paid; (Annuities; Life Insurance Policies; and Provident Fund Credit Balances).

[8] Gold, silver and manufacturing thereof; Cash; Prize bonds; Current accounts and foreign currency accounts; Loans receivable, Securities including shares and debentures; Stock in trade of Commercial undertakings (i. Industrial undertakings; ii Precious metals, stones and manufactures thereof; iii Fish and other catch/produce of sea;); Agricultural produce other than that liable to compulsory *ushr*; Animals fed free in pastures, and Wealth and financial assets other than those listed in schedule on which '*zakat*' is payable according to shariah.

have been established at three levels, namely, the central level, the provincial level (in each province) and the local level (in each of the localities). The provincial *zakat* funds receive six monthly transfers from the central *zakat* fund and similarly, the local *zakat* funds receive six monthly transfers from the provincial *zakat* funds. A very small amount of voluntary *zakat*, *atiyat* (donations) etc. are also deposited with these funds.

The central *zakat* council has laid down guiding principles for the disbursement of *zakat* funds by the provincial *zakat* councils and the local *zakat* committees. At the provincial level, the disbursement of *zakat* money from provincial *zakat* funds has been suggested in the following manner:

1. Transfer to local *zakat* committee — 60 percent
2. Transfer to institutions for eligible beneficiaries (*mustahiqueen*) — 40 percent

The breakdown of the transfer to institutions is given below:

i	Educational institutions	18 percent
ii	Dini Madaris	8 percent
iii	Health institutions	6 percent
iv	Social welfare institutions	4 percent
v	Others	4 percent

At the level of the local *zakat* committees, the utilization of *zakat* funds has been suggested in the following way:

1. Subsistence grant to eligible beneficiaries (*mustahiqueen*). Not more than 45 percent
2. Permanent rehabilitation of eligible beneficiaries (*mustahiqueen*) At least 45 percent
3. Administrative expenses — Not more than 10 percent

The *zakat* program covers a small number of beneficiaries compared to the number of poor in the country. The utilization of *zakat* has been very small and it remained between 0.04 percent to 0.06 percent of GDP during 2004-2008. The total collection was 0.05 percent of GDP to 0.08 percnt of GDP during the same time, while it was about 0.3 percent during 1980s. Compared to actual *zakat* collection by the official sources, its potential is much higher, which is estimated to be in between about 2 percent to 4 percent of the GDP (Shirazi, 2014).

The disbursement of *zakat* has remained uneven. The number of total beneficiaries barely reached 1.5 million in 2010-11, while it has consistently hovered around one million. This is reported in Table 7. According to Household Integrated Economic Survey (HIES, 1990-91), about 18 percent of the total households in the lowest income decile were benefited on overall basis, 16.5 percent in urban and 18.5 percent in the rural areas. Out of the total households in the second income decile, 3.6 percent overall, 3.7 percent in the urban and 3.6 percent in the rural areas received *zakat* in the same year. The percentage of households in third through fifth income deciles, who received *zakat*, varied between 1.5 percent and 1.8 percent in overall Pakistan level. However, the total households that benefited in all the income deciles were 2.7 percent on overall basis, 1.4 percent in the urban areas and 3.2 percent in the rural areas of Pakistan in 1990-91 (Shirazi, 1996). Issues and Policies Consultants (2004) reported that 2.7 percent of poor households received 40 percent of *zakat*, while 1.4 percent of non-poor households received 60 percent of *zakat* in 2001-02, which clearly indicates possible misappropriation of *zakat* funds. The CPRSPD study (2007) reported 27 percent of the non-poor households as *zakat* recipients. The same study pointed out that 32 percent of Guzara Allowance and 45 percent of rehabilitation grant went to non-poor. The contribution of *zakat* in poverty alleviation was just 0.5 percent in 1988 and 0.75 percent in 1990-91 (Shirazi, 1996).

Table 7. *Zakat* utilized and Number of Beneficiaries

	2008-09	2009-10	2010-11	2011-12	2012-13
Amount Utilized (Rs. Million)	2,877	2,874	9,909.753	3,125.975	3,951.667
No. of Beneficiaries	1,085,378	1,289,050	1,542,283	1,040,960	-

Source: PRSP progress Report 2008/09-2010/2011 and PRSP progress Report 2011/2012. Figures for the year 2012/2013 are reported from Economic Survey of Pakistan (2013).

As mentioned above *zakat* deduction at source from specified assets was mandatory until March 1999 and became optional after that. This has negatively affected the collection of *zakat* by the government. Even before the decision of the Supreme Court of Pakistan, people used to withdraw their money before the date of deduction of the *zakat* by banks. Because of the 18th constitutional amendment, the institution of *zakat*, which was hitherto centrally managed, devolved to the provinces. Overall, it appears that the collection of *zakat* has not been paid due attention and consequently, a very good institution, which can potentially make a dent on poverty has been neglected.

2.4 Pakistan Bait-Ul-Mal[9]

Pakistan Bait-ul-Mal (PBM) was established in 1991 to provide financial assistance to the destitute, widows, orphans, invalids, infirm and other needy persons irrespective of their gender, caste and religion through its different projects and schemes. Under the Individual Financial Assistance (IFA) scheme an amount of Rs. 6186.402 million was disbursed during the last four years to benefit 1,47,361 individuals including the poor, widows, destitute women and orphans for their medical treatment, education, rehabilitation and general assistance. PBM has established 30 orphanages across the country, where about 3000 children have been registered. An amount of Rs.261 million have been spent to provide them food, medical treatment and education. PBM is planning for an orphanage in every city. PBM provides wheel chairs to disabled in the country. PBM has established 157 Vocational Training center for providing free training to widows, orphans and poor girls in different skills. PBM has spent an amount of Rs. 478.54 million since its inception and trained about 60,000 female students.

2.5 Peoples' Works Program (PWP) -I and II

People Works Program-I an II were started in 2008-09 replacing the Khushal Pakistan Fund and the Village Electrification program. PWP-I and PWP-II provide small development schemes for electricity, gas, farm to market roads, telephone, education, health and water supply etc. to the rural poor. PWP-I and PWP-II were politically motivated development

[9] All figures in this section is reported from Economic Survey of Pakistan 2013.

projects, which are implemented on recommendations of Parliamentarians as well as utilizing discretionary funds at the wishes and whims of the Prime Minister of the country. Rs. 4.3 billion and Rs. 33.6 billion were allocated for PWP-I and PWP-II respectively in 2011-12. Rs. 2.2 billion and Rs. 30.6 billion have been spent on these two schemes respectively up to the mid of year 2012-13. During Pakistan People Party's regime of five years, government had spent about Rs150 billion to Rs170 billion on PWP-1 and PWP-11[10].

2.6 Employees' Old Age Benefits Institution (EOBI)

EOBI provides monetary benefits to the old age workers through different schemes including old age pension, invalidity pension, survivors' pension, and old age grants. An amount Rs. 7961.2 million has been spent during 9 months of the financial year 2011-12. During July-December of the financial year 2012-13, an amount of Rs. 6,603 million has been utilized for the benefits of 373,433 individuals.

3: **Reasons for Low Impact of Social Protection Programs**

Pakistan has witnessed a number of programs being started and implemented to reduce poverty. But the fact remains that poverty and income inequality persist. This is attributable to a number of factors. One may observe that different social safety net programs are managed by different agencies and there is a distinct lack of coordination among them. This has led to duplication of efforts and identical recipients benefiting from different safety net programs, while leaving others who may be more deserving unserved. It has been observed that when cash is transferred to the poor or they are given funds/assets for rehabilitation under rehabilitation scheme, it has resulted in misappropriation of funds. No proper records are maintained, nor there is any systematic follow-up. In case of *zakat* for instance, the selection of the poor/beneficiaries is supposed to be made by the local *zakat* committees, but local power structures play havoc with the selection process. As Arif (2006) noted, 42 percent of *zakat*-recipient households in rural areas were selected on the recommendation of local councilors or other influential persons, including local landlords, religious leaders or relatives of members of the local *zakat* committees (LZC), while the rest were selected by the LZC. The system is characterized by a high degree of favoritism, nepotism and lack of transparency. No lists of the beneficiaries are available for any third party evaluation/screening. Many other deficiencies have been also highlighted in the context of PRSP-II.

> *Funding of specific safety net programs has traditionally been insufficient given program objectives and target populations. As a result, safety net programs are fragmented and often duplicative; have limited coverage and are poorly targeted with small benefit levels relative to household income and the poverty gap; payments are infrequent and irregular; administrative arrangements are inadequate; and Monitoring and Evaluation capacity is not up to the mark, which negatively affect program efficiency and quality of service delivery. Consequently, these programs have limited impact on poverty and vulnerability.*

[10] See http://www.thenews.com.pk/Todays-News-13-23379-Govt-to-change-name-of-Peoples-Works-Programme

Arif and Farooq (2012) have identified some important factors for failure to get tangible results. Policy gaps or poor implementation, weak institutions, poor governance and deteriorating law and order situation, neglect of the social sector, power structures in rural areas and lack of effective targeting are major factors responsible for affecting the economy and thus the levels of poverty. They are of the view that the Afghan crisis, since the late 1970s, has affected Pakistan's external and internal dynamics and has promoted extremism, drugs and weapons in Pakistan. The recent U.S.-led war on terror in Afghanistan, since 2001, has significantly affected the internal and external scenario of Pakistan, by promoting regional instability and creating severe economic challenges for her.

However, there is a strong need for proper planning and management of the safety net programs. These should be well-integrated, transparent, remove duplication, pool the sources of funds and provide benefits to the targeted poor. These institutions, especially BISP, PBM and *Zakat* need to be integrated and synergized for a significant quantitative change in the incidence of poverty.

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