



PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

# Including The Excluded

APRIL  
2021

Cover Story

**Ehsaas – Creating  
Impact in the Lives of  
the Most Vulnerable**

Sania Nishtar

Exclusive Interviews with

**Kaisar Bengali**

**Haris Gazdar**

**Beenish Fatima**

**Shazia Maqsood**

**Qazi Azmat Isa**



APRIL

PIDE **P&R** 2021

PIDE's GUIDE TO POLICY & RESEARCH



# PIDE P & R

PIDE's GUIDE TO POLICY & RESEARCH

VOLUME II - ISSUE IV



Pakistan Institute of Development Economics (PIDE)

# APRIL 2021

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PIDE Policy & Research is a guide to policy making and research. Each issue focuses on a particular theme, but also provides a general insight into the Pakistani economy, identifies key areas of concern for policymakers, and suggests policy action. The publication offers a quick orbit of the country's economy and is a hands-on and precise go-to document for the policymaker, businessperson, academic, researcher, or student who seeks to remain updated and informed. This issue is themed around PIDE's recent research efforts regarding the diagnostic of growth. We welcome contributions from within PIDE as well as from any external contributors.

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# Cover Story

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# Ehsaas – Creating Impact in the Lives of the Most Vulnerable

## Senator Sania Nishtar

*Special Assistant to the Prime Minister on Poverty Alleviation and Social Protection*

Poverty and inequity have walked hand-in-hand in Pakistan for decades. When the new government, led by Prime Minister Imran Khan, came into power in August 2018, he articulated in a nationally televised address an ambitious vision for Pakistan - to become a true welfare state, “*where equal opportunity exists for all and social welfare is provided to all those who need it.*”

Modelled on the ideology of *Riasat-e-Madina* (the historic archetype of an Islamic welfare state in the 7th century), the government launched its flagship social protection program *Ehsaas* – the country's largest effort towards poverty alleviation and the cornerstone of the Prime Minister's vision for a prosperous Pakistan.

For a country where almost a quarter of the population lives in poverty, such a goal represented not just an ambitious dream but a necessary shift in policy. Historically, nations that invest in social protection have been shown to reduce poverty while sharing wealth equitably amongst society. Hence, when Ehsaas was launched, it signified that Pakistan was not just looking at quick wins but was serious about breaking the cycle of intergenerational poverty and investing in a long-term poverty eradication strategy.

## ■ What is Ehsaas?

Housed within the Poverty Alleviation & Social Safety Division (PASSD), Ehsaas was developed in early 2019 through a rigorous consultative process involving more than 350 experts and a broad range of stakeholders. At its core, Ehsaas consolidates existing social protection initiatives in Pakistan and targets four key developmental priorities. One, countering elite capture and strengthening governance by developing pro-poor policies and promoting evidence-based decision making. Two, providing safety net for the vulnerable such as cash transfers. Three, supporting human capital development through initiatives that improve education, health and nutrition and four, creating jobs and livelihood opportunities to graduate people permanently from a cycle of intergenerational poverty.

- Provision of safety nets for at least 10 million families.
- Creation of livelihood opportunities for 3.8 million individuals.
- Provision of financial access to healthcare for 10 million families.
- Grant of scholarships and education incentives for 5 million students (with 50% girls).
- Financial and digital inclusion for 7 million individuals (with 90% women).

With an ambitious set of goals, Ehsaas is designed in a manner that takes a whole-of-government approach, driven by collaborations across multiple sectors and institutions. This allows Ehsaas to not only limit itself to cash handouts but to also develop innovative solutions that leverage and optimize efforts across other sectors such as public health, access to technology and financial inclusion.

PASSD has played a critical role in coordinating multi-sectoral initiatives across various institutes. With over 140 initiatives being executed by both federal and provincial ministries and agencies, PASSD enables successful implementation by providing operational support to institutes, and following a comprehensive monitoring and evaluation approach. A key part of this has been the formation of various oversight committees, including the Ehsaas Steering Committee chaired by Prime Minister, to ensure timely progress.

At the heart of the Ehsaas initiative has been the relentless effort by PASSD to ensure transparency and credibility in a government-led initiative. The programme's premise is grounded in the importance of strengthening institutions, transparency and good governance. Therefore, a key project for the PASSD has been updating the National Socio-Economic Registry (NSER).

## ■ Impact

To this date, Ehsaas has created impact by successfully rolling out multiple initiatives focused on meeting the five goals set under the Ehsaas strategy (Figure 1). Ehsaas has completed nearly a quarter of its initiatives, reaching millions of beneficiaries, with the following being a few examples of the many achievements to its credit:

- 01 Safety nets:** *Ehsaas* extends cash transfers to beneficiaries through multiple initiatives including the flagship *Kafaalat* program that has recently expanded to cover nearly 7 million deserving women through monthly disbursements of PKR 2,000.  
In addition, the internationally acclaimed *Ehsaas* Emergency Cash program – developed in less than a month through extensive efforts by PASSD – proved critical in supporting 16.9 million households during the COVID-19 crisis.  
PASSD has also established shelter homes (*Panahgahs*), soup kitchens (*Langars*) and announced quotas for the differently abled to benefit from these initiatives.
- 02 Livelihood opportunities:** Multiple interest-free loans and asset programs are currently being implemented. For example, the *Amdan* asset transfer program is running in 23 districts and has completed PKR 1.5 billion worth of asset transfers. In addition, Ehsaas Interest free loans that provides up to PKR 75,000 loans to ~80,000 beneficiaries.
- 03 Access to healthcare:** As one of the largest health coverage programs, *Insaaf* Insurance Card provides health coverage to over 7 million families. In addition, to address the growing issue of malnutrition in the country, the *Nashonuma* cash transfer program supports nutrition requirements for over 200,000 children in 9 districts.
- 04 Scholarships and education incentives:** *Ehsaas's* flagship education program, *Waseela-e-Taleem* has recently been expanded to reach over 2 million children in 148 districts, and provides conditional cash transfers aimed at improving primary education outcomes. Additionally over 50,000 scholarships have been awarded to deserving students under the *Ehsaas* Undergraduate Scholarships programs.
- 05 Financial and digital inclusion for women:** Limited Mandate Accounts have been developed for almost 4.6 million women covered under the *Kafaalat* program and as part of the One-Woman-One-Account policy. This number will be expanded by an additional 2.4 million women in the year 2021.

## ■ Way forward

With the impact that has already been created, the importance of the Ehsaas program for Pakistan's development is evident. The need as well as urgency to implement Ehsaas was further strengthened by the recent COVID-19 crisis that affected the livelihoods of millions in Pakistan. COVID-19 continues to threaten the country's vulnerable class and is estimated to regress gains in poverty reduction and social development.

Within this context, the relevance of Ehsaas increases manifold. The strategy is also being updated to incorporate learnings from COVID, to reach a broader group of deserving beneficiaries, and not only protect the country's vulnerable from shocks such as COVID, but accelerate long term development for the marginalized.





## Protect the people first

**Pervez Tahir**

If people were the priority, the simplest thing for the government in this digital age would have been to directly disburse its trillion rupees to 215 million Pakistanis i.e. PKR. 5,000 each.

In his public responses to combat the coronavirus outbreak, the Prime Minister's primary concern was the condition of those below the poverty line. In the absence of an official estimate, one can only say that the number is hugely large. Social distancing and the lockdown have added daily and casual wage earners in urban areas, rural workers and fisher folks to this figure. With the falling domestic and export demand, layoffs in the formal sector have already begun. It is these people, stupid, not the economy that deserves urgent attention! Yet the Rs1.3 trillion package plus the State Bank's intransigence on interest rate cater predominantly to the requirements of the neoliberal economy and its elite clients. The stock exchange, left out in the original privilege dole, was accommodated the next day by abolishing capital value tax (CVT). It's like Trump opening up the economy by the coming Easter, despite the World Health Organization (WHO) warning about the next epicentre.

Only three actions were needed. First, protect the people and the health professionals from the virus. Around Rs100 billion for staff, National Disaster Management Authority (NDMA) and in removal of duties serves this purpose. Second, our last week's column had called for a massive Benazir Income Support Programme (BISP). In normal times, the advantages of direct targeted assistance are well-known. During an emergency, these multiply. The call has been heeded, but to a limited extent. There will be an increase of the monthly stipend from Rs2,000 to Rs3,000 for four months. The real jump is in the coverage, from around five million families to 12 million. Roughly, this covers the families below the poverty line. The package mentions a sum of Rs144 billion for it against the budgeted amount of Rs128 billion. The BISP is a component of the Ehsaas Programme that has a total budget of Rs180 billion. In the first six months, the releases have been painfully slow. The extra Rs16 billion will be conveniently accommodated within the Ehsaas budget. So far, all other programmes are non-starters anyway. Oil price cut and removal of taxes and duties on essentials, subsidy for Utility Stores, panahgahs (shelter centers), and deferment of utility bills for the lower brackets come to another Rs162 billion of indirect support. Third, keep aside an emergency fund, which has been done by keeping aside Rs100 billion.



# Poverty Section

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## Kaisar Bengali

Senior Economist

Dr. Bengali, the original designer of the Benazir Income Support Programme, has been the Advisor to the Chief Ministers of Sindh and Balochistan and Head of the Social Policy and Development Centre, Karachi

### 01 Both poverty and inequality vary across regions and provinces in Pakistan. Why the country has not succeeded to reduce poverty, especially in rural areas, on consistent basis?

There have been no dearth of programmes, projects and schemes, domestically and donor funded, over the last 7 decades. Yet, inequality has widened and poverty has increased. All statistics to the contrary are just statistics. Apart from poverty, there has been no perceptible improvement in literacy, enrolment, maternal, child and infant mortality, malnutrition indicators, and so on. Decent housing is unavailable for the poor, water quality is deficient, and there is no difference in how the poor and cattle are transported. Lack of positive results on all fronts can only be attributed to the fact that human and social development has never been the objective of the state.

### 02 Pakistan adopted different models for poverty alleviation, i.e., Social Action Programs in 90s, microfinance initiatives in early 2000s and social safety nets after emergence of BISP in 2008. Why these policies and initiatives have not brought desired changes to uplift the poor and marginalized segments?

Social Action Programs, Poverty Reduction Strategy Papers, poverty alleviation funds, the discovery of the 'miracle' of microfinance are all donor fetishes meant to maintain their own relevance and to prop up the elite, which has enriched themselves through 6 to 7 figure remuneration positions in organizations thus created and through consultancies and enjoyed the perks of conferences and workshops in 5-star hotels and international travel for conferences and meetings. The poor have remained where they were, at best.

BISP, which I had the privilege of designing, was never billed as a poverty reduction measure. It was explicitly spelled out at the outset that 1000 rupee a month could buy 22 days of atta at then prices for a 6-member family, but cannot impact poverty. Conceptually, the need for such a programme was identified by Mohtarma Benazir Bhutto during my meeting with her in Dubai in August 2007. And that was in response to my presentation where I had shown that cumulative food inflation over the years 2000-2007 was 90%, which could mean that the purchasing power of the poor had reduced to half. Thus, BISP was designed to supplement low incomes and that is why the term 'Income Support'.

### 03 Please comment that up to what extent, social protection programs can be used as a tool for poverty alleviation and inclusive growth? What limitations currently they have and how they can become more effective?

Poverty is a macroeconomic phenomenon and cannot be addressed through micro measures. We cannot have, on the one hand, macroeconomic policies that undermine high employment-multiplier productive sectors of the economy and promote zero employment-multiplier speculative sectors and, on the other a social protection window that hands out welfare checks. Social protection programs, if effective and on scale, can only mitigate the sharp edges of poverty.

For growth to be inclusive, the structure of the economy will have to change. A study in the early 2000 showed that of every 100 rupees growth in national income, 37 rupees accrue to the top 10%

of the population and 3 rupees to the bottom 10%. Thus, more growth means more inequality.

#### **04 Various NGOs are expanding their network on microfinance initiatives. Why the welfare impacts of these initiatives are still compromised and we have not achieved sustainable results as like Bangladesh?**

NGOcracy is another layer that siphons off resources. And Bangladesh's growth is propelled by conducive macroeconomic policies. The government has invested heavily in expanding and improving economic infrastructure and in human development. It has developed industry as the backbone of the economy. Microfinance has contributed to mitigating poverty at the margins.

#### **05 How you see the adverse impacts of COVID-19 on the poor?**

The poor are certainly suffering. The resulting downturn has forced many businesses to close or reduce operations. There is a chain effect. Closure of marriage hall has unemployed up to 300 people, including suppliers of food items, decoration pieces, etc., for every event cancelled. If the employed and students are operating from home, rickshaw drivers are left waiting for passengers, and so on. However, the non-poor are also paying a price. Even those with close to 6 figure salary and now laid off are facing starvation after their meagre savings have eroded; retail shopkeepers are facing a reduced clientele and incomes, and so on.

#### **06 Please suggest what sort of policies the government should adopt to reduce its rural and urban poverty as well as to minimize regional inequalities?**

The economy will have to be restructured along socialist lines.

For addressing rural poverty, the key intervention is asset redistribution. Land reforms at two levels: one, ownership rights to tenants in Sindh, Naseerabad Division of Balochistan, and south Punjab and, two, land consolidation in Khyber-Pakhtunkhwa.

For addressing urban poverty, the key intervention is employment creation via a programme of industrial expansion, with the state setting up industries under Public-Private mode. The structure of public finance will have to change. The state will have to invest in creating small serviced residential plots in all urban centres, ensuring clean water, running decent public transport services, and providing quality education and health care to all. These are the only legitimate rationale for the existence of the state. The provision of the above services will require fiscal resources, for which non-development and non-combat defence expenditures will have to be slashed.

The military economy has created a situation akin to a person wearing cement boots and asked to swim. It is crowding out the private sector and undermining the economy. All military commercial establishments in real estate, industrial and services sectors need to be disbanded.

Balochistan needs public infrastructure investment in at least two areas: roads to connect districts to highways and in mineral development – minus the economic colonization.

#### **07 How the role of civil society can be enhanced in pooling the resources for poverty alleviation?**

Poverty reduction is a function of state policy. Civil society can resort to political action to mobilize public opinion to force governments to divert fiscal resources from non-development and non-combat defence to productive heads and to adopt policies that increases the share of the poor in increments to national income.



## Haris Gazdar

Senior Researcher, the Collection for Social Science Research

### 01 What are the binding constraints that Pakistan has not succeeded to reduce poverty on consistent basis?

It depends on how you define poverty, and which data you look at, and in which way. There has been a steady decline in the conventional head-count ratio of poverty over the decades. This standard measurement is based on comparing the distribution of consumption expenditure with a rupee poverty line. There are resilient pockets of poverty even by this measure. But there are questions (here and in India – both use broadly similar methods) on the reliability of this approach over time. One important conundrum is the resilience of food insecurity measured both through the consumption expenditure approach, as well as through other, more direct methods. It has been speculated that the increase in consumption expenditure over the decades is, at least in part, due to the commodification of essential basic needs which previously did not require very much out-of-pocket spending: private health, private education, rising transportation costs, utility bills etc. So it is possible that consumption expenditure increases and corresponding declines in poverty head-count ratios are, in part, illusory.

But returning to your question, yes we should be concerned that in key areas of poverty reduction such as food insecurity and hunger we do not really see steady and all-round progress, compared with say, countries like China and Vietnam. Economic growth in Pakistan tends to be focused in a number of sectors where jobs creation is precarious and real wages low. The economy goes through repeat boom-bust cycles in which the financial and real estate sectors play leading roles in attracting and recycling private investment. Sectors that have led to sustained job creation in other countries – such as manufacturing – are not really competitive. For ordinary people the main routes of escape from poverty and hunger are formal sector jobs and employment abroad. There are natural limits on the number of workers who can be absorbed in these sectors.

### 02 What sort of policies the government should adopt to reduce its rural and urban poverty as well as to minimize regional inequalities?

Some of the poorest regions are those which are the most resource-rich, or those which otherwise provide sustenance to the entire economy. They produce oil, gas, minerals, wheat and cotton – and benefit little from consumption of or value addition in these commodities. They have disproportionately fewer people in formal sector jobs, have suffered long lags in educational investment, and face active discrimination in public and private sector job markets. These regions now increasingly supply the precarious low-wage labour in the service sector on which the relatively well-developed urban areas rely.

The government as well as the economic elite of Pakistan cannot decide, or will not decide, what our economy should look like. Or perhaps there is a comfort zone which rewards inertia. Since the early 1990s we have lived a fiction of being a market economy. But hardly anything, except labour, is subject to the cold rigours of the market. Nearly everyone except the rural and urban precariat enjoys some form of rent, and the higher you go up the food chain, the bigger the rent. Nobody



seems bothered that major sectors, even big corporate entities, live off various forms of rent. The idea that the country's resources are somehow 'free goods' – prevails in critical sectors such as gas, minerals, water and land allocations.

I personally do not think that Pakistan should or can be a rigorous market economy. In fact, such a thing is a fiction. But countries do have to decide that they will subject productive sectors to the discipline of the market while protecting those are the more precarious. Through our failure to decide we have, by default, protected everyone but the weakest. So there are pockets of protection and rent which probably account for no more than a third of the population, and the rest fend for themselves at starvation wages, and with little prospect of inter-generational mobility unless someone skips abroad.

### **03 Up to what extent, social protection programs can be used as a tool for poverty alleviation and inclusive growth?**

They can be tools for poverty alleviation only as part of a broader reform of the economy and government expenditures. Short of that these programmes, if well-designed and executed, can offer critical assistance to the most vulnerable, while we wait for the economy to lift people out of poverty. But as part of a broader reform social protection systems can be extremely powerful. They can spearhead the formalization of the economy, regularization of the workforce, provide levers for massive and effective human capital improvements, and create an enduring social contract that binds workers, employers and government to some common economic goals.

### **05 How you review the progress of cash transfer programs in Pakistan as a tool for poverty alleviation? What limitations they have and how they can become more effective?**

The Benazir Income Support Programme (BISP) was a major advance, I have called it a 'paradigm shift'. It increased the scale of the social protection outlay and created credible mechanisms for beneficiary identification and payment disbursement. In terms of institutional change the method of targeting from a universe was adopted in Pakistan for the first time – not rocket science but a major achievement in our system all the same. And making women primary beneficiaries was also a well-tested instrument elsewhere but nothing short of revolutionary in our context. But all this was a decade ago. Since then there has been stagnation. Fiscal outlays have increased that is testament to the quality and credibility of BISP design and execution of the unconditional cash transfer.

Basic maintenance did not take place. The programme was designed for recertifying beneficiaries in 48 months. A decade on we have no clear idea about that exercise, with no accountability of this failure. Instead there is a lot of confusion now about the identity of the programme, its core goals and objectives, and the broader policy objectives it seeks to serve.

### **06 How the role of civil society can be enhanced in pooling the resources for poverty alleviation?**

The key role of civil society is to either support government efforts or to provide rigorous expertise and advocacy. Social protection and poverty reduction are rights and have to be ultimately pegged to the political process. Others can come in service providers, but perhaps more importantly as sources of expertise and advocacy. Private charity should do what it should. It is a private matter.



# National Poverty Estimates 2018

## Nasir Iqbal

Dr. Iqbal is Dean of the Faculty of Social Sciences at PIDE

Poverty reduction is the main objective of the global agenda for sustainable development. The identification of the poor and the evaluation of the extent of poverty has received considerable attention in the design of cost-effective poverty reduction programs and safety nets. The degree of poverty should be estimated to assess the budgetary needs, and to evaluate the social safety net programs. Poverty is one of the indicators used to determine the respective share of each province in the divisible pool of federal transfers to the provinces through the National Finance Commission (NFC) Award. Thus, the measurement of poverty has important policy implications.

Pakistan has witnessed a persistent decline in poverty both at national and provincial levels. The government of Pakistan adopted the cost of basic need (CBN) methodology in 2013-14 to estimate poverty. According to the CBN approach, poverty declined from 50.4% in 2005-06 to 24.3% in 2015-16 (GoP, 2018). Poverty in both rural and urban areas has also been on the decline with poverty headcount of 12.5% in urban and 30.7% in rural areas in 2015-16. The decline in poverty is more pronounced in urban areas than rural areas.

After the release of Household Integrated Income and Expenditure Survey (HIES) 2018-19, it is important to revisit the poverty estimates at both national and provincial levels. This note aims to estimate poverty at the national and provincial levels based on HIES 2018-19 micro-data using the recently adopted CBN method.

## ■ Methodology

The official poverty estimates are based on the recent HIES conducted by the Pakistan Bureau of Statistics (PBS). The sample size of the HIES 2018-19 consists of 24809 households; 15936 households from rural areas and 8873 households from urban areas of the country[1]. The government of Pakistan has adopted the cost of

basic need (CBN) methodology in 2013-14 to estimate poverty[2]. The estimated poverty line for 2013-14 was calculated at Rs. 3030 per adult equivalent per month. The same poverty line was adjusted for 2015-16 using Consumer Price Index (CPI) based inflation. The updated poverty line for 2015-16 was Rs. 3250 per adult equivalent per month. Using CPI based inflation, the updated poverty line for 2018-19 is Rs. 3776 per adult equivalent per month[3].

The updated poverty line was applied on the aggregate consumption expenditure obtained from the HIES 2018-19 micro-data to estimate poverty levels. The consumption aggregate has three main components:

- **aggregate nominal consumption expenditure:** which includes all food and non-food expenditures of the household converted into the same time unit, for instance annual, monthly or weekly expenditures.
- **spatial price index:** to adjust for the cost of living differences across space or regions.
- **equivalence scale:** to adjust for differences in household size and age composition across households.

The consumption aggregate includes all food and non-food expenditures that are incurred on a recurrent basis. Expenditures on durable goods are not included in the consumption aggregate. For the spatial price index, we use Passche formula and is estimated at the level of a primary sampling unit (PSU). Pakistan uses a basic adult equivalence scale which assigns a weight of 0.8 to each individual below the age of 18, and a weight of 1 to each individual age 18 and above. The final welfare aggregate used for poverty measurement in Pakistan is the *spatially adjusted monthly per-adult equivalent consumption expenditure*.

## ■ Poverty Estimates: Magnitude and Trends

**Table 1** presents poverty estimates at the national level as well as for the rural and urban areas for the 2018-19 period based on the CBN method. For comparison, the corresponding estimates for the previous survey year 2015-16 are also given in this table. The estimates show that around 21.5% of people live below poverty line in 2018-19 in Pakistan. Around 10.7% population live below the poverty line in urban and over 27.6% in the rural areas in 2018-19. Overall poverty declined by 2.8% from 24.3% in 2015-16 to 21.5% in 2018-19. The decline in poverty in urban areas is 1.8% while that in the rural areas is 3.1% (Table 1).

**Table 1: Poverty Incidence**

National/rural-urban areas	2015-16 (%age point)	2018-19 (%age point)	Change in poverty (%age point)
National	24.3	21.5	-2.8
Rural	30.7	27.6	-3.1
Urban	12.5	10.7	-1.8

Source: Author's own estimates based on HIECS 2015-16 and HIES 2018-19 micro data published by the PBS

Over the last decade Pakistan's poverty headcount has witnessed a persistent decline both at the national and regional levels. **Table 2** presents poverty estimates since 2005-06. Proportion of people living below poverty line has declined from 50.4% in 2005-06 to 22.5% in 2018-19. Poverty in both rural and urban areas show a declining trend.

**Table 2: Poverty trends, 2005-06 to 2018-19**

Years	Poverty Incidence (%age points)			Change in Poverty (%age points)		
	National	Urban	Rural	National	Urban	Rural
2005-06	50.4	36.6	57.4	-	-	-
2007-08	44.1	32.7	49.7	6.3	3.9	7.7
2010-11	36.8	26.2	42.1	7.3	6.5	7.6
2011-12	36.3	22.8	43.1	0.5	3.4	-1.0
2013-14	29.5	18.2	35.6	6.8	4.6	7.5
2015-16	24.3	12.5	30.7	5.2	5.7	4.9
2018-19	21.5	10.7	27.6	2.8	1.8	3.1

Source: Author's own estimates and GoP (2018).

The provincial estimates are given in **Table 3**. Punjab is the least poor province (16.3%) while Balochistan is the poorest province (40.7%) in Pakistan. Poverty has declined in all provinces except KP where it increases from 18.1% in 2015-16 to 27% in 2018-19 (an increase of 8.9 percentage point). It reflects a significant downward movement of vulnerable in KPK.

**Table 3: Poverty Incidence at Provincial level**

	Poverty Incidence (%age points) 2018-19			Poverty Incidence (%age points) 2015-16			Change in Poverty (%age points)		
	All	Urban	Rural	All	Urban	Rural	All	Urban	Rural
Punjab	16.3	8.8	20.6	20.8	9.9	26.2	-4.6	-1.1	-5.5
Sindh	24.6	10.4	40.0	32.2	15.4	49.1	-7.6	-5.0	-9.0
KP*	27.0	16.8	29.0	18.1	10.0	19.9	+8.9	+6.8	+9.1
KP	26.2	16.5	28.2						
Balochistan	40.7	24.7	46.7	42.2	26.4	48.2	-1.5	-1.7	-1.4
Pakistan*	21.5	10.7	27.6	24.3	12.5	30.7	-2.9	-1.9	-3.0
Pakistan	21.3	10.6	27.5						

Source: Author's own estimates based on HIECS 2015-16 and HIES 2018-19 micro data published by the PBS. KP\* gives poverty estimates after excluding the FATA. Similarly, Pakistan\* estimates are calculated after excluding FATA.

## ■ Bands of Poverty

The poverty profile in terms of poverty bands is very insightful for policy formulation as it groups the population into different bands which need different policy initiatives. The poverty bands given in the Table 4 below show that almost 5.5% of population falls in the category of extreme and ultra-poor. On the other hand, 16% poor are the border line cases while almost 20% is vulnerably placed.

**Table 4: Poverty Bands at National and Regional Level in Pakistan**

Poverty Band	National	Urban	Rural	Punjab	Sindh	KP	Balochistan
<b>Extreme Poor (<math>&lt; 50\%</math> of Poverty Line)</b>	0.3	0.1	0.4	0.2	0.4	0.2	0.5
<b>Ultra-poor (<math>&gt; 50\%</math> and <math>&lt; 75\%</math> of Poverty Line)</b>	5.2	1.9	7.1	3.3	6.9	6.9	11.4
<b>Poor (<math>&gt; 75\%</math> and <math>&lt; 100\%</math> of Poverty Line)</b>	16.0	8.7	20.2	12.8	17.3	19.9	28.8
<b>Vulnerable (<math>&gt; 100\%</math> and <math>&lt; 125\%</math> of Poverty Line)</b>	20.0	14.3	23.2	18.2	19.8	22.8	28.3
<b>Quasi Non-poor (<math>&gt; 125\%</math> and <math>&lt; 200\%</math> of Poverty Line)</b>	37.2	39.6	35.8	39.6	36.3	35.5	23.9
<b>Non-poor (<math>&gt; 200\%</math> of Poverty Line)</b>	21.4	35.5	13.4	26.0	19.3	14.7	7.2

Source: Author's own estimates based on HIES 2018-19

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[2] For further details on cost of basic need (CBN) approach; see (GoP, 2018).

[3] CPI based inflation figures for fiscal years 2015-16 to 2018-19 are taken from annual reports published by the State Bank of Pakistan (SBP, 2019). <http://www.sbp.org.pk/reports/annual/arFY19/Stats/Eng/Chapter-1.pdf>. Various studies have used CPI based inflation estimates to readjust poverty line (GoP, 2018; Iqbal & Awan, 2015). The reported inflation for FY15 is 4.5, FY16 is 2.86, FY17 is 4.15, FY18 is 3.92 and FY19 is 7.34.



# Let's Have a New Discussion on Poverty Estimates

Nasir Iqbal

Poverty reduction is the main objective of the global agenda for sustainable development. The identification of the poor and the evaluation of the extent of poverty has received considerable attention in the design of cost-effective poverty reduction programmes and safety nets.

The degree of poverty should be estimated to assess the budgetary needs / implications of safety nets and to evaluate these programmes. Therefore, the measurement of poverty has important policy implications. Poverty is one of the indicators used to determine the respective share of each province in the divisible pool of federal transfers to the provinces through the National Finance Commission (NFC) Award.

Several attempts have been made to construct poverty lines and generate poverty estimates in Pakistan. Recently, the government has adopted a Cost of Basic Needs (CBN) approach to measure poverty, a uni-dimensional approach. According to the CBN approach, 24.3 percent of the population lives below the poverty line in Pakistan. Apart from this, Pakistan also uses the Multidimensional Poverty Index (MPI) based on education, health and living standard dimensions. About 39 percent of Pakistanis live in multidimensional poverty.

The existing poverty estimates are subject to criticism due to lack of transparency, poor acceptance at the provincial level and the limited scope of measurement approaches. In addition, there are no reliable estimates of poverty available at the province level.

Poverty estimates need a new debate for accurate estimates and wider acceptance, especially from the provinces, the academia and the international community. This brief highlights some areas that require new insights and discussion on poverty estimates:

➤ **Poverty estimation methodology:** Pakistan has shifted to the CBN approach in 2013-14 which takes into account the non-food expenditures (for things like clothing, shelter and education) required for households along with food expenditures. The CBN approach is used to estimate poverty at national (24.3 percent) and regional levels [rural (30.7 percent) vs urban (12.5 percent)].

With regard to the estimate, several considerations must be taken into account: first, the poverty estimate should be updated periodically using the latest HIES data; second, the provincial estimates should be generated using the CBN methodology. To this end, the Pakistan Bureau

of Statistics (PBS) should readjust the sample size to make it representative at the provincial level. A committee with provincial representation can be established to estimate poverty at the provincial level. Third, the rural urban definition needs more clarity to redefine rural and urban areas for a real estimate of regional poverty. It will help to make precise inflation adjustments.

➤ **Integrity and transparency of poverty estimates:** Academia and other stakeholders criticize poverty estimates due to lack of data transparency. Few measures can help to ensure the transparency and integrity of poverty estimates, including: i) the data file with the estimation code can be made public to allow other researchers to replicate the estimation to generate poverty numbers; and ii) the final consumption module on which poverty estimates are based can also be included in the microdata for comparison purpose. It will help promote poverty research and consistency in estimation. It is standard global practice to share the data with the estimation code to ensure transparency and gain the trust of researchers

➤ **Greater acceptance of poverty estimates:** Poverty estimates are mainly produced by the Planning Commission (PC) without involving universities and experts. Both the academia and think tanks should be included in the discussion and estimation phase to induce acceptance at a broader level. It will also help update the estimation methodology and understand the underlying dynamics of the change in poverty.

- ⑤ **Governance and institutional mechanism:** It is proposed that a permanent unit or body be established with permanent staff (experts in poverty assessment) to periodically update poverty measures and estimation techniques. This forum should also be connected with the provincial representatives, the academia and think tanks for better understanding and consensus at the national level.
- ⑤ **New approaches and possibilities to estimate poverty at sub-national level:** As a signatory to the SDGs agenda, Pakistan should address all forms and dimensions of poverty. Poverty is a multifaceted phenomenon. Three types of poverty can be identified: income, social and environmental. There are huge disparities in poverty at districts level. The government should work to develop reliable estimates of poverty at the district level. To this end, the government can use the National Socio-Economic Registry (NSER) 2018-20 data collected by the BISP to calculate the census-based poverty. It will help to map poverty at the union council or tehsil level for targeted policy intervention.
- ⑤ **Scope of MPI:** the scope of the Multidimensional Poverty Index (MPI) constructed by the PC with the help of the UNDP should include additional indicators and dimensions to extend the scope of the MPI measure. Any dimension such as health, education and living standard can be considered separately to include quality as well as quantity dimensions in the index for a better understanding.
- ⑤ **Policy discourse analysis:** The government should actively cooperate with the academia and with think tanks to explore the drivers of poverty reduction in Pakistan and define future policy discourse based on the nature and sustainability of observed decline in poverty. Inequalities can be explored because of its high relevance with redistributive policies.
- ⑤ **Intergenerational poverty:** the current understanding of poverty indicates large fluctuations in the incidence of poverty over time, since a greater proportion of the population lives around the poverty line subject to frequent movements in and out of poverty due to negative and positive shocks. Poverty reduction strategies often do not take into account these poverty transitions, due to data constraints. It is necessary to investigate the dynamics of poverty and the factors that underlie chronic, transient and intergenerational poverty.

Pakistan Institute of Development Economics (PIDE) can help broaden the understanding of the dynamics of poverty using Pakistan Panel Household Survey (PPHS) conducted in 2001, 2004 and 2010, in which the same households are tracked over years and conducting fresh survey. The data from NSER 2010-11 would be useful to construct a large panel data with NSER 2018-20 to estimate chronic, transient and inter-generational poverty at the union council level for efficient delivery of safety nets programs.

This discussion provides a way to begin a new discussion on poverty estimates for the efficient use of public resources to alleviate poverty and improve the well-being of each citizen. The Division of Poverty Alleviation and Social Safety can provide a unique platform to implement the proposed suggestions to generate reliable poverty estimates.

# Poverty across the Agro-Ecological Zones in Rural Pakistan

**G.M. Arif and Munir Ahmad**

Poverty is considered as a challenging phenomenon that restrains the economic development of the country. To combat this issue there is a need of poverty alleviation strategy at a national level. Historically, poverty is considered to be mainly concentrated in rural areas of the country in diverse forms i.e., climate, water availability, land fertility, population growth and skill levels.

During the 70s and 80s decades, poverty has declined mainly due to land reforms in 1972, growth in construction sector and remittance inflow from Middle East. However, this declining trend of poverty was short lived and increased in 1990's. Besides, the gap between rural and urban poverty has also widened. The estimates show that more than one-third of our population lives in extreme poverty, and around 70 percent of these unfortunate people reside in rural areas.

The results based on agro-ecological divisions of the country indicate that poverty is lowest in the barani areas of the Punjab because of better opportunities in terms of employment in other sectors, particularly, the services sector as well as overseas migration. The highest is observed in Balochistan may be due to non-availability of irrigation water and low rainfall making dwellers more vulnerable to droughts seriously affecting the crops and the livestock which are the main sources of their livelihood.

Poverty is widely spread in irrigated areas of the country particularly in Southern Punjab and Sindh where feudal system still prevails. Job opportunities outside agriculture are limited and migration within the country or overseas is not a common phenomenon in these areas of the country. On the one hand there is a need to carry out more research to understand better the phenomenon of poverty across the agro-ecological zones, and on the other, poverty alleviation programs should focus on those areas where the incidence of poverty is alarmingly high.

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Agricultural growth in rural Pakistan also does not benefit effectively the large majority of the farming communities because of the extremely uneven distribution of land and a large number of people even lack access to land. In such a situation it appears difficult to eliminate rural poverty only targeting the higher growth in the agricultural sector. Effective agrarian reforms would potentially be an important solution, but one should not underestimate the political difficulties involved in this process. Mass migration to urban areas is also an unappealing prospect; it would probably result in simply shifting the poor from rural to urban sector. A dynamic labor-intensive agriculture combined with a modernized non-agriculture sector can only lead to reduction in rural poverty through better employment and income opportunities and a resulting growth, and its egalitarian distribution.



# Rural Poverty Dynamics in Pakistan: Evidence from Three Waves of the Panel Survey

**G.M. Arif and Shujaat Farooq**

This study has used the three rounds of the panel datasets, conducted in 2001, 2004 and 2010 to examine the poverty dynamics in rural Pakistan. These rounds have also been used as cross-sectional to examine the trends in rural poverty. The poverty has been estimated by using the official poverty line. Based on the spell and component approaches, chronic and transitory poverty are estimated separately for the two and three waves of the panel data. For the two waves, the panel households were grouped into four categories under the spell approach, and were grouped into three categories under the component approach. In three-wave data analysis, two types of categories were formed under the spell approach. The first type comprises of four categories: chronic poor, poor in one or two periods, and never-poor, while the second type comprises of five categories: poor in all three periods, moved out of poverty, fell into poverty, moved in and out of poverty and never-poor. Under the component approach, four categories have been recorded: poor in all three periods (chronic), poor in two periods, poor in one period and never-poor.

According to the spell approach based on the two wave panel, around 9 percent of the households remained poor in two periods. It declined to only 4 percent when three-wave data is taken into account. Poverty movements based on the three waves of panel dataset show that more than half of the rural population in Punjab and Sindh remained in poverty for at least one period. Under the component approach, 16 to 18 percent of the sampled households were chronically poor in two rounds of the panel while 22 to 25 percent of the sampled households were transitory poor who either moved out or fell into poverty. The spell and component approaches differ in the incidences of chronic and transitory poor. The later has shown a higher incidence of chronic poverty, in fact, 4 times higher than the spell approach.

However, in multivariate analysis, the findings are similar. Demographic variables, household size and dependency ratio have a significant positive association with chronic poverty as well as falling into poverty. As expected, a change in both the demographic and economic factors at the household level affects the



poverty dynamics; the demographic burden increases the probability of falling into poverty while a positive change in economic status improves the households' well-being.

Policy interventions for the chronically poor may not be same as for the transitory poor (moving into or out of poverty). The former may need financial assistance in the short term to smooth their consumption such as the Benazir Income Support Program or the distribution of zakat; but such programs may not be sufficient to escape poverty. The latter may be targeted through interventions in the labour market to increase their employability and productivity. It can be done through a multi-sectoral approach that aims to: improve human capital as well as the employability of working age population; create assets for the poor, provision of microfinance being one source; lower the dependency ratio by reducing fertility; and minimize the risks associated with shocks (inflation, flood, drought etc). The village-level infrastructure and rural-urban linkages have also been effective in influencing poverty dynamics in other developing countries. The North Punjab region of Pakistan is a successful case, where better human capital, strong rural-urban linkages and access to international labour market have played a role in controlling rural poverty. It is recommended that the poor rural areas of the country are targeted for some specific interventions, based on a multi-sectoral approach: improving human capital, creation of assets, addressing the demographic concerns, and developing both the village-level infrastructure and rural-urban linkages.

## Reducing Poverty through Microfinance

**Farhat Mahmood**

Microfinance, a modern concept was formally coined by Professor Mohammad Yunus with establishment of Grameen Bank in 1970's. It is considered as an important financial sector development that has some impact on financial institutions. The role of microfinance institutions is to relax financial constraints for poor making them self-sufficient by generating income and wealth. This approach is considered effective to help poor get out of vicious circle of poverty.

Pakistan Microfinance Network (PMN) was established in 1998 to represent emerging Micro Finance Institutions. In 2000 Poverty Alleviation Fund was established in collaboration with World Bank to fulfill the financing needs of Micro finance Institutions. This sector has almost 2.8 million active borrowers.

Three different micro financing models are prevailing in Pakistan at this time; **interest-based micro-financing (via banks)**, **interest free micro-financing (via NGOs)** and **interest free skilled based micro-financing (via training centers)**.

Conventional Microfinance has received an enormous positive response from the whole World but was reluctantly accepted in Muslim World because of religious reasons. Various NGOs also provide microfinance services. Akhuwat Foundation was established in 2000 with the prime objective of providing Qarz-e-Hassana to the poor till the time they become stable and donate to akhuwat program. Repayment rate is 98%.the third type of microfinance prevailing in Pakistanis training centers for entrepreneurship loans. CED at IBA Karachi provides a six-month fast track entrepreneurship program for training of rural youth particularly for youth pursuing in agriculture-basedbusiness opportunities.

Both conventional (interest based) and Islamic (interest free) modes of micro-finance are available in Pakistan and are growing at a steady pace. However, conventional financial institutions mostly serve the rich. Heavy collateral and mark-up requirements limit borrowing ability of the poor in conventional financial institutions. Interest based micro finance does not fulfill this objective due to lower acceptability in Muslim countries. On the other hand, interest free skilled based micro-financing is better than interest free non- skilled based

micro-financing. It is more innovative and sustainable in terms of poverty reduction in a sense that before entering in to the world of entrepreneurship individuals got skills (via training from training centers) to run their business in more innovative and effective way. But here again the training fees are quite high. Considering the prevailing modes of micro-financing available in the country does micro-finance really reduce poverty?





# Minimum Support Price (MSP) of Wheat and Inflation

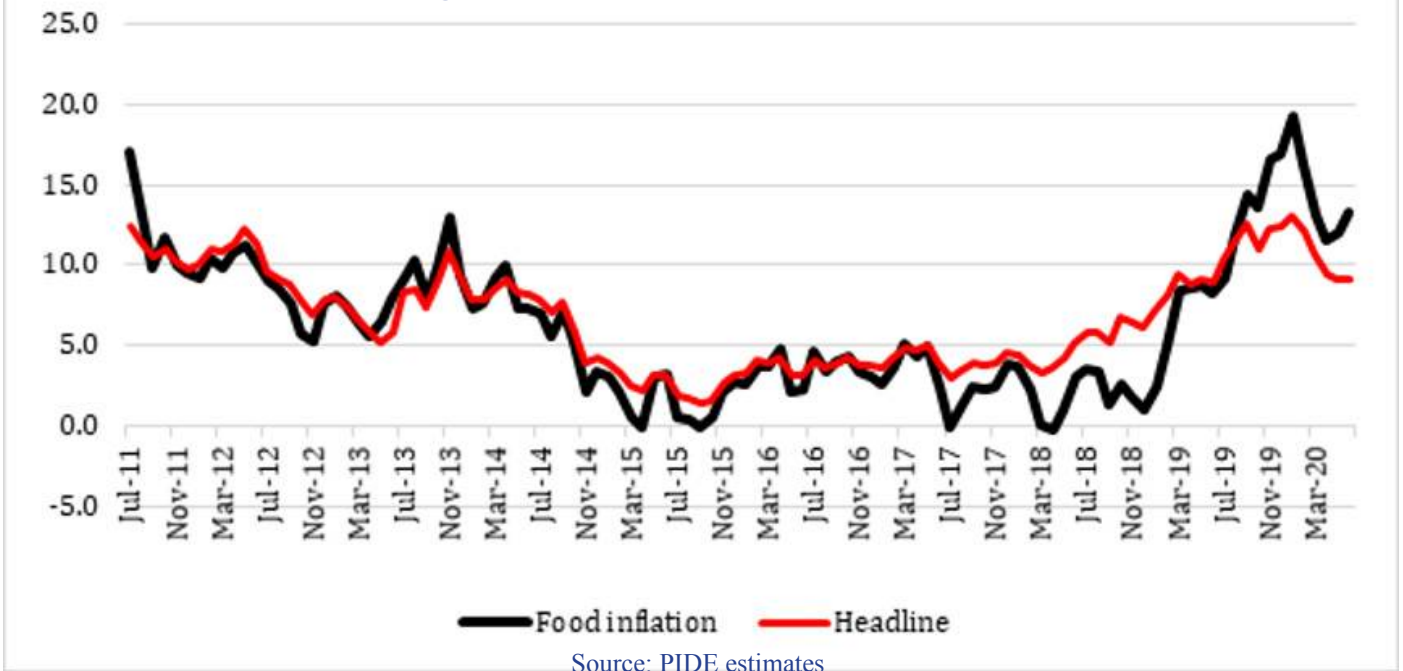
**Abdul Jalil, Saud Ahmad Khan, and Nasir Iqbal**

Wheat is one of the most strategic crops globally, which has always been a big challenge for many governments. Over the last few months, Pakistan's government is struggling to fix wheat prices in the country due to weak governance and mismanagement. For the current price of PKR. 1,400/-, the market price of wheat was PKR. 2,256 per 40 kg in the first week of October.

To ensure a smooth supply of wheat and incentivize farmers to produce more, the Pakistan Agricultural Storage and Services Corporation (PASSCO) procure wheat on a minimum support price (MSP). This price is determined based on the excess and shortage of wheat supply in Pakistan. Through the MSP, farmers will receive a fair amount of price for their upcoming crops to invest in agricultural commodities production.

The Ministry of National Food Security and Research suggested that wheat's support price should be increased to motivate farmers to increase wheat production in the future. The Economic Coordination Committee (ECC) consulted Ministers and Special aides to conclude whether the support price should be increased by 25%, i.e., from Rs1400 per 40 kg to Rs1745. Food prices are climbing fast in recent months, posing a possible threat to the poor livelihood. Furthermore, food inflation remains the major contributor to the various inflation episodes over the last ten years (**see Figure 1**).

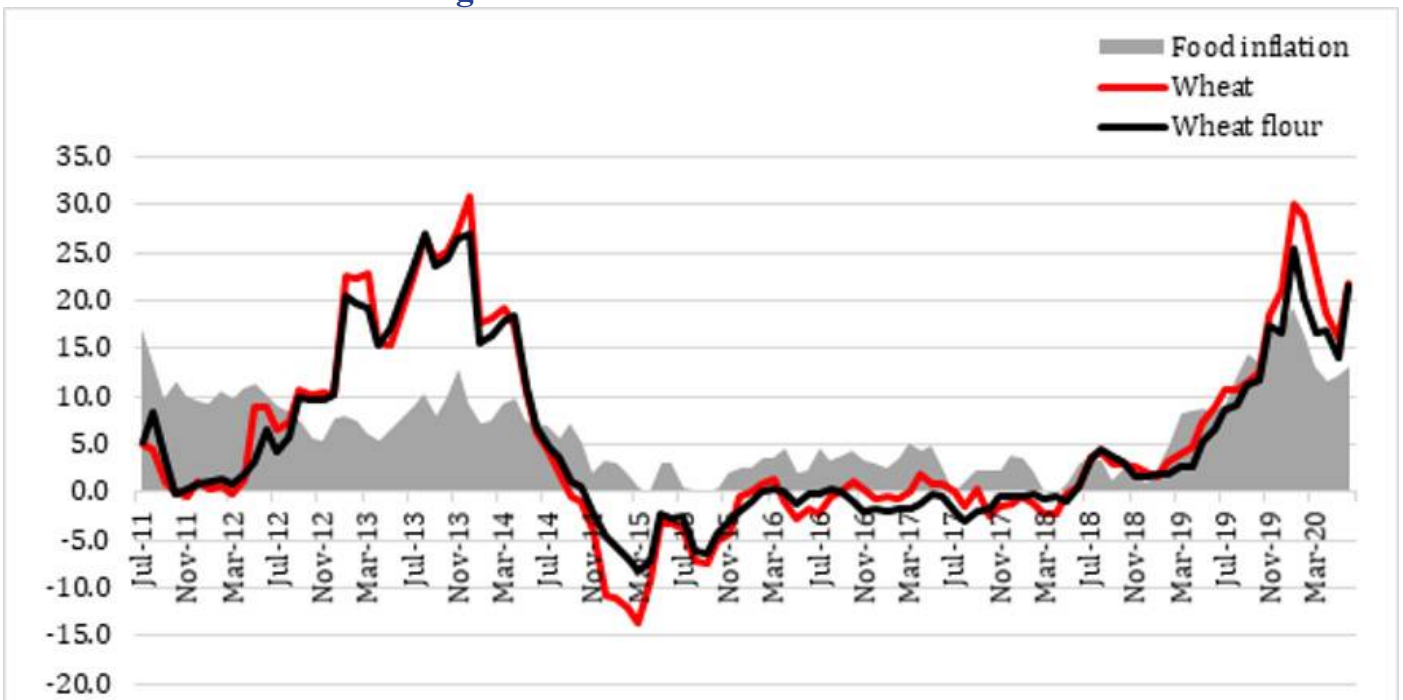
**Figure 1: Food and Headline Inflation**



## ■ Wheat and Food Inflation

Wheat and wheat flour remain the primary drivers of the recent episode of food inflation. Notably, wheat inflation was driving food inflation in most cases (see Figure 2) over the last ten years. Recently, the government is going to announce an increase in the MSP of wheat. It is essential to review the inflationary consequences of any price change in the wheat. This brief aims to evaluate the impact of an increase in MSP on average inflation.

**Figure 2: Food and Wheat Inflation**



Source: PIDE estimates

We find a low correlation between MSP and food inflation as compared to retail wheat prices. More interestingly, retail wheat inflation was even negative in 2014 and 2015 when the government increased MSP from 1200 to 1300. Furthermore, the retail wheat price is much higher than MSP; therefore, we shall not see the complete pass-through of the MSP increase in inflation.

## ■ Wheat MSP and National Inflation

We develop several scenarios for the impact of wheat minimum support price increase National Inflation in the baseline case. Our findings suggest that if the government sets PKR 1750 MSP, it will increase inflation by 29 bps. However, a bumper crop and good governance may reduce the pass-through on inflation and vice versa. Therefore, the government has to have reasonable control over the administrative side to have a minimal impact on food inflation.

**Table 1: Pass through of MSP on Average Inflation in FY 2021**

Proposed WSP PKR per 40 KG	Increase in inflation by basis Point (bps)
1650	22 bps
1700	25 bps
1750	29 bps
1800	33 bps

Source: PIDE estimates

## ■ Conclusion and Policy Implications

- 01** The retail wheat price is much higher than the proposed MSP; therefore, we shall not see the complete pass-through of the MSP increase in inflation.
- 02** If the government sets PKR 1750 MSP, it will increase inflation by 29 bps. However, a bumper crop and good governance may reduce the pass-through on inflation and vice versa. Therefore, the government has to have reasonable control over the administrative side to have a minimal impact on food inflation.
- 03** The government must take appropriate measures to reduce the gap between wheat MSP and retail price. The government should promote competitiveness in the wheat market to reduce market distortion costs and avoid illegal trading. The cost of wheat production is high, with low productivity in Pakistan than neighboring countries India and Iran. The government can tackle inflationary pressures by promoting competitiveness in the wheat market. Anjum and Zia (2020) argue that high yielding and relatively low-risk varieties need to be introduced by involving the private sector. Knowledge-based innovations and interventions will increase competitiveness, ensure future food security, and reduce trade deficit (Anjum, 2020).



# Opportunities for Poor

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# Face-Off with Street Vending in Pakistan

**Zia Banday**

With around 220 million inhabitants, Pakistan is the fifth most populous country in the world. Its urban population is estimated at over 81-million in 2020. As per 2017 census, the country has 97-cities having a population of 100,000 and above. Its per capita annual GDP hovers around \$1500, which makes it a low-income country. As per the OPHI-UNDP's multidimensional poverty index, 38.8% of the country's population are accounted as poor. Geographical dispersion of the poverty is stark, which creates a pull for migration from poorer regions to major cities for livelihood, hence creating more pressure on the urban resources in the country. During the last decade, Pakistan underperformed economically in regional comparison, while simultaneously registering higher population growth rate. It simply retards the poverty alleviation process. Economy is low on competitiveness; hence it is not producing substantial range of products or services that may fetch premium pricing or demand in international markets. Official urban unemployment rate is 7.2%, but substantial underemployment exists. COVID-19 has further exacerbated the employment environment.

This brief socioeconomic interlude is meant to define the fertile grounds for street vending in urban Pakistan. There is no country-wide data available on the population of street vendors and their vocations. Karachi-based Urban Resource Center has conducted number of studies on street hawkers in Saddar area of Karachi, which also presents an approximation of street vendors in the city. It provides a conservative estimate of 150,000 street vendors in Karachi, with an annual earning of PKR 45 billion. As per international trend, population of street vendors in developing countries hovers in the range of 1.5% to 2.5% of the urban population. In the case of Pakistan, its street vendor population will be between 1.2 to 2.0 million, which makes up 5.3%-8.9% of the urban labor force. Now, this makes a significant part of the informal economy, which employs 72% of the labor force outside agriculture. If street economy can be organized and regulated properly, it has the capacity of incubating businesses from street to formal shops on regular



basis. It remains an economical base for fostering microenterprises in a low-income country like Pakistan, subject to its official treatment as the legitimate part of the local economy.

However, on de jure basis, environment is hostile to street vending in Pakistan. Street vendors have little to no legal protection available, with courts regularly passing judgments in favor of evictions. Car constituency is regularly pushing for the removal of street vendors for making space of car parking in commercial areas. Street livelihood is not part of urban planning in Pakistani cities. Licensing regime is much arbitrary with little leeway available to street vendors in the decision making process.

The de facto scene of street vending is bit different. Every urban center is crowded with street vendors. Generally, public has favorable view of street vendors, as reflected in a Gallup Pakistan Survey, where 69% of the respondents opposed removal of street vendors. Lower echelons of city authorities and formal shopkeepers also facilitates placement of street vendors, while extracting a cost through underhand payments. Impact of any eviction campaign is normally short-lived. Few elite markets in major cities are clear of street vendors, otherwise they are present in every major commercial center of urban Pakistan.

Question arises about this divergence between the de jure and de facto scenarios. Reply is simple, market is trumping the law. There exist a large disconnect between the elite take on street vending and prevalent ground reality in the country. Market dynamics makes the legal and illegal debate irrelevant in the case of street vending. The street economy is quite agile; it exists in commercially viable venues. Any intervention that reduces footfall in the vending area beyond a scale, will result in relocation or termination of businesses by street vendors. It does happen during broadening of roads or urban infrastructure projects constraining access of pedestrians to vending areas. Street vendors have greater tilt towards stay in natural markets, such as Tariq Road in Karachi, Anarkali in Lahore, Hussain Aghai in Multan, Saddar in Rawalpindi and so on. Rationale behind this inclination is regular and heavy footfall in these markets and it is in line with international trends. Retention of street vendors in dedicated vending area, such as Bachat Bazaars or Stall Markets, also depends upon the accessibility of these locations for customers.

However, till this economic angle is not incorporated in the vending governance, Pakistani cities will suffer from haphazard placement of vendors, overcrowding and unhygienic public spaces. No amount of judicial orders and aggressive eviction campaigns are going to resolve the issue on permanent basis. Urban poor will game the system, as the population scale and market demand is on their side. Any administrative intervention devoid of comprehension of street livelihood will have limited impact. A recent major anti encroachment operation in Empress Market, Karachi, resulted in the removal of around 10,000 street vendors from the area. It makes 6% of the total city population of street vendors, but it was unable to deter street vending in other areas of the city. Indeed, it resulted in the increase of bribe rates by the administration from other street vendors. Livelihood remains the cruel factor behind the staying power of street vendors in otherwise hostile environment.

Emergent street economy is driven by economic rationale of market demand at one end and sustained by the reenter component on the other end. State institutions may make all the noises on the illegality of street vending in the cities, but they get little share in terms of any tax revenues from street vendors. Substantial rents are generated from the street economy, which are informally paid to various stakeholders to keep the buzz on the street. This other component may be elaborated in terms of likely beneficiaries in different segments of street economy:

## **01** **Natural Markets** – *Old established formal markets with heavy footfall*

- Inspectors from Municipality
- Enforcement Department of Development Authority
- Area Police
- Shopkeepers (who placed street vendors in front of their shops)
- Market Committee

- Inspectors from Municipality
- Enforcement Department of Development Authority
- Area Police

It is an entrenched system that has been practiced for decades, which is not easy to dislodge. Now, the issue is not banishing the whole renter edifice with a stroke of a pen, indeed it is not a possibility in current scenario, but to create a space for structured street livelihood in current paradigm. It may only be done, when city authorities recognize street vendors as a legitimate part of local economy. Thereafter, they can take measures of designing and setting-up vending zones in both natural markets and other public spaces, where placement criteria for the street vendors will be worked out through stakeholders' consultations. Without this engagement, any sustainable solution for this intractable issue may not be possible.



Nadeem Haque  
@nadeemhaque



Our government does immense propaganda to say we are a corrupt nation. They call Pakistani citizens all kinds of names giving out fake information such as 300 billion Pakistani citizen bank accounts overseas. Question today: are we more corrupt than most nations?

No

52.9%

Yes

47.1%

571 votes · Final results



## Street Vendors in Islamabad – Voice from the Ground

### Webinar

According to a survey about street vendors conducted by a Senior Research Fellow Zia Bandy at PIDE, more than 95% of the street vendors in Islamabad are migrants from poor and under developed areas of the country. The highest percentage of vendors was 43% representing KPK and most of them belonged to the terror affected areas of agencies. It was generally observed during the survey that most of the respondents belonging to the Afghan Nationality and there were around 6% Afghan national Vendors.

Education level was observed to be low among street vendors. 29% were completely illiterate and two third of them possessed the education level below matric. Vending starts at the very early age as 8% of the vendors were below 18 years of age and youngest of them was 15 years old. There is a possibility that there exists a large number of young vendors below the age of 18 as these young vendors doesn't have CNIC. There were 10% vendors whose age range ranged 50 years and above, oldest being 70 years of age. If we link these vending years with age factor in vending then we came to a conclusion that there is a significant number of vendors that started at a very early age. Lack of education and skill development are due to poverty and large household size that limits the affordability of education.

Most of the street vendors reside near to their workplace in a diameter of almost 1-2 KM radius to commute daily to their workplace by foot. Majority of workers reside in shared accommodation with 4-5 persons living in a single room. Some of these vendors reside in far flung areas of twin cities and commute to workplace using their bikes. Vendors living with their families in far flung areas of cities had to travel long distance to their workplace as they can afford only to live in slums.

During the survey it was found out that some vendors are in the business of vending for the past 30 years and during their vending career various vendors have been vending in different locations of both cities. Around one fourth of street vendors in Karachi company are 14 years old or more. So, the length of their vending period reflects that tenacity of street vendors despite all the frequent efforts to uproot them.

Majority of street vendors are evicted and their materials are confiscated by city authorities. It takes almost a month to retrieve their materials from government by paying penalties and bearing a loss between 50% to 100%. After such actions by government, street vendors become heavily indebted in efforts to revive their business. Number of these vendors become patients of B.P, hypertension and other diseases. It was revealed during the detailed survey with these vendors that none of them possessed any legal license from city administration for vending. The economy of Karachi is well established with its proper supply chains spread across the country and overseas. The well-established shopkeepers provide the front of their shops as a vending place to these vendors on rent. Corruption of low-key staff of city authority taking regular payments from street vendors is a major obstacle in complete uprooting of this issue. Vending on footpaths and green belts result into problems for commuting the pedestrian traffic and car parking. Despite all these odds, there is one benefit of street vending that it is serving the poor and local economy.

## **Ehsaas will be utilizing survey findings in formalizing its policy response for street livelihood**

### **Message by Dr. Sania Nishtar**

#### **SPECIAL ASSISTANT TO PRIME MINISTER ON POVERTY ALLEVIATION**

she mentioned that prime minister IMR is very concerned about the future of street vendors in our country.

She also mentioned that government is well aware of the issues of the vendors and wants to proceed with implementable solutions by taking into account the constraints of operating environment.

She suggested that the solution will be chalked out by engaging the multi-stakeholders on necessity of law change or introduction of byelaws and regulations within the legal framework.

#### **SYEDA SHAFaq HASHMI, CHIEF OFFICER, METROPOLITAN CORPORATION ISLAMABAD (MCI)**

MCI is the authority for issuance of vending licenses in Islamabad and it has issued 300 licenses so far.

Municipal authority faces the challenge of limited resources for monitoring and emergence of new vendors in various parts of the city.

Municipality is eager to collaborate with PIDE for construction of design effective intervention for managing street vendors in Islamabad.

#### **DR. SHAHID MAHMOOD, MEMBER-PLANNING, CAPITAL DEVELOPMENT AUTHORITY (CDA)**

Vending inside the marketplaces cannot be supported but vendors could be accommodated in separate vending zones or spots.

Existing law doesn't support vending in markets as they occupy public spaces meant for parking and pedestrians.

Vending creates unfair competition for shopkeepers who pay hefty amounts in form of taxes and rents.

#### **SARDAR YASIR, PRESIDENT, ISLAMABAD CHAMBER OF COMMERCE & INDUSTRY (ICCI).**

ICC along with CDA are making efforts to remove the unauthorized vendors from the streets of Islamabad.

He advised that a strategy should be made for arrangement of alternate zones for the reallocated vendors.

To protect the livelihood of vendors there should be space allocation in the master plan of the city by creating special vending zones.

# Why are We Subsidizing Car-Use?

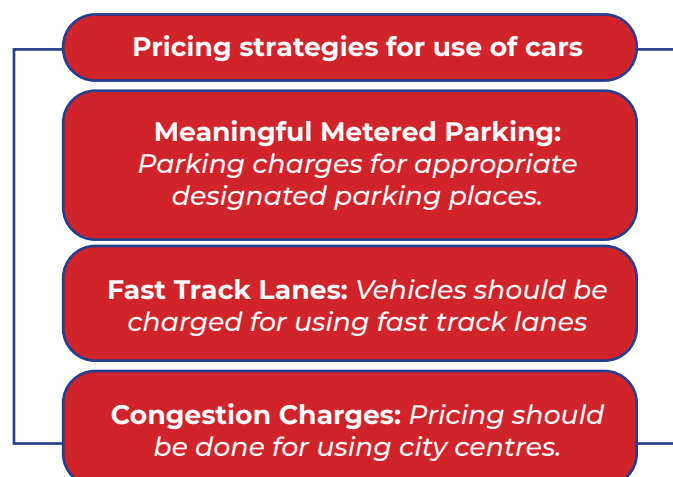
Nadeem ul Haq

Cities are being built for cars. The trend of walking and biking in Pakistan has now changed. People are now more obsessed with cars that has resulted into huge highways, abundant flyovers and underpasses for signal free corridors that has made biking and walking impossible. All sidewalks are eliminated and there are no bike lanes. One has to climb up 3 floors to cross a road that makes it a tough exercise even for the fittest to use it for walking or biking. Even the public transport is being built on the platforms to make more space for cars.

We need mobility in cities without traffic congestion wasting the time and polluting the environment. Mobility is for all and not for cars only. When cities grow, people and their activities crowd into dense neighborhoods and cars hinder mobility. As density increases, space for cars in form of roads and parking is never sufficient. Congestion is being increased as roads and underpasses are expanded as an effort to reduce the traffic flow by making large expenditure of car expenditures.

Pakistan having some of the largest and busiest cities of the world are still struggling to cope with car as a huge housing shortage persists. Road-building has the hugest share in development budget. Cars need to be limited for equity of mobility and faster mobility within the city.

Walking and bicycling are considered to be salubrious to health. It is cheap form of transport and next cheapest form is the elevator as people move in neighborhood of high-rise buildings. We need to think that cars are a luxury and not a necessity. They cover large spaces that could be utilized for human activity. It is estimated that one car can take a space of around 100 pedestrians and 15-20 bicycles could be operated. Even a bus of about 60-80 passengers takes a space of 3 cars.



Technology should be used for collection of above-mentioned charges and space could be freed up for pedestrians walking and cycling. With adopting a little change in our policy for car use we can have better cities that can provide people with more options to be used as a transport mode. There will be no need of expensive flyovers and city dividers. If the car use pricing policy is effectively adopted can generate huge revenues for the city.



# Promoting Domestic Commerce for Sustainable Pro-poor Growth

**Nadeem Ul Haque**

Domestic commerce is the most pro-poor growth possibility in the country. Currently, it employs about 40 percent of the labour force and contributes about 52 percent to GDP. If it can be provided with an enabling environment, our estimates suggest that it could help increase the growth rate by at least 2 percentage points. To fix ideas, recall that evidence from history testifies to the following five propositions:

***Proposition 1. Trade is the original human activity that underpins all production and innovation.***

People have been trading through history, before industry and long before even settled agriculture and domestic commerce. Indeed, it is trade that facilitated all innovations including the industrial revolution. It may be recalled that England was known as a “nation of shopkeepers” before the industrial revolution. Moreover, it was shop keeping and trade that propelled England towards empire.

***Proposition 2. Open markets organise economic activity.***

Consumer demand is revealed in markets that are open and competitive. From that demand, producers learn of what needs to be produced. Industry and production that is not founded in such markets may not survive the test of time and competition.

***Proposition 3. Markets where consumer preference rules establish brand names.***

Local competition in open economies develops innovative business processes, branch networks, and growth of businesses. Brand names and innovative business processes are then exported overseas once they have stood the test of local markets. The idea becomes immediately obvious when one thinks of the following example: McDonald's first established itself in Chicago. It was then exported beyond Chicago through Illinois and the U.S. Once established there, it went overseas.

***Proposition 4. Industries organic to local trade and marketplaces are “survivors”.***

Put differently, industries that are satisfying local demand and are being continuously tested by local consumers will grow beyond local markets to become export entities. Industries that are only transplanted to a region and remain inorganic to the local market often die out when the subsidy or incentive that attracted them peter out. Production that is totally alien to local market does not take root. Numerous examples of this principle are available. Several efforts to transplant industry to many African countries have failed. In our own backyard, the example of Kala Shah Kaku looms large on the GT Road.

***Proposition 5. Trade has historically developed in cities and market towns which have been friendly to commerce.***

It is those towns and cities that have been friendly to commerce where innovation has taken place and where history has been made.

## ■ Key constraints for domestic policy development

- 01** As is well-known, property rights are weakly defined and enforced in Pakistan. Land titling is not secure. This makes it extremely difficult for any type of activity, including domestic commerce, to find space for development.
- 02** City zoning remains extremely unfriendly to domestic commerce. Not enough space is allocated to commercial activity. Even when it is done, the process of commercialisation is extremely cumbersome and expensive. Height restriction and density restrictions are also imposed. In short, commercial construction has been made prohibitively expensive.
- 03** Primitive tenancy laws that excessively protect the incumbent discourage commercial ownership and development.
- 04** In light of points 1-3 above, banks are extremely shy of financing commercial construction.
- 05** Agricultural markets remain highly regulated, with the government controlling prices, market space, storage, etc. Unless the government withdraws from this role, private agricultural marketing and storage will not develop. History shows that many of the towns in the Punjab began as small market and storage centres. We have to revive market and storage as an important activity in our small towns.
- 06** The Government has made a large number of industrial parks in the country. There has never been any effort at making retail offices and warehouses. Perhaps we should begin to think about this.
- 07** The law and order problem and contracting difficulties impact on activities like retail and warehousing far more than industry. We need a favourable environment for domestic commerce.
- 08** Many old markets are in a dilapidated state. Renovation of these could facilitate large employment as well as big pick up in activity.

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## Social distancing and protection

**Pervez Tahir**

Just Sindh government went ahead to notify a ban on layoffs by businesses operating in its jurisdiction.

The emergency forced upon us by the Covid-19 outbreak has brought home, among other failings, the stark reality of inadequate, dispersed, ill-coordinated and inefficient arrangements for social protection. All kinds of zombie schemes being added every day leave no doubt that it is more patchwork than a systemic endeavour. The federal government's package focuses on the poor and the daily wage earners. For the workers in the formal sector, the expectation is that the employers receiving tax relief and debt facilitation will not lay off their workers during the lockdown. Only the Sindh government went ahead to notify a ban on layoffs by businesses operating in its jurisdiction.

Such bans work only to some extent. Broadly, the employers were in compliance in the month of March. As the lockdown enters into April and may well go beyond, the employers have questioned the legality of the ban imposed under the Payment of Wages Act. They have come out with a long charter of demands. These demands expose the bits and pieces of whatever exists in the name of social protection. In support of these demands, they maintain that the Standing Orders Act allows them to take necessary measures including laying off their workers up to 14 days with half pay and to terminate them if the situation continues for an indefinite period.

They do not wish to be so unkind as to invoke the Standing Orders Act if, and it's no small if, their new demands are met. Every factory, industrial and commercial establishment should be allowed to establish an Emergency Fund comprising of: (i) adjustment of employees' leave balances for the current and next years' leave entitlement, (ii) amount due to be paid to employees on account of bonus for the current year, (iii) amount distributable among employees on account of Workers' Profit Participation Fund for the current year, (iv) amount of 2% of profit payable on account of Workers Welfare Fund (WWF), (v) amount payable to Sindh Employees Social Security Institution (SESSI) and Employees Old-Age Benefits Institution (EOBI) on account of their monthly contributions should be suspended for a year and the resulting amount to be transferred to the fund, and (vi) WWF has huge funds available with it which

can be transferred to companies for utilisation of payment of wages. The last five years' contribution by enterprises to the WWF be refunded to respective enterprises for utilisation in this fund.

The fund so accumulated may be used by enterprises for payment of workers' wages for the next three months. In case the proposal for this fund is not acceptable, the government should allow the enterprises to lay off their workers for the period of April 2020 on 50% wages and the remaining 50% should be paid from the employers' contribution to Sindh WWF. If the lockdown continues in the month of May, 100% wages be paid out of the WWF. In other words, the employers will bear a burden no more than half a month of wages. All the rest has to be chipped in by the workers themselves through various social protection windows. In the long list of adjustments, the employers do not factor in the benefits accruing to them from fiscal and monetary concessions announced by the federal government.

This state of affairs justifies our proposal of direct transfers to each Pakistani, instead of throwing over trillions of rupees into pockets burning no holes. In the long run, the country needs a single social protection authority focusing only on two things — pensions and unemployment benefits. Health and education have to be separate initiatives, delivered effectively to all, including workers.

*Published in The Express Tribune, April 3rd, 2020.*

## **Students Dilemma in Private Hostels in Islamabad: A Policy Perspective**

**Kashif Aakash**

In Islamabad, students pay more than half of their pocket money for a hostel room. Nearby areas of different universities private hostels are charging the minimum of 10,000 rupees for a room of 3–4-person occupancy and the double occupancy room rent charges are ranging from 12,000 to 16,000 rupees, the single-seater ranging from 12,000 to 16,000 rupees (prices are average may be higher or lower in some areas, depends on the location).

The food they serve to students is unhygienic and unhealthy. There is no proper check and balance by the district administration to increase the quality of food. Normally, students take their meal in restaurants which cost them an extra amount. The internet facilities they provide is often very slow because of the huge numbers of devices connected and the students are in dire need to pay an extra amount to recharge their internet packages from their pocket money.

Firstly, the current government shall encourage investment in building studio apartments for students and bachelors in every sector to bring ease to their lives and end the monopoly of hostels in nearby universities areas. This will encourage investment in the new business opportunities in building studio flats in different sectors.

Secondly, the district administration shall provide government rates for all private hostels, prices may vary the ups and downs according to the location. This will reduce the rates to the reasonable payable amount for the private hostels and will facilitate students with organizing their limited budget productively.

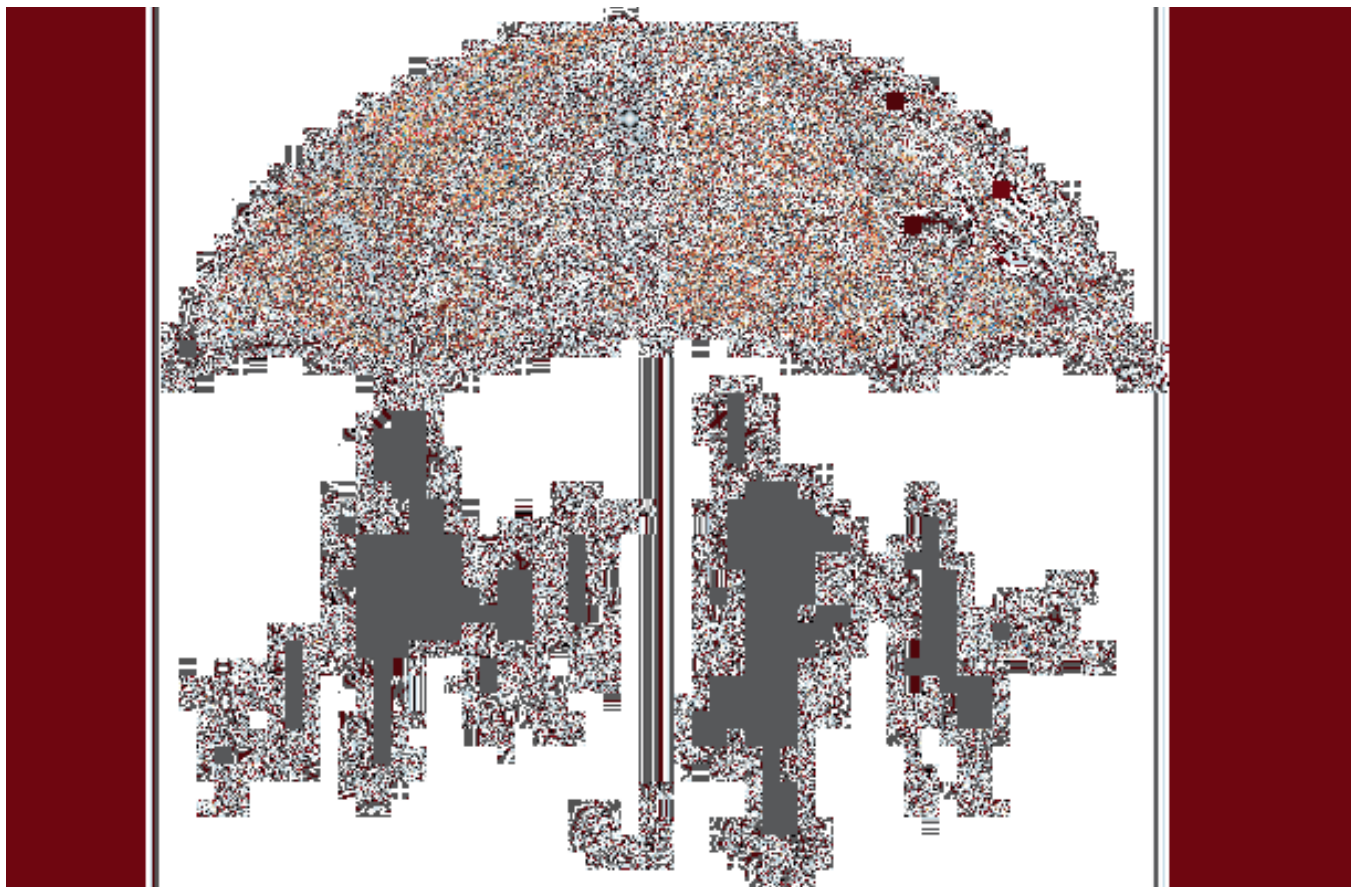
Thirdly, the district government or food authorities shall keep their eye on the food quality to ensure the quality of food they serve. However, there are various diseases caused by unhygienic food and unhealthy drinking water. To address the quality of food in hostels and arranging the food weekly menu in a healthy diet will be healthy for students.

Lastly, a complaint cell has to be established under the supervision of the DC Islamabad for registering complaints of all owners of private hostels. Almost half of the owners of the private hostels misbehave with the living students. To bring the harsh behaviour of hostels owners in the law and order to reduce the psychological torture and harassment they are giving to the living students. This complaint cell will be helpful to reduce the mental torture for students and will provide them with a healthy learning environment.



# Social Protection

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## Mr. Qazi Azmat Isa

Mr. Isa is the Chief Executive of the Pakistan Poverty Alleviation Fund (PPAF) with 25 years of experience in the development sector.

### 01 **Pakistan Poverty Alleviation fund (PPAF) provides cross-cutting research on poverty. What is your take on poverty that is PPAF's narrative, as well?**

Research is fundamental to how PPAF works; our research function identifies direction, allows us to ensure that we remain the true path, and as required to recalibrate. Over time we have a body of cross-cutting research that has allowed us to refine our focus, our prioritized regions and programmatic components that will have the greatest impact in eliminating poverty.

I strongly believe that in Pakistan, there is no shortage of theories of poverty alleviation or even resources, which if targeted correctly could improve the lives of the millions who live in poverty. The real limitation is in our understanding of poverty. Since we started working to alleviate poverty, the measure of poverty has changed from basic income poverty to a multidimensional index. The real issue, I feel, is a poverty of the mind that, above all, derails Pakistan's attempt at understanding poverty, let alone alleviating it.

### 02 **There are variant ways to define poverty; monetary poverty, health poverty, educational poverty, and PIDE is recently working on environmental poverty. Along what axis do you think poverty exists in Pakistan?**

I am sitting in Islamabad; I possess resources which the majority of our people don't have access to. From this vantage point, I don't think my experiences have equipped me to give an adequate answer to the myriad layers of poverty. I think the best way to explore the nuances of poverty is to ask the people themselves and you will receive such incredible responses; such as I am poor because I don't have social capital or there isn't anyone I can speak to when I feel lonely.

Restricting poverty to mere economic measures is conceptually limiting. Poverty to me is the poverty of being alone, poverty of being deprived, poverty of being excluded, and poverty of lack of voice. Our policy narrative is oblivious of these nuances. More than defining how deprivation of voice, choice, and freedom affects people, we are misconstruing poverty by only constricting it to the economic measure. These people can't get their voices to the decision makers. Limiting definitions to IMF and World Bank standards is misconstruing. Interestingly, we all know what the core issue is.

### 03 **PIDE has recently conducted a book launch webinar on the evolution of growth in China. The takeaway of the book is the importance of ethics in order to create a normative order for progress be economic or non-economic or both. What is your opinion?**

Yes, the Confucius ethics have been instrumental in designing and re-affirming growth and progress in China. The importance of work ethic, mutual respect, communal learning, and help have defined self-reliant progress in China. PPAF has been putting in concerted efforts to broaden the dimensions of poverty defined along both economic and non-economic indicators. Our recent endeavor about visualization of geography of poverty has focused on spatial poverty in Pakistan

defined in terms of 27 different indicators of economic and human development. What we have found is that in Balochistan people described themselves poor due to sense of deprivation and exclusion. Have we been able to articulate this feeling of being deprived and excluded in our policy and academic debates?

**04 PIDE research also shows that most of the areas in rural Sindh and Balochistan don't have the washroom facility even in Masjids and those areas are in the closer proximity of the wealth generating areas. True?**

This is a frightening phenomenon, where you have the richest and the poorest living side by side. The rich have become oblivious to the sufferings of the poor. Mapping of the poor in different Tehsils, identifying their causes of poverty, and framing interventions based on their poverty narratives is mandatory. The change has to come from within, from within each of us, but credible research is the first step towards bringing these issues to light, reminding people that inequity exists and we have to do our best to improve the lives of all our people.

**05 How do you view PPAF's role as a think tank working on poverty alleviation research?**

Building the evidence around the most effective approach to poverty alleviation is one of PPAF's biggest priorities. We invest resources in conducting in-depth research of the highest quality to generate ideas that improve the efficiency and efficacy of our programmes and do this by linking up with academia, research institutes and global experts. Generating credible evidence is one aspect of our role, the other equally important one is to contribute to the national narrative by sharing our findings and advocating for pro-poor policies. Our research stems from our own programmes and the practical realities of development as opposed to theoretical constructs – in that while we generate evidence and posit the narrative, we function as the national apex for poverty alleviation not just a think tank.

**06 Given Pakistan's challenging past in alleviating poverty, how successful has the State intervention been in attempts at poverty alleviation? What is your take on steps undertaken by the current government?**

While Pakistan faces challenges in alleviating poverty, it is important to recognize that our definition of poverty has evolved over the years and we did successfully reduce income poverty to single digits. Since then, we have expanded how we assess poverty to include access to fundamentals such as living standards, asset ownership, health and education and today we are striving to address the incidence and intensity of multidimensional poverty.

The current government's Ehsaas program centers on tapping whole-of-government multi-sectoral collaboration for solutions; ensuring joint federal-provincial leadership; and mainstreaming the role of the private sector through an approach which will provide a level playing field on the one hand and foster locally-relevant innovation on the other, to create jobs and promote livelihoods. PPAF supports the Government's social protection programme by providing a poverty graduation approach for the poorest households in over 1,600 of the 6,000 Union Councils in the country through various programmes funded by donors such as the International Fund for Agricultural Development, the Italian Development Corporation, the Government of Pakistan and others.

**07 How do you view social policies on poverty in Pakistan?**

In Pakistan's context, social protection means providing a safety net to the poorest households, those that earn less than Rs. 10,000 per month. The safety net can take the form of pure cash transfers (unconditional cash transfers) or cash with a caveat that it be spent on certain goods/services (such as health and education). Social protection can also extend to providing benefits such as vouchers that provide access to medical treatment or health insurance.

*Inclusion and correct targeting makes for a good social protection programme:*

Inclusion of the poorest households especially those who may not be easily identified (women headed households, minorities, persons with disabilities) and are usually not visible in the mainstream. Providing such households with cash and/or benefits has substantial impact on their ability to survive.

**08**

### **What is the role of civil society in poverty alleviation in Pakistan?**

Where poverty is so pervasive and along so many dimensions, each and every one of us has a role to play. Civil society is an intrinsic part of how we reach the communities that we work with.

PPAF programmes are implemented through non-governmental partner organizations that follow a community-led, demand-driven approach. Our partners are from civil society and their commitment to their communities leads to much greater social cohesion and inclusion than could be achieved otherwise.





## Ms. Beenish Fatima

CEO Punjab Social Protection Authority

Ms Benish Fatima is serving as CEO PSPA. She held various important offices during her 14 years of service. Prior to joining as CEO PSPA, she was performing her duties as DG Child Protection and Welfare Bureau. Most recently she has served in two important departments in Government of Punjab i.e. Agriculture and School Education Department. As CEO, Ms Benish Fatimah Sahi is responsible to oversee all matters related to the policymaking and practices of PSPA, providing strategic leadership to the organization and supervising the process of policy conception, formation and implementation.

### 01 Please explain the ongoing initiatives of Punjab Social Protection Authority (PSPA).

PSPA has been established in 2015 through an Act of provincial legislature with the mandate to review and rationalize all ongoing social protection Programs. It aims at providing the poor and vulnerable people in Punjab with an efficient and effective social protection system. There are certain programs being managed by PSPA. It includes both the conditional and unconditional cash transfer programmes along with training interventions aiming to improve the life of poor and marginalized segments.

- **Unconditional Cash Transfer Program for Persons with Disabilities** provides Rs.2000 per month for PWDs who are incapacitated or not able to work and Rs.1500/month for the PWDs who are able to work, as per the assessment of Medical Assessment Boards. The Program currently provides monthly cash assistance to over 63,697 disabled in Punjab.
- **Ba-Himmat Buzurg Program** aims to improve socio-economic wellbeing of the poor elderly women in the Punjab. This program provides dignified social pension for elderly women above the age of 65 in Punjab. Rs. 1.8 billion are being allocated for the first year of this program which will benefit over 110,000 poor elderly women at the rate of Rs. 2,000 per month.
- **Interest Free Loans for Persons with Disabilities (PWDs)** serves as “exist strategy” of Persons with Disabilities (PWDs). Under this scheme average interest free loans up to Rs. 100,000/- are being provided to the PWDs. All people with disabilities in Punjab, are entitled to receive interest-free loans under this scheme for setting up their own businesses.
- **Zewar-e-Taleem Program** is the conditional cash transfer to the girl students enrolled in public sector schools in 16 districts with low literacy rate. Over 571,313 girls are receiving Rs.1,000/- per month on compliance to 80% attendance requirement in schools.
- **Nayee Zindgi Programs** is launched for Acid Attack Victims. The Program aims at rehabilitation of Acid Attack victims through reconstructive surgeries and psychological counselling for their Socio-economic mainstreaming. These services will be provided by Specialized Healthcare & Medical Education Department. PSPA intends to work in close collaboration with Specialised Healthcare & Medical Education Department for provision of these services bearing the treatment cost.

- **Brick Kiln Program** is launched to reduce the prevalence of child labour from brick kilns. Beneficiaries are provided with Rs. 2000 as one-time incentive at the time of admission and then quarterly disbursement of Rs. 3000 upon compliance verification. As per program requirement, children have to ensure 75% attendance in school.
- **Silla-e-Funn** will provide dignified social pension for those elderly and needy artists, writers, poets and media persons of the Punjab who have made a notable contribution in their field such as Film, T.V, Literature, Poetry, Journalism, Theatre, Music, Painting, etc. Rs 5,000 per month will be provided to the artists above 50 years with monthly income below Rs. 15,000 having 25 years' experience of their field under unconditional cash transfer program.
- Under the **Punjab Ehsaas Program**, various interventions are launched, i.e., **Ba-Himmat Buzurg Program**, Masawaat Program for Transgender Persons, Sarparast Program for Poor Widows & Orphans, Khiraj-ush-Shuhada Program, Humqadam Program, Panagah Program for the Homeless etc.

## 02 In your opinion, how much these initiatives would be helpful in reducing the vulnerabilities of marginalized segments? What are the key challenges including targeting issues, resource issues etc.

BISP registry is being used by Punjab as well and identification of target and BISP is not a dynamic registry and is not been updated regularly as it is 10 years old. This challenge was immensely felt during the disbursement of COVID-19 Ehsaas Fund. Punjab then devised a RICE strategy (Responsive Investment for social protection and Economic Stimulus) to look out for mechanism of on demand enrollment of poor and vulnerable in the social protection programs to cope with COVID like shock. It is really difficult to identify the target beneficiaries as address and contact numbers of people are being changed frequently. This strategy is devised so that provinces could update and manage their registries of beneficiaries at provincial level rather than looking for country level data.

## 03 What is your stance on Grievance Redressal of beneficiaries of social protection programmes?

Grievance response is very poor in social protection programs. It's a challenging task for provincial subject. We are getting complains that there are people who have overcome the poverty threshold but still included in the social protection program. So provincial subjects need to work hard on this area but as provinces rely on federal level database so provincial response is very slow on grievances.

## 04 What is your view point on resource trap that we face while implementation and budgeting of these social protection programs?

In Pakistan social safety net programs are mostly owned by government and Pakistan contributes only 2% of GDP on it. We can explore for some public private partnerships with some philanthropic organizations to make our social protection program sustainable and effective. Pakistan has rich resources but unfortunately, we are not able to utilize it efficiently. e.g. we can involve the insurance companies for providing pension benefits to retired people by inculcating the habit of saving so that government burden of contributing to pension funds could be minimized.

## 05 How far PSPA has been contributing in achieving the inclusive growth and poverty alleviation on permanent basis in province Punjab?

PSPA is currently running various cash assistance (both unconditional and conditional cash transfer) programs in accordance with its policy objectives. It also has 8 new programs approved

for FY 2020-21 with the portfolio of Rs.6 billion. PSPA has also adopted life cycle approach and a massive program covering child's 1000 days of life leading to pre-nursery school readiness will be rolling out by September 2020. It also has an economic inclusion component that focusses on youth with regard to their readiness for active labor market programs. This is World Bank funded program with the total portfolio of \$200 million as soft loan. Besides, a DFID funded program focused on extreme/ultra-poor women with grant-in-aid up to £27.5 million will also commence by the December 2020. Both foreign funded programs have major components of economic inclusion programs based on community-based working through implementing partner(s)/social mobilizers.

06

**Please share your thoughts that how PSPA can effectively contribute to reduce poverty.**

Poverty levels can be reduced by Social assistance programs, social security programs and by providing subsidies. Social Assistance Programs are non-contributory transfers extended to the poor and the vulnerable. They help relieve the households that fall into poverty because of some external event or shock, and provide assistance to the more chronically poor in form of social security and pensions. Social services comprise a range of public services provided by government to create more effective organizations and promote equality and opportunity. These programs include free education, free healthcare and institutional care.

07

**Please explain the initiatives that PSPA has taken to offset the adverse impacts of COVID-19.**

Exclusively there wasn't any program at provincial level due to lack of beneficiaries' data and targeting issue. But Punjab government in collaboration with federal government provided funds to the federal government. The government of Punjab provided its budget share from PSPA for COVID relief to federal government. Poverty and shock vulnerability index are being constructed by Punjab government and is in its early stages so as to avoid COVID like shocks in future and bring effected people in the net of social protection.

08

**How the Punjab Ehsaas Program will be helpful in building human capital and to address the poverty. How much this program is aligned to the national Ehsaas Strategy?**

A key aspect of social protection is promoting employability and labor welfare to promote citizen's self-sufficiency through income generating activities and graduation from poverty and social assistance. Such SP Programs include ALMPs that support insertion and re-insertion into the labor market and promote better earnings opportunities by upgrading worker skills and facilitating occupational or geographical mobility; microfinance or financial support for business development; labor policies and regulations that require basic job protection to workers and govern employer-employee relations, or provide income support to the unemployed through unemployment insurance; and social funds and community development initiatives. ALMPs can serve as graduation programs that will assist transitioning out of poverty and exiting anti-poverty programs such as BISP.

09

**Please comment on '*One-window operations and inter-department linkages*'.**

It will take some time to build connections between various departments as departments are not convinced yet to share the burden and there is lack of coordination between departments. So, if one person couldn't get any assistance from a certain program could be referred to benefit from other program.

10

**In what way PIDE can contribute to the ongoing PSPA's agenda and research component?**

Students of various research department of public and private sector institutions are required to provide assistance in developing various indexes and updating the data of beneficiaries. It could be a two-way assistance ship so that we can benefit from each other by increased efficiency and effectiveness.



## Ms. Shazia Maqsood Amjad

Executive Director, Pakistan Centre for Philanthropy

Ms. Shazia Amjad has been working with PCP as Executive Director for more than 5 years now. Previously, she headed the Technical Unit formed by GIZ to support the Government of Pakistan in implementing Skill Development Reforms. She is an educationist and development specialist with 20 years' experience of working with national and international organizations. She is a Graduate of Harvard Graduate School of Education, USA and Institute of Development Policy Management, UK.

### 01 How you consider the philanthropy as a tool to bring certain welfare results in the life of poor and marginalized segments?

The notion of philanthropy has evolved over the years from traditional ways of charitable giving to the poor, sick and needy to welfare state arrangements involving responsibilities in the field of poverty, social security, health care, and education. The goal of philanthropy in modern times is to advance society by providing necessary social, cultural and educational services which are not provided by the state or market for political or economic reasons. The practice of philanthropy has therefore, been changing in terms of functions and activities. People behind such developments may differ in views but probably share a common motivation. As described by John Gardner, former president of Carnegie Corporation:

*“Wealth is not new. Neither is charity. But the idea of using private wealth imaginatively, constructively and systematically to attack the fundamental problems of mankind is new.”*

In the process of trying to be innovative and effective with philanthropic spending, corporations and individuals have developed a sense of social responsibility for the well-being of society as a whole, and make voluntary contributions (money, goods, time/expertise) to the public good, dominantly benefitting the poor and the marginalized segments.

However, in case of Pakistan, both corporate and individual philanthropy are largely traditional in nature as a study by Pakistan Centre for Philanthropy in 2016 has revealed that about two-thirds of the sampled households practice traditional charity; giving to beggars, needy, etc. Hence, it is high time to innovate philanthropic practices and adopt some ways to use philanthropic funds for welfare purposes to bring change in the life of poor and the underserved.

### 02 Please share certain statistics of philanthropy in Pakistan? Please also share the role of PCP in promoting philanthropy in the country.

PCP is an independent non-profit organization licensed under Section 42 of the Companies Ordinance 1984 with a mission to promote the volume and effectiveness of philanthropy for social development in Pakistan. At present, PCP is the sole lead, cutting edge philanthropy resource center working in three clearly demarcated work streams including (i) NPO Certification; (ii) Research on Philanthropy and Civil Society/ Nonprofits in Pakistan; and (iii) Philanthropy Support Services to promote philanthropic activities and build connection between grant makers and grant seekers.

To-date, PCP has conducted various research studies and produced multiple reports on individual, corporate and diaspora philanthropy. The purpose is to enhance knowledge about various dimensions of philanthropic giving and provide a better understanding of the nonprofit sector in Pakistan to initiate policy discourse on improving the environment for philanthropy in Pakistan. Our research reveals that **“Pakistanis are extremely generous when it comes to giving back to society”**, as evident from the following:



- About **98% of Pakistanis** contribute more than **PKR 240 billion** a year to philanthropic activities. This amount constitutes **1% of GDP** of the country.
- Corporate Philanthropy in Pakistan has continued to increase over the years, reaching a total of approximately **PKR 12.77 billion** in the year 2018-19 from an earlier estimate of **PKR 0.7 billion** in 2004.
- The philanthropic giving of the Pakistani diaspora in the UK to causes based in Pakistan and the UK amounts to a combined total of **£1.25 billion** in a year.
- Estimated total annual giving (money, goods and time) by Pakistani diaspora in the USA is **US\$1 billion**.
- Pakistan **ranks no. 7** by the “*number of people helping a stranger*” and **no. 5** by the “*number of people donating money*”.

### **03 Often most of the volume of philanthropy is concentrated in urban and well-off regions where mostly the ‘giver’ resides and corporate businesses exist. How the country can develop an enabling environment for effectively pooling the resources and divert them to the deprived regions? It will ultimately uplift the poor areas.**

PCP's Corporate Philanthropy Survey 2017-18 found that an overwhelming majority of the CSR interventions are present in areas that are comparatively better off both in terms of multidimensional poverty index (MPI) and human development index (HDI). On the other hand, regions which score high on MPI and low on HDI and require higher number of CSR initiatives, receive none or negligible number of philanthropic resources. In other words, there is a mismatch between CSR interventions and where such programs are direly needed. Among others, one of the possible reasons is that companies may be better aware of the problems of areas where they operate compared to those where they do not. Lack of awareness about peculiar problems faced in the geographically distant areas, for example, Baluchistan, could be one of the reasons for negligible CSR interventions there. In this regard, a mix of short-term and long-term strategies may be pursued to fully reap dividends of individual, institutional and corporate giving. Pakistani nonprofits may put in place better and more effective lobbying, communication and advocacy interventions to disseminate the potential of philanthropy and social development in the country.

### **04 How you consider the role of NGOs in promoting philanthropy in Pakistan? What are the key bottlenecks that NGOs are facing in the country and as a result, they have not succeeded to alleviate poverty on permanent basis.**

Pakistan has a vibrant civil society sector contributing to improving conditions in areas ranging from supplementing government's efforts in resolving social issues to strengthening democracy and defending human rights. This role is reflected by the NGOs/ CSOs vast outreach and service delivery capacities at the grassroots level through using the local philanthropic resources and other donations for the uplift of certain areas. Donors (both local, as well as international), philanthropists, corporations, diaspora and other stakeholders, including the Governments at the Federal and Provincial levels, not only recognize the important role of NGOs/ CSOs but also rely upon them for the execution of many development projects.

Despite the phenomenal growth in number and the involvement in the country development process, the NGO/CSO sector is facing many problems in terms of governance and regulatory mechanisms. Governance itself may be seen from two aspects: one that is mainly concerned with the overall enabling environment set by the government, let us call it external governance. The second relates to the accountability and transparency mechanisms that the NGOs set internally to establish public trust and credibility ensuring that the philanthropic funds in the form of donations are being spent appropriately and where needed, let us term it internal governance.

In addition to the above, an important challenge that NGOs/CSOs have inherently been facing is the 'trust deficit'. In spite of the fact that NGOs mostly work for the betterment of the disadvantaged groups, at times they are suspected to be not spending the funds judiciously both by the government and the general public. One important reason is the lack of transparency and accountability that NGOs are considered to live with for a long time. This issue becomes more evident in Pakistan where, according to a recent PCP report, an overwhelming majority (67%) of individual donors gives to individuals instead of organizations. This suggests that implementation of good governance practices and making people aware about it may help in improving trust in the NGO sector. Interestingly, NGOs/CSOs are well cognizant of the issue of trust deficit. Technological advancement, especially an easy access to internet and social media has given an opportunity to NGOs to not only showcase their good work but also assure their supporters of transparency and accountability.

Given the above challenges for NGOs in terms of governance and performance, it is opportune time that NGOs come up with practical and innovative strategies to cope with them. On the other hand, the government, given its current financial constraints, requires support from the NGOs/CSOs to initiate projects that would expedite the achievement of development goals. The best and viable approach would be to provide an enabling environment for NGOs/CSOs where the legal and operational framework is clearly defined with minimum hindrances. This will help partnerships to function in an effective and transparent manner for achieving optimal results.

## **05 What limitations currently the PCP is facing in effective coverage of philanthropy? Where you want to see PCP where it can play an effective role in poverty alleviation.**

PCP was established in year 2001 with a mission "to increase the volume and effectiveness of philanthropy for social development", and a vision "to link the three sectors of society, i.e. government, business, and civil society organizations in a synergistic partnership for development". To achieve its objectives, PCP has designed innovative programs of Nonprofit Organizations Certification, Philanthropy Support Services by mobilizing corporate philanthropy for education under Public-Private partnership (3Ps), expanding the philanthropy knowledge map through evidence-based research, and communication and advocacy to enhance societal understanding of philanthropy and development. However, it is recognized that PCP with its limited financial resources and manpower, has faced problems in expanding its research agenda, in developing linkages with the government and academia to highlight philanthropy as an immense potential resource for development, and in building the synergy between the donors and CSOs, especially the mid-level and small organizations working in small towns and rural areas with poverty and poor living conditions.

With a more strategic, collaborative and outcome focused approach to philanthropy and social investing, PCP will continue to play its role for effective deployment of philanthropic resources to lift millions of people out of poverty.

## **06 How the role of civil society and corporate sector can be enhanced in pooling the resources for poverty alleviation?**

In Pakistan, the scope and potential of civil society and corporate sector has not been fully utilized in programs and interventions of poverty alleviation. Whether it is ensuring access to quality education, healthcare or water/sanitation services, the challenge of mismatch between the needs and available resources has been a pertinent issue.

Although the business sector with its Corporate Social Responsibility (CSR) element has been generating substantial financial resources for causes related to social development, the impact on poverty alleviation has been minimal. According to the Corporate Philanthropy Survey report of PCP, the Public Listed Companies (PLCs) that constitute around 1% of the entire corporate sector, donated PKR 9.07 billion in year 2018. The question remains how these resources were spent

and what impact did the CSO bring to redress poverty and related issues. Given this context, the civil society and corporate sector in Pakistan need to move towards a more strategic, collaborative and outcome-focused approach to philanthropy and social investing, ensuring that resources are deployed as effectively as possible to address key social challenges including poverty. Mobilizing corporate philanthropy resources through instruments of impact financing and social investments has a potential to result in a win-win situation for government, private sector and the society at large; a trend which is fast becoming a leading source of impact capital globally.

## **07 How the public-private partnership can be promoted in the country that can bring better transparency, efficiency and accountability in this sector?**

It is an established fact that PPP is effective in leveraging the expertise and efficiency of the private sector for enhanced public sector service delivery. The three sectors of the society i.e., business, civil society and the government have complementary strengths, when combined can broaden the financial base for social services. The state can provide enabling environment for business and NGO/CSO sectors; business can solve the financial problems for the government's agenda of development; and NGOs/CSOs can implement the development agenda of government more economically and efficiently at the grassroots level. However, the success in such partnerships can be achieved through the (i) reconciliation of different cultures; (ii) choosing the right projects; (iii) extending commitment towards new projects; (iv) gaining local support; (v) packaging the projects properly; (vi) having patience, as the process takes time; and (vi) building mutual trust.

# Poverty and Social Safety Nets: A Case Study of Pakistan

Muhammad Arfan

High level of poverty, negligible safety measures and poor economic performance are the main features of Pakistani economy. Poverty in the country has reduced to a remarkable level due to high economic growth, increased employment level, increased remittance flow and labor market tightness over the decades in the developing country like Pakistan.

Around two fifth of the population of Pakistan lives in poverty because of insufficient resources (2003). To protect the communities from arising issues of poverty and deprivation various social safety nets have been opted throughout the developing world including Pakistan. It has become perplexing to estimate poverty incidences at a point of time and exceedingly difficult to describe an inter temporal trend. There is a consensus on the fact by different researchers that over the period of time Pakistan has successfully reduced poverty levels since 1947.

It has been observed through various studies that economic growth has a direct affect on poverty level in a country but in Pakistan this stance is somehow partially true. For example, 1960's was a period of high economic growth but this high growth impact was only felt in urban areas in the form of poverty reduction while the rural areas experienced the worst situation of poverty level. In 1970's the growth level was lower than the preceding decade but poverty level declined due to increased public sector employment and increased public sector expenditure. Similarly, in 1980's the poverty level was reduced to a remarkable level coupled with high economic growth because of the emigration and increased workers remittances. We can say that in Pakistan's case there exists a very close relationship between employment generation, remittances and poverty. 1990's was a challenging decade because of sprouting issues of budget deficit, balance of payments issues and mismatch between revenue and expenditure. To cope with such challenging issues Pakistan went to IMF and World Bank stabilization and structural adjustment programs in late 1980's.

Like most of the developing countries the SSN in Pakistan is more skewed towards the workers in formal sector working in urban areas. It gives rise to biased distribution of services and benefits to the poor. There is no designated or generalized social security system in Pakistan to fulfill the basic needs of the poor. The various institutions that provide the SSN are: Government, non- Government Organizations, Mosques, Financial Institutions and Private Transfers. The SSN can be categorized into five groups: Social Security Schemes for Workers (formal sector), Schemes to finance Small Business and Micro Credit, the transfers, Public Works Program for Employment Generation and Education and Health Services.



# Targeting Efficiency of Poverty Reduction Programs in Pakistan

G. M. Arif

The study is mainly aimed at examining the targeting efficiency of nationally implemented three largest poverty reduction programs:

- *Distribution of Zakat*
- *Microfinance*
- *Provision of health services through Lady Health workers Program (LHWP)*

Zakat and microfinance are narrow target program with mechanisms of identification of poor whereas LHWP is aimed at broad targeting.

According to data and literature available the year of 1987/88 was a turning point for trends in poverty. There was an upward trend in poverty estimates in 1990's. The poverty levels were especially higher in rural areas than in urban areas, highest levels of poverty were observed in Sindh and Southern Punjab. Various schemes were launched over the past many decades for enhancement of people's well-being and had two common features (1) missed the financial targets because of governments cut on development expenditures during fiscal adjustment without the assessment of cost and benefit analysis, and (2) public perception that no real qualitative change in standard of living especially in rural areas.

There is a need for government intervention to take steps for enhancement of resources that are distributed as public Zakat, the selection procedure for zakat mustahiqeen should be improved that will help the poor beneficiaries to receive full benefits of zakat. More than one-third of zakat recipients reported that they didn't received full amount (2000/PSES). The proportion of zakat that could not be transferred to beneficiaries was 14% in rural areas and 21% in urban areas.

Development of a transparent mechanism based on household physical and social assets that could help identify the poor and ensure that cash/in kind benefits are transferred to such households.

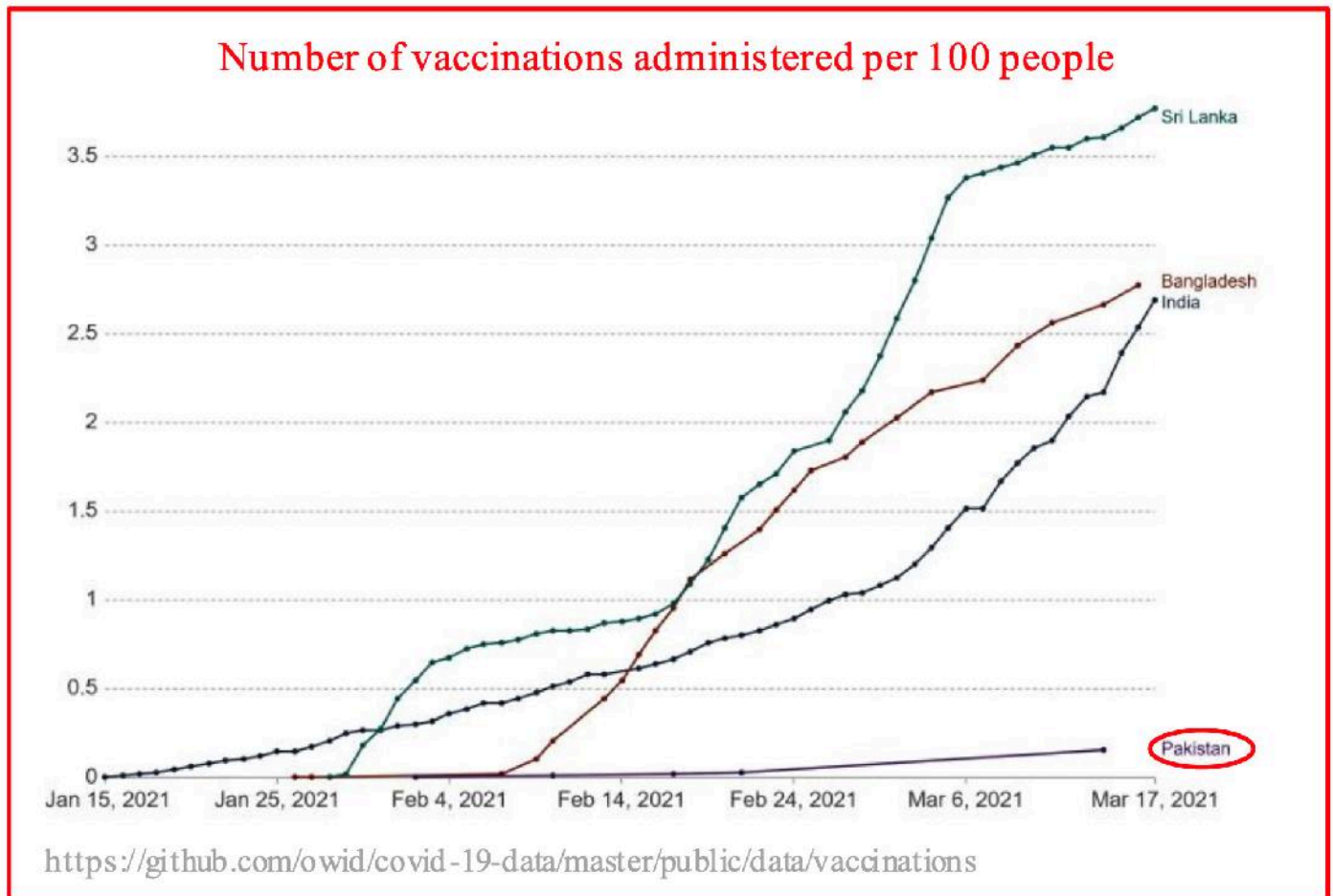
Microfinance program was somehow beneficial to the poor as there was a considerable proportion of credit beneficiary who experienced an increase in their income after receiving the loan. The impact of microcredit on rural participants was quite significant and made a positive progress for the households close to the poverty line. The LHWP could be made further effective by adopting targeting at the district level that will increase the concentration of poor households.

Zakat covers only fewer households than the actually eligible number. It is because of the insufficient that could provide all poor households with their basic needs. There is a significant amount of leakage because many beneficiaries don't receive the full amount, they are entitled to receive due to bribery and corruption involved in its disbursement. Microfinance programs have also failed to deliver because there is no mechanism for identification of the poor. Similarly, the third largest program for poverty alleviation that is LHWP has not produced significant results because it has not reached to the poorest of the poor households. There is a need to develop a well targeted expansion strategy to ensure that these programs serve rural and urban poor more efficiently.

# VACCINE FOR ALL

## Durre Nayab

We had the first wave, then a second wave and are currently going through the third wave. The COVID19 virus is here to stay; this we are almost certain now. Adherence to the COVID-19 precautionary SOPs remain the first line of defence but what makes the third wave different from the first two in Pakistan is the availability of the vaccine which was not there in the first two waves.



With the nature and consequences of the pandemic unfolding more than a year back, different countries started their efforts for the development of a vaccine for COVID-19, and a few came out in the market, sooner than expected, with quite high efficacy rates. With the arrival of the vaccine, countries rushed to get hold of it in keeping with population requirements. Financial resources notwithstanding, priority given to the cause appeared to be a major factor in these acquisitions.

Pakistan lags behind all other countries of the region in vaccination (see box). We were the last ones to take up the vaccine and the rate of administering it continues to be slower than in other countries. Sri Lanka, with its traditional focus on health, leads all the South Asian countries in the COVID19 vaccination drive, while Pakistan lies far behind everyone else.

## ■ Make COVID-19 Vaccine Part of the SOPs in Pakistan

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it continues to be slower than in other countries. Sri Lanka, with its traditional focus on health, leads all the South Asian countries in the COVID19 vaccination drive, while Pakistan lies far behind everyone else.

Lack of information, on the type of vaccine, its source (free from a country, COVAX or paid for) and pricing is a major issue to have a reliable estimate on how much the government needs to spend to get all the vulnerable population vaccinated. For instance, different reports put the WHO-led COVAX access to Pakistan in a wide range of 2.8 million to 17 million doses. Likewise, varying figures are afloat regarding the Sinopharm doses from China to be received gratis, but most reports put it at a million doses.

## ■ Financing Vaccination for All

Every eligible person (medical opinion suggests older than 18 years old) in Pakistan needs to be vaccinated and the government of Pakistan has to treat this as an emergency. The biggest challenge in doing so is to allocate ample funds needed to serve the cause, more so in the financial crunch prevailing in the country.

The federal government has allocated Rs. 25 billion for the procurement of the COVID-19 vaccine but much more is needed. Since no funds are allocated in the PSDP, money has to be withdrawn from the existing heads. This can be worked out either by cutting from all heads in equal proportion or by withdrawing major chunks from heads with heavy allocations.

To estimate how many funds are exactly needed remains elusive because, as mentioned earlier, the price of the vaccines bought/meant to be bought by Pakistan is not yet known. In its absence, we have to rely on whatever information we can gather from health practitioners, media and other related sources

### Box 1: SOPs must be maintained

- Limit public gathering.
- Social distancing.
- Washing hands regularly and use of sanitizers.
- Extensive testing and isolation.
- Track and trace and quarantine.
- Limitation of travel into the country without vaccination and testing.
- Even internal travel should require testing and vaccination.
- Get vaccinated if of the eligible age.

### Box 2: The Scene Shots needed and finances

<b>1. Population</b>	<b>221 million</b>
<b>2. Population to be vaccinated- aged 18 and above</b> (trials are still on for many brands for those aged under 18 years of age)	<b>137 million.</b>
<b>3. Number of total vaccine shots required</b> (2 each)	<b>274 million</b>
<b>4. Funds allocated by GoP for COVID vaccine</b> (US\$ 150m)	<b>Rs 24 billion</b>
<b>5. GDP (2020, US\$284b)</b>	<b>Rs 45,440 trillion</b>

Depending on the above-given scenario, we now estimate the cost of vaccinating all the eligible population (those 18 and above). Pakistan has approved three vaccines. As mentioned earlier, we still do not know their prices in Pakistan, but the WHO and NBR sources put their average per dose price as follows:

1. Sputnik V: US\$10
2. Oxford AstraZeneca: US\$ 6
3. Sinopharm/Sinovac: US\$ 33

The good aspect of all these vaccines is that they can be stored at regular temperatures, as against some others which need temperatures that are unfeasibly low to be maintained in Pakistan's poorly developed cold chains. The latter includes Pfizer's BioNTech that needs to be kept at a temperature of -70 degrees.

Sinopharm, the only vaccine administered in the country so far, is too expensive to be bought, and if bought in smaller numbers the price can go up to as much as US\$ 145 per dose. In the given circumstances, Oxford AstraZeneca and Sputnik V seem to be the most viable choices.

<b>Box 3: Financing the COVID-19 Vaccine for All</b>				
	<b>Scenario I AstraZeneca</b>	<b>Scenario II Sputnik V</b>	<b>Scenario III A mix of I &amp; II</b>	<b>Scenario IV High<sup>3</sup></b>
1. Cost per person <sup>1</sup> (US\$)	12	20	16	-
2. Cost per person (Rs.) <sup>2</sup>	1920	3200	2560	4000
3. Total cost (billion Rs.) (cost*population)	263	438	351	548
4. % of GDP	0.58	0.96	0.77	1.21

*Note: 1: Two doses per person. 2: Converted using US\$ 1 = Rs. 160. 3: Based on the price reported by the AKUH.*

## ■ Time To Act Is Right Now

We are already too late! Spending near to 1% of the GDP is not an easy financial decision but, in this case, it is an unavoidable one. The country's economic outlook for the financial year 2019-20, which was marred by complete to partial lockdowns due to the COVID-19 pandemic, provides enough support to this idea. It would be a public expenditure that can protect the country from future lockdowns that have the potential to damage the economy.

Countries that bought/ordered the vaccine early and in bigger quantities got a better deal. Pakistan, sadly, is among those lagging far behind. It is about time we act, and there should be a focus on the following:

- Make bulk orders to get a better rate.
- The initial reluctance to get vaccinated is waning with time. There seems to be a demonstration effect taking place with those getting vaccinated giving a positive feedback that is convincing others to get vaccinated as well. Improved information can help to further drown down the rumours that develop negative attitudes towards the COVID-19 vaccine. Rumours like it causes impotency or cannot be taken during the month of Ramzan need to be dispelled effectively. For the latter cause, the edict of the Imam-i-Kabba can also be used.
- Our pharmaceutical industry has to gear up for the local production of a COVID-19 vaccine. As stated earlier, COVID-19 is here to stay and the reliance on imports cannot go on forever. Local vaccines, considering local variants and genetics, can help improve the efficacy of the vaccine as well if done right.

No matter how huge the expenditure is to vaccine all the eligible population. It should be considered as a matter of life and death- which it actually is. It is an expenditure that is linked to both, lives and livelihoods. We cannot let ourselves get back to a situation where lives and businesses come to a halt, and we repent not spending the money when it was the time.





# **Effectiveness of Cash Transfer Programmes for Household Welfare in Pakistan: The Case of the Benazir Income Support Programme**

**Durre Nayab & Shujaat Farooq**

Cash transfer programmes are widely considered a 'magic bullet' for reducing poverty. Whether they actually have such an incredible impact on poverty reduction is debatable but they surely are gaining credibility as an effective safety net mechanism and consequently an integral part of inclusive growth strategies in many developing countries. The paper aims to evaluate the effectiveness of the BISP in sustaining a recipient household's welfare in the face of prevailing tough economic conditions.

The findings of this study show that BISP has been able to provide some relief to the recipient households as far as food and health expenditures are concerned. In the Programme's defence it could, however, be said that the rationale behind the initiative was to provide assistance to the poorest of the poor households in the face of rising food and fuel prices and not alleviating poverty per se. In the four years since its inception, the Programme has shown the ability to evolve with time, adjusting to the changing needs and criticism.

The present study shows that although not all poor households were being covered by the Programme, like those which unsuccessfully attempted to get the BISP assistance, but the ones getting it were mostly poor (with a few exceptions where adherence to the set criteria was found wanting and consequently leakages to richer households was indicated). This ability to reach the poor, however, is not matched by the Programme in its capacity to encourage a household's exit from poverty.

Political support at high levels is a prerequisite to any such programme to be successful. The political nature of the name of the Programme, linking it to a particular political party, might not be considered the opposition-ruled province of Punjab hint towards such issues that the Programme may face in case of

desirable to those belonging to other political parties. The slightly lower rates for the BISP beneficiaries in the opposition-ruled province of Punjab hint towards such issues that the Programme may face in case of a political change at the Federal level.

BISP needs to take certain factors into account for the future. Foremost among these is the one related to fostering inter-agency/programme coordination. There is thus a need to streamline all the existing programmes and develop synergies between them for a more effective impact. The BISP with its extensive data gathered for the PMT scores can share the information with other programmes for a more efficient delivery. This would also help counter multiple payments to the same beneficiary under different programmes. A centralised system can also be considered to avoid duplication and for a more stringent application of the eligibility criteria.

Proper monitoring and supervision need to be guaranteed to maintain credibility of the Programme. A well-defined assessment procedure should also be in place to judge the adequacy of the BISP cash transfer. Is the assistance amount sufficient enough to make a reasonable impact on the recipient household's budget? Another factor ignored by the BISP design at present is the transitory nature of poverty. A household above the poverty line may move below it and vice versa in the face of changing circumstances. The BISP cash transfer should, therefore, take into account not just the poverty status of a household but its dynamics vis-a-vis poverty as well. A recipient household might become ineligible due to poverty dynamics while an ineligible household may become eligible. Such changes need to be taken into account by the BISP design for a more rational and equitable distribution of cash assistance. Last but not the least, the BISP needs to formally incorporate a mechanism for graduation out of poverty. Making a household exit from the poverty trap should be the aim of the Programme instead of continuously handing over cash assistance. Making households economically stable and sustainable should be any social protection programme's aim and the BISP should be no exception.

# Bond market primer

Samir Ahmed

THE American Founding Fathers were an exceptional group, men of intellect and practical wisdom. Among them was Alexander Hamilton, who in recent years has become a cult figure with the Broadway musical Hamilton. Born in the West Indies, he moved to New York at a young age, qualified as a lawyer and became aide de camp to George Washington during the American War of Independence. When Washington became the first US president, he appointed Hamilton the first secretary of the treasury. Hamilton is the architect of the American financial system, the most vibrant the world has known.

The foundation for this system is the government bond (debt) market. When Hamilton took over the treasury of the new, war-ravaged country, he committed to pay every cent of the heavy war debt, even assuming the debt of the constituent states. There was considerable political opposition to this, especially from arch-rival Thomas Jefferson. (The story goes, he got Jefferson's consent in return for his own consent for making Washington, D.C. the capital, as Jefferson desired). *"The debt of the United States ... was the price of liberty"* Hamilton said. He set in stone the credibility and stature of US government debt, backed, as they say, by the **'full faith and credit'** of the US government. Two centuries later, global investors still see the US government bond market as the safest financial haven.

Pakistan has an active government bond market. Its government, like most, runs a fiscal deficit and therefore resorts to borrowing. This is done through the issuance of bonds, whereby the government promises to pay back the borrowed amount plus a specified return, at a specified date. The Pakistani bond market is closely modelled on US market practices and conventions. Various bonds are issued — Treasury bills for short-term borrowing of three, six and 12 months and Pakistan Investment Bonds (PIBs) for tenures of three, five, 10 and 20 years. There is a primary market for fresh issuance. Once issued, the bonds can be traded further in a secondary market.

Government bonds are the lodestar in global financial markets. This preeminence is due to two factors. Since government borrowing is generally large, government bond markets are large, liquid and efficient — **a benchmark for other markets**. Also sovereign debt has a special status. It is considered risk-free i.e.

governments don't default on their home currency debt. The theoretical basis for this is that governments can resort to taxation or, in a worst-case scenario, print money, to pay back debts. So governments become the lowest-cost borrower because they are the lowest-risk borrower. That cost sets the benchmark for other borrowers.

*The market must open up to different types of investors.*

The value of a bond market for any economy is fully realised only if it extends beyond the government's borrowing needs. For a healthy, growing economy, corporates must have adequate access to finance. One avenue is equity financing. The second is debt financing. In Pakistan, bank borrowing dominates debt financing and the corporate bond market is insignificant. A key lesson from the US is that a vibrant government bond market provides the base for a vibrant corporate bond market. In Pakistan, there is thus a need to continue improving the former to stimulate the latter over time.

In recent years there have been some positive developments. The introduction of Sukuks (Sharia-compliant bonds) was one. It is a response to the evolution of the Islamic finance sector. The introduction of 'floating rate' PIBs was another. The return on these PIBs changes over time with the level of interest rates in the economy. This reduces the rate risk for investors, facilitating the issuance of longer-term bonds.

The next logical developments require work on the demand side. The market must open up to different types of investors. Today, it is dominated by the banks who hold disproportionate power, even over the government, in the terms of issuance of bonds. Globally, insurance and asset management companies and pension funds are very significant players in bond markets. In Pakistan, all these institutions remain small, though growing.

A striking development in 2019 was the influx of 'hot money' into the government bond market. The influx, peaking at \$3 billion in February 2020, became controversial, less for reasons of economic merit than economic nationalism. True, there are risks associated with international hot money, but there are tangible benefits also. It stands to reason that if a borrowing requirement exists then the borrower benefits if there are more potential lenders available. The market, in the aggregate, benefits from the additional liquidity.

Finally, the last two years have seen the principal financial regulators, the State Bank and SECP, become more proactive and engage more constructively with the regulatees. This bodes well for the strengthening of financial markets in general and the bond market in particular.

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*Published in Dawn, March 23rd, 2021*





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