MIMAP TECHNICAL PAPER SERIES
NO. 12

An Overview of Government's Poverty Alleviation Policies and Programmes

SARFRAZ KHAN QURESHI
Former Director

January 2001

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS
ISLAMABAD, PAKISTAN

This Work is carried out with the financial assistance from the International Development Research Centre, Ottawa, Canada.

MIMAP Technical Paper Series No. 12

This study is a component of the Micro Impact of Macroeconomic Adjustment Policies (MIMAP) Pakistan project. This project is being implemented by the Pakistan Institute of Development Economics, Islamabad. The main aim of this project is to analyse the impact of structural adjustment policies on income distribution and poverty in Pakistan.

ISBN 969-461-108-3

Pakistan Institute of Development Economics
Quaid-i-Azam University Campus, P O Box No. 1091
Islamabad 44000, Pakistan.
Tel: 92-51-9206610-27
Fax: 91-51-9210886
E-mail: pide@isb.paknet.com.pk

The Pakistan Institute of Development Economics, established by the Government of Pakistan in 1957, is an autonomous research organisation devoted to carrying out theoretical and empirical research on development economics in general and on Pakistan-related economic issues in particular. Besides providing a firm foundation on which economic policy-making can be based, its research also provides a window through which the outside world can see the direction in which economic research in Pakistan is moving. The Institute also provides in-service training in economic analysis, research methods, and project evaluation.

CONTENTS

AN OVERVIEW OF GOVERNMENT'S POVERTY ALLEVIATION POLICIES AND PROGRAMMES

The successive governments have always claimed that Pakistan is essentially a welfare State. This commitment has been reflected in different development plans. The Constitution of the country has assigned a special importance to promoting general welfare of the people with a focus on alleviation of poverty. The first Constitution of 1956 country made a clear mention of this fact. The subsequent constitutions reiterated this national commitment. The 1973 Constitution which, after some amendments, still continues to be the mother source of socio-economic policies of the country has laid down clear guidelines of conceptualising poverty. Its Article 38 captioned Promotion of Social and Economic Well-being of the People mentions that the State shall secure the well being of the people by raising their standard of living, by preventing the concentration of wealth and means of production and distribution in the hands of a few. The Article also provides that the State shall provide basic necessities of life, i.e. food, clothing, housing, education and medical relief for all subjects. It also makes it obligatory on the part of the State that the people would be provided suitable job opportunities so that they could be involved in the development process. The State is also obliged to reduce disparities in the income and earnings of individuals. Article 37 of the Constitution specifies how the State should play its role in human development by providing and promoting education facilities and removing illiteracy.

The government has always strained to give a high priority to social welfare and providing basic facilities to the poor. This is reflected in a large number of different policies, programmes and schemes which have been introduced at different points of time in the last 50 years. Some of them were continued only for a specific period; some have been refined and further strengthened and are being continued; some have been replaced with the new one. These fall under the following broad categories:

- Rural development programmes/schemes.
- Programme for Human Development.

- Growth and Macroeconomic Policies Alleviating Poverty.
- Land Reforms.
- Food Distribution and Pricing Mechanism to help the Poor.
- Employment Creation Schemes based on Directed Credit.
- Social Welfare Programme.
- Targeted Income Transfer Schemes.
- Social Security Scheme.
- Pakistan Poverty Alleviation Fund (PPAF).

RURAL DEVELOPMENT PROGRAMMES/SCHEMES

Large masses reside in rural areas. Their proportion in total population has declined over time and yet they constitute about two-thirds of the total population. The rural areas have poor physical infrastructure and have negligible industrial base which is essentially agro-based and consists of small scale enterprises. These areas have also limited access to social services like education, health facilities as compared with the urban areas. The main reason for their backwardness is that the rural population mainly depends on agriculture which has for the major part of the last half a century remained stagnant as rate of agricultural growth could not significantly exceed the population growth. The continued fragmentation of land holdings has seriously eroded the productivity of agriculture sector. The pressure of population has continued to mount in the rural areas. The urban areas had already reached the limit of further absorbing the rural labour. Recognising the fact that the large-scale poverty in the country cannot be removed without rural development a variety of programmes have been launched in the country. Some of the major programmes launched over the last forty years are briefly reviewed:

Village-AID Programme (1952-61): The programme was launched with a massive financial support by the donors. The V-AID was designed as the extension agency of all the nation building departments at the village level. The scope of its projects mainly depended upon the programme contents of each department. Experiment and result demonstrations were the chief method used for promoting improved varieties of crops, fertilisers, cropping practices, soil control, livestock, afforestation, etc. Rural industries were developed through improving the rural skills of artisans, and organising them into cooperatives. The health and sanitation sector provided safe water supplies, ponds and tanks, drains, bore-hole latrines, civil dispensaries, spraying, vaccinations, etc. The education sector developed primary education for children and adult literacy for adults. The physical base was developed through building/repairing of roads, bridges and culverts, small irrigation works and community buildings like mosques, schools, health and social centres in the villages.

The entire V-AID primarily depended upon the village level organisations at the base. At a village level Council of Elders was organised for inculcating group responsibility to undertake development tasks. Rural youths were organised under The Chand Tara Club in different productive projects. The cooperatives were organised to provide credit, production and marketing facilities to the farmers. The social centres were set up to provide opportunities to women for skill formation in fields like home management, child and maternal care, food and fruit preservation, sewing, knitting, embroidery. The village workers were made responsible to use different extension media for involving local people in development projects.

At the provincial level director V-AID was responsible for organisation and implementation purposes. He was assisted by an advisory committee of all the heads of the nation building departments. Further at the district level Deputy Commissioner served as a coordination and implementation tier.

The V-AID operations were carried out in 79 out of a total of 85 development areas opened up in 20 percent of total villages in the country. The programme has met with varying success in different development areas. It contributed Rs 6.1 million in cash and Rs 6 million in labour to aided self-help projects. Unfortunately it could not achieve the objectives of agricultural and industrial development of rural areas. It further failed to provide adequate number of workers to both the women and adult literacy programmes for field operations. Lack of inter-agency coordination was also a major cause for the programme not for succeed.

Basic Democracies (1959-70): The system of Basic Democracies with a twin objective of promoting democracy at the grass roots level and involving the local population in the development process was initiated in 1959 and that continued for a period of 11 years till 1970. The system envisaged setting up of District and Union Councils which were democratically elected political institutions at the local level. These were responsible for the implementation of mainly rural but also urban development schemes. This was to foster democracy at the local level and synergising the gross roots energies for building broad based production base by ensuring participation of the people in the growth process.

Rural Works Programme (1963-72): The V-AID did not come upto the expectation and the self-help discipline it aroused was further built upon by Rural Works Programme. It was designed to utilise the potential surplus manpower in building and improving rural infrastructure. It was closely tied up with the Basic Democracies institutions as a positive effort to speed up the tempo of local development in the rural sector. It supported a wide variety of projects, in line with sectoral priorities. It had attempted to satisfy specific local needs of each district.

The launching of the Rural Works Programme became possible with support through the U.S. Food for Peace programme. The programme followed a project-oriented approach for provision of physical infrastructure. This was a precursor of Comilla experiment, which was Pakistan’s first pilot initiative in developing local cooperatives for implementing rural development projects. This programme was subsequently renamed as People’s Works Programme in 1971.

The councils were established at union, tehsil and district level under the Basic Democracies. The councils provided local support system to the programme close to the grass-roots. The Director of Projects in the Basic Democracies and Local Government Department was incharge the programme at the provincial level. A top level policy committee provided policy guidance and supervision to the programme. Deputy Commissioner was the Project Director and chairman of the district council and had enjoyed vast discretionary powers. The tehsil council processed the schemes, coordinated and supervised the programme. The union councils used to assign the task of completion to the project committees at the village level.

The Rural Works Programme fell far of the expectations and could not help improve farm productivity in the country. However, it created some job opportunities for the rural poor and made some positive impact on income distribution in the rural areas The extension of community facilities and services had provided only marginal benefits to the rural poor. The programme seemed to have resulted in only a little positive effect on the target group but by way of its supportive role, it certainly made some contribution to the village development.

Integrated Rural Development Programme (IRDP 1972-80): It was designed to improve the socio-economic status of small and medium farmers which are a great majority among the farming community. Its genesis was rooted in the Markaz (community) concept. Markaz (community) was a functional unit of local development and was assigned multi-sectoral functions. Coordination of the line departments and local organisations was attempted to provide concerted assistance in various sectors, i.e. water, education, health, housing, agriculture services and inputs to the farmer. The markaz organised the small and medium farmers with multipurpose cooperatives at the village level and their federation at the markaz level. They provided an institutional base for local action and a link between the people and government. The programme showed mixed performance.

People's Works Programme (PWP 1972-82): Which replaced RWP also aimed at improving socio-economic conditions of the rural population through the provision of facilities such as schools, dispensaries, link roads, low-cost housing, drainage, water supply, tree plantation and industrial homes etc.

PWP and IRDP were launched in the country by the new political regime as a part of its national development strategy which started focus, on implementing social justice oriented reforms. In the wake of weakening of socialism spirit within PPP, these programmes started losing the government patronage. Ultimately these programs were abandoned by early 1980s.

Special Development Programme (Five-Point Programme) (1985-88): Aimed at (i) establishment of an Islamic democratic political system; (ii) promotion of an equitable Islamic democratic economic order; (iii) elimination of illiteracy; (iv) eradication of bribery, injustice and corruption; and (v) consolidation of national integrity and sovereignty. This programme supported rural development , katchi abadis (shanty towns), and mass literacy programmes etc. With a political change this programme lost its original title but it has remained under implementation in its different variants and shades.

People's Programme (1989-90): This Programme provided funding assistance to project requests from provinces and local organisations to supplement and/or complement existing local development projects carried out by other line agencies, i.e. construction of additional classrooms in school buildings, upgrading health facilities, water supply schemes and roads.

Taameer-e-Watan Programme: The government launched a programme called Taameer-e-Watan Programme in July 1991. The basic concept and approach of this programme involved the participation of elected representatives of the public at the national level (i.e. Senators and MNAs) who identify development schemes in their respective constituencies on the basis of their assessment of development needs of the area. The objectives of the programme were provision of basic amenities such as drinking water, health, sanitation, construction of rural roads, electrification, education, supply of natural gas and establishment of public call offices. Apparently the programme sounds good but it has come under severe criticism because of too much political interference and exploitation.

People's Programme: This Taameer-e-Watan Programme was renamed as People's Programme in December 1993. The programme was under too excessive control of the federation. An amount of Rs 9684.00 million are estimated to have been utilised under the programme during the period from December 1993 to November 1996.

Network of Rural Support Programmes: A frame work of Rural Support Programmes (RSPS) has been established in Pakistan over the last few years. The overall objective of the RSPs is the stimulation and support of rural development in rural and backward areas of the country that wish to enter into a partnership with the respective NGOs established for the purpose of development. Currently a number of projects and programmes are working on principles of development espoused by RSPs. These are government sponsored programmes in each province of the country. The Sarhad Rural Support Corporation (SRSC) is implementing a development programme in seven districts of NWFP along the pattern of the Aga Khan Rural Support Programme (AKRSP). The Balochistan

Rural Support Programme (BRSP) is now operating in 14 districts of the Province, although its coverage in each district is limited because of resources constraints. The Federal Government in the Ministry of Local Government and Rural Development has set-up the National Rural Support Programme (NRSP), with the Federal Government funding to work in all the four provinces and Azad Jammu & Kashmir and is now active in 12 districts. The National Conservation Strategy has incorporated the AKRSP participatory approach as part of its implementation arrangements.

Assessment of the Past Programmes: A critical assessment of the past programmes is given below in terms of itemised conclusions which could be helpful guides for future policy formulation in this area.

– The past development efforts, whether specific or sectoral based, have not succeeded in vast improvement in the living conditions of the rural poor.

– There have been some improvements in the production sector and socio physical infrastructure in the rural areas but this has not brought about a real qualitative change in the rural life. Even the services made available in the past could not prove beneficial to community or fully utilised because of lack of awareness, absence of people participation and centralised decision-making process.

– Over centralisation of decision-making and financial control has adversely affected the past strategies to have any effective impact . In spite of over repeated commitments through plans, programmes and policy statements, no meaningful participation of the rural poor could be ensured in the growth process.

– Past experience has also established that incomes of the people can never be raised in sustainable manner by Government or NGO's by dolling out money or financing projects in an ad hoc manner . The only effective way for attaining this objective is to provide the people an opportunity to engage themselves in productive pursuits. Charities and subsidies do not constitute a valid policy choice. Governments who are fiscally shared can afford such policies in the long run. Even the poorest of the society can be made to change for the better if its potentials are harnessed by providing institutional support for building skills and providing credit.

- Another important lesson from past experience is that through the Government have many channels and linkages upto the field level, the public sector agencies have never succeeded in organising the people. The social setting and rural psychology demand a more flexible and open management approach. That is why certain NGOs have been more successful in securing people's engagement and cooperation.

PROGRAMME FOR HUMAN DEVELOPMENT

Identification of the Problem: A balanced over-view of the performance of the Pakistan economy during the last four decades reveals, that respectable economic growth in terms of domestic production, and expansion and diversification of production base has been achieved. This has resulted in sustained improvement in average incomes but that has not been matched by development in the social services. Improvement in education, health, nutrition, housing, population planning not only improves and increases the human capital (increased benefits to the people) but also helps to improve their share in national income and helps ultimately for achieving better income distribution and reduction in poverty. The past development plans could not attach due priority to suitable improvement in social services for reasons such as (a) the low awareness of benefits of human capital growth and (b) due to inadequate financial resources which in turn was the result of limited saving capacity and low tax elasticity. Inadequate growth in social sectors is further reflected in the following imbalances:

- Imbalance between rural and urban provision.
- Imbalance between female and male access.
- Imbalance between the nutrition of women/children and men.
- Imbalance between current and government expenditures.
- Imbalance between quantitative and qualitative expansion.
- Imbalanced participation by the directly concerned people and public sector agencies.

Social Action Programme (SAP): In order to attend to the existing gaps in rural development, an integrated multi-sectoral programme under the title of Social Action

Programme (SAP) has been launched since 1993. The programme is spread over two phases: Phase-I (1993-96) and Phase-II (1997-2002). The programme envisages a comprehensive, coordinated and concerted approach to address the neglect of basic social services particularly in the rural areas. Its targeted services include elementary education (primary and middle schooling), primary health care, population welfare and rural water supply and sanitation. The strategy of this programme is to improve coverage, quality and effectiveness of service delivery, project implementation, budgetary and operational efficiencies, increasing access for women and girls, government financing and community participation. The SAP has made progress in addressing the human development issues by (a) accelerating policy reforms to improve social sector design for elimination of implementation deficiencies, (b) achieving financial targets, (c) raising political commitment, (d) involving stakeholders for efficiency and cost effectiveness, and (e) improving social services delivery.

The Social Action Programme's phase I (SAP-I) conceived in 1992-93 was formally undertaken in 1993-94 with the assistance of donors for three years (1993-96). Total investment made under SAP-I aggregated to Rs. 106.4 billion. Of this, foreign assistance was Rs 13.1 billion or 12.3 percent. This was committed by World Bank/IDA ($206 million). Asian Development Bank 100 Million), Netherlands Government ($13 million) and Official Development Assistance (ODA) of UK ($20 million).

Under Phase-I, the SAP has succeeded in improving the availability of different targeted services. Primary school participation rate has been raised from 69 percent to 73.3 percent, the adult literacy rate from 35.4 percent to 45 percent, immunisation of children from 5.6 million to 6.9 million, infant mortality rate reduced from 101 to 90, life expectancy improved from 57.7 to 63 years. There has also been substantial improvement in some other basic rural amenities. The population coverage under rural water supply has been increased from 47 percent to 53 percent. Rural sanitation coverage has been increased from 13 percent to 20.5 percent of population. The population growth has also declined during this phase from 3 percent to 2.4 percent and likewise, total fertility rate declined from 6.2 percent to 5.1 percent.

After the successful completion of SAP Phase-I (1993-96), the Government has launched the SAP Phase-II project of five years (1997-2002). The overall size of SAPP-II is worked out at Rs 498.8 billion. (Rs 64.7 billion are to be provided by the Federal Government (13 percent and Rs 434.1 billion by the Provinces (87 percent)). The major provincial share in financing also reflects that SAP components are basically the provincial subjects. Besides, the federal components would also benefit the provinces. Like Phase-I, the main focus of the Phase-II is also on the five priority areas (I) primary/elementary education (ii) primary and preventive health care, (iii) nutrition (iv) rural water supply and sanitation, and (v) family planning.

The impact of SAP during 1998-99 is quite encouraging. Adult literacy rate recorded as 45 percent in 1998 is projected to reach 48.3 percent by increasing primary school participation from 75.3 percent to 76.8 percent (of boys from 90 percent to 91.6 percent and girls from 60.5 percent to 62.0 percent). The infant mortality rate is likely to be decreased from 90 to 88 per 1,000 live births, Mother Mortality Rate(MMR) from 350 to 340 per 100,000 live births and life expectancy to improve from 63.5 years in 1997-98 to 63.6 years in 1998-99 (male from 63.6 years to 63.7 years and female from 63.3 to 63.5 years). The population growth rate is projected to be decreased for 2.4 percent to 2.3 percent with the decline in total fertility rate from 5 percent to 4.8 percent and increase in contraceptive prevalence rate from 24.8 percent to 30.1 percent. The coverage of rural population for water supply is estimated to improve from 48 percent to 61.1 percent, while that for rural sanitation is expected to improve from 23 percent to 26.8 percent.

GROWTH AND MACROECONOMIC POLICIES ALLEVIATING POVERTY

The poverty levels in Pakistan have been influenced greatly by the macroeconomic policies. In the past fifty years the country has witnessed periods of fast growth and rising poverty, stagnation and declining poverty and periods in which economic growth has had a positive impact on poverty alleviation. During the 1950s and 1960s, policy emphasis by governments was on the achievement of high economic growth. Issues relating to poverty and income distribution were left to market forces with the belief that benefit of growth will trickle down and address the problem of poverty and income distribution. These expectations were not materialised. During the 1970s, Pakistan's development strategy changed radically. Industries and financial sector of the economy were nationalised. A land reform was introduced. These measures resulted in sizeable reduction in the private sector investments in productive sectors. The economic growth rate fell. The policy of allowing export of manpower led to a notable increase in the worker's remittances, which became a major source of foreign exchange earnings. The increased inflow of remittances, in the subsequent years helped in improving growth and resulted in reduction of poverty, through transfer of incomes to the poor.

The economy grew at a relatively high rate during the 1980s. This growth, despite high population growth assisted in the reduction of poverty. Economic growth since the early 1990s has slowed down considerably at around 4.5 percent on an annual average during 1991-98, while population growth rate remains high at about 2.7 percent, the combined impact, i.e. reduced growth rate, fiscal imbalance and high population growth rate have had adverse consequences for poverty alleviation. Comparative trends in GDP growth and Poverty are given in Annexure I.

LAND REFORMS

Land entitlement plays a major role in explaining income distribution and poverty incidence in the rural areas. Small farmers and landless cultivators mostly fall in the poverty zone. In order to correct the income distribution and to promote the welfare of the poor in the rural areas, several attempts have been made in the past through land reforms aimed at reducing the concentration of land in few hands and reallocating the same to the landless tenants. Such land reforms were made first in 1959. Under these reforms maximum land ceiling was fixed 500 acres of irrigated and 1000 acres of unirrigated land. The land reforms also introduced new criteria of sharing inputs and outputs under the tenancy and made an effort to give protection to the tenants from frequent eviction by the landlords. Nevertheless, the land distribution impact was found limited as only 5 to 6 percent of the cultivated land was resumed from the big landlords and allotted to the landless farmers.

A second series of land reforms was launched in 1972. This slashed land holding ceiling to 150 acres of irrigated land and 300 acres of unirrigated land. Subsequently in 1975, the government exempted small holdings from the payment of land revenue, local and other cesses w.e.f. the 1975-76 Rabi crop.

Again on 5th January, 1977 the government announced a further reduction in land holding ceiling as it was refixed at 100 acres in irrigated areas and 200 acres in unirrigated areas. The area resumed under the reforms of 1972 and 1977 respectively stood at 2.5 percent and 8 percent of total cultivated area. Land redistribution impact of the three series of land reforms is depicted below:

Implementation Status of Land Reforms (June 1994)

(000 hectares)

Reforms	Area Resumed	Area Disposed of	Balance	Persons Benefited (000)
MRL-64	1022.9	955.7	62.3	186.6
MRL-115	481.2	295.9	185.3	71.5
Act-II of 1977	1578.3	1290.1	288.2	272.6

Source: GOP, Agricultural Statistics of Pakistan, 1994.

The present political party in power is committed under its manifesto to distributing state-owned land to the landless farmers alongwith essential inputs. While implementing its commitment it has already allotted vast tracks of land to the tenants and Haris in the provinces of Sindh, Balochistan and Punjab. During the next 3 years, one million acres of state land is likely to be distributed to the landless farmers.

FOOD DISTRIBUTION AND PRICING MECHANISM TO HELP THE POOR

Government is running a nation-wide food distribution and pricing system. Wheat is the staple food of the people. The government procures wheat from farmers at a fixed price and sells this to the flour mills. The flour mills subsequently sell wheat flour at fixed prices to the private sector and a public sector organisation, i.e. Utility Stores Corporation (USC). The USC has over 800 sale outlets all over the country. Through the USC network, wheat flour is sold at fixed prices. This network is also used to sell a large number of other consumer items at relatively low prices. In Ramzan (a holly month for the muslims), the USC network reduces the prices of all essential items from 5 to 10 percent compared to prices in the open market. There is a regular system in the government to monitor prices of essential items. There is a high level inter-ministerial committee which meets every week to ensure that the prices of essential commodities do not record any abnormal increase. It recommends measures to stabilise domestic prices by supplementing domestic availabilities through necessary import and government procurement from the local producers. The Economic Coordination Committee (ECC) of the Cabinet takes, in its weekly meetings, appropriate effective measures on the recommendations of the inter-ministerial committee. Ministry of Food & Agriculture and Ministry of Industries and Production occasionally hold meetings with the local producers particularly of sugar, wheat flour, vegetable ghee etc. to convince them not to make any abnormal increase in their sale prices.

The system is primarily to benefit the poor but it is being availed equally by all sections of the population. Most of the USC outlets are located in the urban areas and rural poor are mostly deprived of its benefits.

EMPLOYMENT CREATION SCHEMES BASED ON DIRECTED CREDIT

As the economy is operating at below optimal level of resource utilisation, major part of the labour force has remained unemployed/under-employed. 15 to 25 percent of total labour force has remained unutilised. Since the 1970s, the Government has been using several schemes to promote self employment in household and small-scale enterprises. These schemes provide directed credit on concessional terms. The main programmes currently in operation or just recently closed are the following: the credit programmes operated by the Small Business Finance Corporation, the Youth Investment Promotion Society, and the Punjab and Sindh Small Industries Corporations; the Self-Employment Programme; the Public Transport Revamping Scheme (also known as the Yellow Cab Scheme); the First Women Bank's Small Loans Scheme; the National Self-Employment Program; and the Awami Tractor Scheme.

All these schemes have been run by the public sector and the State Bank of Pakistan has been arranging credit lines at concesional rates. These schemes have two main weaknesses. First, their recovery rate is lower and their losses are picked up by the Government through budgetary subsidy. Secondly, due to political interference, instances have come to the notice that the credit has not reached the targeted group. Moreover, the lack of knowledge, collateral and security requirements have stood in the way of the poor/unemployed to benefit from these schemes. Under the present structural adjustment programme, the schemes have not found favour with IMF, World Bank and other donors as these are considered distortions in market-friendly system The government has, therefore, been obliged to gradually increase the interest rate and thus over time the wedge between the average interest rate and the concessionary interest rate in these schemes has considerably been reduced.

SOCIAL WELFARE PROGRAMME

Both the federal and the provincial governments are executing a number of welfare programmes under the supervision and direction of their Social Welfare Departments. A large number of NGOs are associated in providing the social services under these programmes.

TARGETED INCOME TRANSFER SCHEMES

The government has so far introduced three income transfer programmes directed at the poor: Zakat and Ushr Programme, the Baitul Maal and Food Stamp Scheme. These programmes basically pool resources from the population at large and the public sector and redistribute them to the needy throughout the country.

Zakat and Ushr is an Islamic-mode transferring income from the well-do to the needy, indigent and poor. This institution is an important pattern of an Islamic welfare state. This is in operation since 1980-81. Zakat (an Islamic levies) is charged on a range of financial assets at the rate of 2.5 percent annually. These levies are deducted directly by financial institutions.[1] Zakat is not levied on foreigners, non-Muslims, and followers of certain Muslim sects. Only individuals are subject to Zakat Foreign currency accounts, WAPDA bearer bonds, special savings certificates, and other investments specified by the Government are exempt. Ushr (an other Islamic levy) is levied on the produce of landowners that exceed 948 kilograms of wheat or other crops of the same value. Ushr is collected and transferred locally.

---

[1]Deductions are made on the first day of Ramadan for bank savings accounts and similar accounts, and on the date on which the first return is made or the date of encashment, whichever is earlier during the Zakat year, for other taxable assets.

Zakat and Ushr revenue finances income transfers to the Mustahequeen (deserving poor), who are defined as widows, orphans, and disabled individuals, not able to support themselves. These transfers consist of direct cash payments to the targeted individuals, or payments to institutions (for example, hospitals) to finance certain services for targeted individuals. In addition, a portion of the funds are used to help provinces respond to natural catastrophes, and to fund national-level medical and other institutions.

The Pakistan Bait-ul-Maal programme was established in 1992 to help poverty groups that are not among Zakat's target group. It is a federal government program administered by the Ministry of Social Welfare. The programme comprises several components; the two most important for the disbursement of funds are the Food Subsidy Scheme (FSS) and the Individual Financial Assistance (IFA) scheme. The target group for IFA consists of widows, orphans, and disabled persons who live in households whose monthly income is less than Rs 1,500 (regardless of family size), and who do not receive Zakat assistance (because, for example, they are non-Muslim). The target group for the FSS are any other non-Zakat-recipient households whose monthly income is less than Rs 1,500. In addition to the Pakistan Bait-ul-Maal, Punjab has established its own Punjab Bait-ul-Maal program, administered through the Provincial Social Welfare Department.

In addition to the above two schemes, the Government supports Food Security Programme for the very poor families or families without a breadwinner. The programme includes a Food Coupon Scheme in selected cities to enable the families to buy flour, cooking oil and pulses from stores and shop. So far it is confined to only 9 cities in the province of Punjab.

These schemes have proved of great benefit to the poor. Empirical studies have established that these have helped in mitigating poverty incidence. Some operational shortcomings of this scheme have been noticed and accordingly, the government has made some improvements in the system by involving the local people through Khidmat Committees, etc.

SOCIAL SECURITY SCHEME

In Pakistan at present there are two social security schemes in operation. Under the first scheme which was launched in 1967 through the *Provincial Employees Society Security*

Ordinance 1965, the employees of the industrial, commercial and other establishments drawing wages upto Rs. 3,000 a month are covered. Under this scheme the secured workers and their dependents are provided medical care. The workers in case of sickness, work injury, maternity and disablement are paid wages/pension at specified rate. In case of death of a worker due to employment injury sustained during the course of work or due to occupational disease, his survivors are allowed pension upto 75 percent of the wage of the deceased worker. The survivors are also paid funeral expenses. The contingencies covered by the scheme include: (i) sickness; (ii) work injury; (iii) maternity; (iv) invalidity and death (due to work injury or occupational disease); and Iddat benefit (on the death of husband of a woman worker).

The scheme is financed through contribution paid every month by the employers at the rate of 7 percent of the wage subject to a maximum wage of Rs 3,000 p.m. The number of establishments covered under the scheme upto June 1996 was 32,535 and the number of workers was 733,481.

Employees Old-age Benefits Scheme

The second scheme i.e. employees old-age benefits was launched in July 1976 through Employees Old-Age Benefits Act 1976 and covers all employees of industrial, commercial and other establishments with ten or more employees irrespective of their wage/salary and status. The maximum wage limit for payment of contribution and payment of benefit is Rs 3000 a month. Under this scheme the employees are entitled to the benefits like: (i) old-Age Pension; (ii) Invalidity Pension (for causes other than work injury or occupational disease; (iii) Survivors Pension; and (iv) Old-Age Grant (to those not entitled to pension).

The scheme is financed through contribution every month by the employers at the rate of 5 percent of the wage subject to maximum wage of Rs 3,000 a month. Total number of establishments covered under the scheme upto June 1996 was 34,572 and the total number of workers was in the range of 0.75 millions.

Under Employees Old-Age Benefit Act, 1976 only those establishments can be covered which employ 10 or more workers. No such restriction exists under the Provincial

Employees Social Security Ordinance 1965. However, for administrative convenience. Employees Social Security Institutions (ESSIs) in the provinces register only those establishments that employ 10 or more workers. Under both the schemes, an establishment once registered does not go out of the schemes even if the number of workers at any stage is reduced to less than ten. As such, both the institutions cover a large number of establishments which employ less than 10 workers.

Weaknesses of the Existing Programme: The two schemes are in operation for the last two or three decades. However, the coverage of the workers has not exceeded 0.75 million workers. As such, both the schemes are suffering from stagnation.

These are significant differences in the laws for coverage of workers under the pension scheme and the social security scheme.

The cash benefits and medical care available to dependents under social security schemes in different provinces vary widely. In case of sickness and work injury, Punjab and Sindh Social Security Institutions provide better cash benefit compared to NWFP and Balochistan. Similarly, Punjab and NWFP's ESSIs provide full medical care to dependents, but other ESSIs only provide out door treatment.

The Social Security Institutions medical care services are not fully co-ordinated with the programme of the provincial health department. There is less emphasis on prevention of illness and early detection and lot of energy and resources are devoted to medical care and provision of medicine. Social Security Institutions (ESSIs) have no role in enforcing occupational safety and health standards. As such, (ESSIs) have to bear the consequences of higher incidence of injury/death at work places. Only three diseases i.e. Anthrax, Byssinosis and Twister's cramp are included as occupational disease.

In most countries of the world social security programmes are managed through contribution paid by the employers and employees. In some countries, the government also contributes something to meet any deficit. In Pakistan only the employers are bearing the burden of this programme. The government was paying matching contribution in case of EOB scheme since July, 1986 but this contribution has been discontinued since July, 1994. The workers pay no contribution.

PAKISTAN POVERTY ALLEVIATION FUND (PPAF)

With a view to enhance the access of the low income community to socio-economic services, the government has set up an independent and professionally managed fund, i.e. Pakistan Poverty Alleviation Fund (PPAF) in February 1997. This is in the form of a private, not for profit limited company which is to reach the local community through the NGOs and Community Based Organisations (CBOs). The private sector participation is being encouraged to provide micro credit for income generating sub-projects and community physical infrastructure schemes to improve the living standard of the poor. It will focus on institution building and capacity building for enhancing outreach of the existing NGOs and poverty alleviation organisations that would come under the purview of the Fund as its partner organisations based on a transparent set of criteria. The World Bank would be the major contributor in the Fund Project and is likely to make investment of $90 million while the contribution of the Federal Government would be of $8 million and that of the community themselves of $7 million. Some assistance is also expected from the Asian Development Bank. This umbrella organisation under the auspices of poverty alleviation fund is expected to disburse Rs 5 billion over the next five years through its partner organisations of NGOS and CBOs.

Annexure-I

Poverty and Income Distribution During Periods of Rapid and Slow Growth (all in Percent Change)

	Period	Per Capita GDP	Income of Poorest 20% in Constant Prices	Share of Poorest 20% in Total Income	Gini	Human Development Indicators
Slow Growth	1969-70 to 1979	16.6	7.8	–7.5	+8.8	+2.35
	1986-87 to 1990-91	10.1	2.7	–7.6	+17.1	+1.61
Rapid Growth	1963-64 to 1969-70	30.4	63.1	+6.7	–12.8	+3.54
	1979 to 1986-87	30.1	37.6	+6.8	–5.4	+3.29

Source: For Columns 1-4: Papanek, G. F. (1996), 'Pakistan Development and Asian experience', *The Pakistan Development Review* 35:4. For Column 5: Amjad, R., and A. R. Kemal (1997). 'Macro economic Policies and the Impact on Poverty Alleviation in Pakistan', *The Pakistan Development Review* 36:3.