



# Social Safety Nets

Social safety net is a tool through which state or other social welfare institutions provide services in terms of cash or in kind to the poor segments of the society to protect them from social and economic upheavals. Poverty reduction strategy incorporates pro-poor economic growth, equal distribution of economic opportunities while ensuring decent living conditions and adequate social protection.

Pakistan Vision 2025 seeks a just and equitable society in Pakistan where vulnerable and marginalized segments of the society would be mainstreamed. The Vision further strategizes inclusive growth by substantially reducing the incidence of poverty and improving income distribution mechanism. The human resource development also supports the growth process itself in the long-run by enhancing potential of the income generating people. It also attempts to remove inter and intra provincial, and regional disparities through efficient and justifiable resource allocation at national level. Vision 2025 stresses the need to strengthen the data collection process and to increase the coverage of household data at the district level. This will enable to monitor the poverty and vulnerability of the population in all dimensions. Vulnerable segments will be protected and encouraged by revamping and expanding the social protection system and social safety nets.

The 11<sup>th</sup> Five Year Development Plan (2013-18) also outlines a new direction to move towards sustained and economic growth, which will enable equal opportunity for all. Inclusive growth caters the needs of the poor, marginalized, vulnerable and minorities to integrate them in the society. Adequate access to basic and essential public services is critical for the survival and welfare of majority of population. The human resource development also supports the growth process

itself in the long-run by enhancing potential of the income generating people. It also attempts to remove inter and intra-provincial, and regional disparities. The plan designs to achieve the objective of poverty reduction include:

- ▶ Provision of productive assets inclusive of micro-finance
- ▶ Capacity enhancement of the people through human development programmes, such as education, health, population welfare and skills development
- ▶ Organising communities to enable them pool their capacities and resources
- ▶ Providing enabling environment such as clean water and sanitation and gender mainstreaming for contribution to the society and economy
- ▶ National cohesive social protection policies to protect the vulnerable, including those suffering from natural or manmade disasters
- ▶ Provision of adequate resources to finance the poverty reduction programmes
- ▶ Reforming and strengthening the institutions for better delivery of the public services

The United Nations Development Programme (UNDP)'s Human Development Report, 2015 ranks Pakistan at 147<sup>th</sup> out of 188 countries under the Human Development Index (HDI) based on Health (life expectancy at birth), Education (Expected years of schooling) and Gross National Income (GNI) per capita. Pakistan's HDI value is 0.538 out of 1 as against South Asia's average HDI value of 0.607 and World's average HDI value of 0.711. The present government have initiated lot of social sectors improvement programmes and policies which can possibly improve the country's HDI value.

**Tracking of Pro-Poor Expenditures:**

Poverty reduction programmes are financed through both current and development expenditures. After the 18th Constitutional Amendment, the provinces were given more responsibilities. Most of the projects, related to social sectors, are implemented by the provinces, while the federal government is allocating large budget to projects related to development of infrastructure and quality improvement of the social sector. The government is fully committed to follow a sustained poverty reduction strategy and to allocate a minimum of 4.5 percent of GDP for social and poverty related expenditures as reflected in the allocations to the pro-poor sectors

in Table 15.1. The government has prioritized 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) in the PRSP-II, which provided a link between the policy priorities and the related budget allocations. Expenditure on pro-poor sectors in 2011-12 stood at 9.7 percent of GDP. In 2012-13, these were 8.6 percent of GDP and in 2013-14, 7.7 percent of GDP. These expenditures were well above the requirement under the law. During 2014-15, total expenditures for these sectors were increased and amounted to Rs 2,162.7 billion, which was 7.9 percent of GDP. During July-December of the current fiscal year 2015-16, Rs. 1,123 billion expenditures have been made in these sectors.

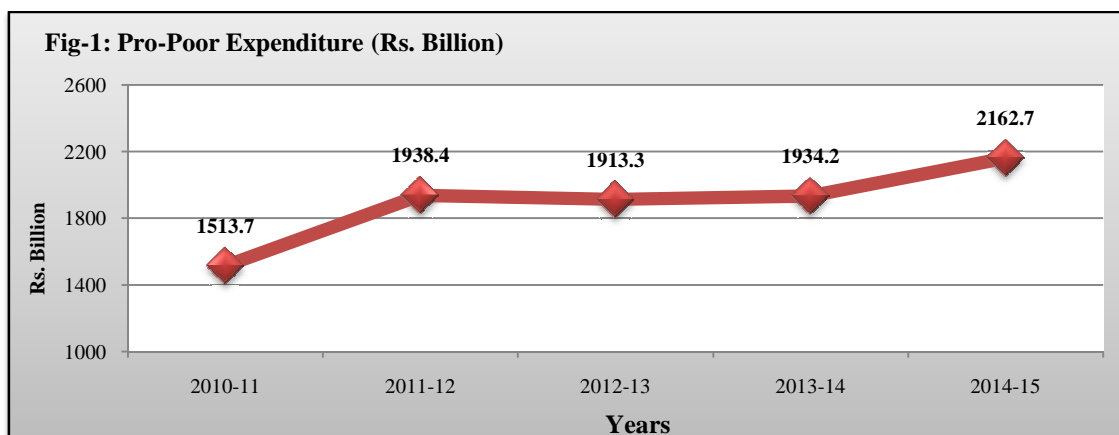
**Table 15.1: Budgetary Poverty Related Expenditures by Sectors (Rs. Million)**

Sectors	2011-12	2012-13	2013-14	2014-15	2015-16*
Roads, Highways & Bridges	111,883	94,750	96,504	118,863	178,704
Environment / Water Supply and Sanitation	36,570	34,055	32,000	54,093	18,890
Education	393,523	479,853	537,598	598,315	263,703
Health	134,182	161,202	201,986	231,170	91,656
Population Planning	5,826	7,142	12,609	13,339	3,582
Social Security & Welfare**	68,437	72,898	93,481	124,910	207,655
Natural Calamities & Other Disasters	77,096	32,699	18,404	33,243	32,780
Agriculture	134,448	148,554	157,894	199,781	68,882
Land Reclamation	4,347	4,805	4,796	5,184	1,829
Rural Development	32,979	31,926	14,727	29,122	7,079
Subsidies	689,221	556,113	502,098	459,325	102,842
People's Works Programme-I	4,296	3,346	-	-	-
People's Works Programme-II	33,589	42,486	-	-	-
Low Cost Housing	383	603	676	581	121
Justice Administration	17,082	22,512	24,378	25,836	14,150
Law and Order	194,495	220,343	237,027	268,983	130,819
<b>Total</b>	<b>1,938,357</b>	<b>1,913,287</b>	<b>1,934,178</b>	<b>2,162,745</b>	<b>1,122,692</b>
Total as % age of GDP (2005-06 base)	9.7	8.6	7.7	7.9	-

Source: Ministry of Finance, External Finance Policy Wing

\*: July-December

\*\* : Social Security & Welfare also includes the expenditure of BISP (46,760 million) and PBM (1,448 million)



**Social Safety Programmes:**

The Social Safety Net Programmes (SSNPs) play a key role in Pakistan to protect the poor households from poverty and vulnerability. The Government of Pakistan has been allocating significant allocation of money in the budget to implement various social safety net measures with the motive to attenuate the degree of poverty such as Benazir Income Support Program (BISP), Pakistan Bait-ul-Mal (PBM), Zakat, Employees Old Age Benefit Institution (EOBI) and Workers Welfare Fund (WWF).

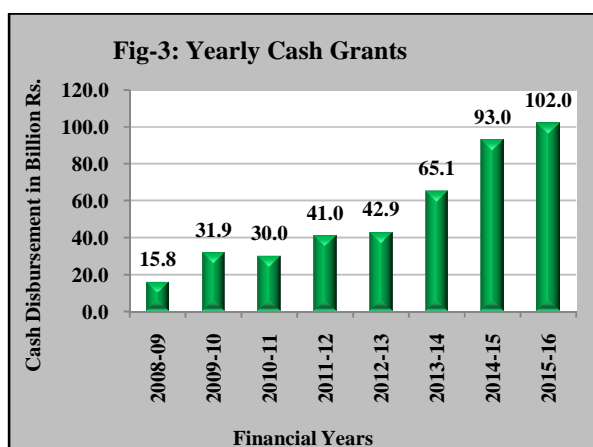
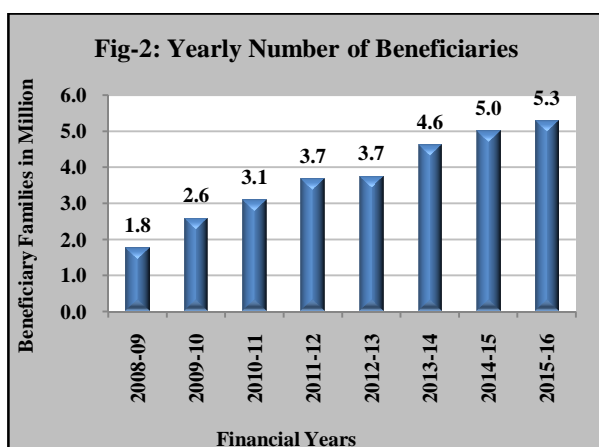
**I. Benazir Income Support Programme (BISP):**

Benazir Income Support Programme (BISP) was launched in July 2008 with objectives to enhance financial capacity of poor people and their dependent family members; formulate and implement comprehensive policies and targeted programmes for the uplift of underprivileged and vulnerable people; reduce poverty and promote equitable distribution of wealth especially for the low income groups, particularly women, through the provision of cash transfers of Rs. 1,000/month to eligible families. Its long term objectives included meeting the targets set by Sustainable Development Goals (SDGs) to eradicate extreme and chronic poverty and empowerment of women. The monthly installment was enhanced by the present government to Rs. 1200/ per family in

July, 2013 which has subsequently been increased to Rs. 1500/per family in 2014. The present government has yet again increased the annual stipends from Rs. 18,000 per annum to Rs. 18,800 per annum per beneficiary w.e.f. 1<sup>st</sup> July, 2015.

Since its inception in 2008, BISP has grown rapidly; it is now the largest single cash transfer programme in Pakistan’s history. The numbers of beneficiaries have increased from 1.7 million in FY2009 to approximately 5.29 million at the end of March FY2016. BISP’s annual disbursement rose from 16 billion in FY2009 to Rs. 102 billion in FY2016. Since inception in 2008, BISP has transferred Rs. 387.0 billion as of March, 2016 as cash transfers to its beneficiaries.

BISP in its initial phase started delivering cash transfers using Pakistan Post due to its outreach across Pakistan. But later, in order to improve the efficiency and transparency of payments to its beneficiaries, BISP started using innovative payments mechanism in the form of Benazir Smart Card and Mobile Phone Banking on a test basis in nine districts across the country. After testing the pilots, BISP has rolled out Benazir Debt Card across Pakistan. Now, around 94 percent beneficiaries are receiving payments through technology enabled innovative payment mechanisms (rests are still getting stipend through post office).



**Complementary and Graduation Initiatives**

There is an increasing role of complementary interventions in determining sustainable impact of cash transfer on uptake of education and health

services, nutrition outcomes, and improving the livelihoods. Global experience suggests that where programmes are combined with complementary, well-sequenced interventions, it

has greater impact. The program has four closely associated and complementary components, including Waseela-e-Rozgar (Technical & Vocational Training), Waseela-e-Haq (Micro-finance), Waseela-e-Sehat (Life & Health Insurance) and Waseela-e-Taleem (Primary Education).

**Waseela-e-Haq** is aiming to break the vicious cycle of poverty through provision of interest free financial assistance to the randomly selected beneficiaries. The selection of these families is through computerized transparent balloting. The step is basically designed to promote self-employment among women beneficiaries or their nominees to improve their livelihood. It offers Rs. 300,000 long-term interest free financial assistance based on social capital instead of any physical asset as collateral. 41 draws have been held and installments worth Rs. 2.2 billion were disbursed to 13,455 beneficiaries while 11,570 beneficiaries started their own business. Presently, the initiative has been closed on the direction of the BISP Board. In the aftermath of 18<sup>th</sup> Constitutional Amendment, BISP is planning to shift this initiative to concerned provinces. BISP is exploring collaboration with NGOs/Organization working in Social Sector for the provision of microfinance loans to the beneficiaries. In this regard, BISP has signed a MoU with Pakistan Poverty Alleviation Fund (PPAF), under the scope of this MoU, the organization will extend microfinance loans to BISP beneficiaries to establish their own business. Under this arrangement, around 23,000 BISP beneficiaries have availed the facility of microfinance through PMIFL scheme.

Under **Waseela-e-Sehat** Program, pilot project was launched in 16<sup>th</sup> April, 2012 for three years (2012-15) in district Faisalabad covering full hospitalization, pregnancy, day-care treatment and diagnostic tests to a maximum limit of Rs. 25,000/- per family per year. After the 18<sup>th</sup> Constitutional Amendment, the subject of health has been categorized as provincial. However, the federal government has launched the Prime Minister Health Insurance Program with the help of BISP and providing the health insurance/facilities to the BISP beneficiaries in the scheme.

**Waseela-e-Rozgar** initiative envisages empowering the female beneficiary or her nominee to become economically independent through acquiring demand-driven vocational skill and technical education. Waseela-e-Rozgar provides free of cost vocational training to BISP beneficiary woman or her nominee (between the age of 18-45) from her own family. 538 vocational training institutes were taken on board, whereas 58,528 trainees have completed their training of which 57 percent were female and 43 percent were male.

**Waseela-e-Taleem** programme aims to encourage BISP beneficiary families with children in the age group of 5 to 12 years, to send their out of school children to schools for Primary Education (and in school children to continue their education), in return for cash transfers with the long-term prospects of human capital formation to graduate out of abject poverty. The initiative aims to enroll approximately 2.0 million children in primary schools by December 2016. This involves a cash transfer of Rs. 250 per month paid quarterly (Rs. 750 per child) for all children of each beneficiary family in the age bracket of 5-12 years, in return for their compliance with the co-responsibilities of school admissions and a minimum of 70 percent quarterly attendance. BISP intends to implement the programme through a phased approach, which involves testing the program in selected districts first and then rolling it out on the basis of learning from the test phase. The field operations of the programme were started in October, 2012. So far, over 1.5 million children have been registered out of which more than 1.1 million have been enrolled in the primary schools.

### **BISP's Major Achievements**

Following are BISP's major achievements in the last two and half years:

- ▶ The present government has increased the BISP budgetary allocations from Rs.70 billion in FY2013 to Rs. 75 billion in FY2014, which has subsequently been enhanced to Rs. 97 billion in FY2015 and for the current fiscal FY2016 year it has been enhanced to Rs. 102 billion.
- ▶ The present government has increased the cash benefit for the poorest of the poor from

Rs. 1000/- to Rs. 1200/- in July, 2013 and from Rs. 1200/ to Rs. 1500/- per month in July 2014. Keeping in view inflation fluctuation, the government has increased the stipend to Rs. 4700 per quarter w.e.f. July 2015.

- ▶ The number of BISP beneficiaries increased from 3.73 million in 2012-13 to 5.0 million by the end of FY2015. At present, the number of beneficiaries is 5.29 million.
- ▶ In FY2016 (as of March, 2016) total cash transfer amounts to Rs. 71.65 billion in two quarters recorded highest disbursement by BISP in a FY during last 7 years.
- ▶ BISP is following the path of automation and 94 percent of beneficiaries are being paid through technology.
- ▶ DFID conducted the annual review 2015 of BISP with an overall score of A+ which is great achievement on the part of BISP's performance.
- ▶ For the graduation of BISP beneficiaries, Akhuwat through Chief Minister's Self Employment Scheme and Prime Minister's Interest Free Loan (PMFIL) scheme has provided interest free loans to 14,481 BISP beneficiaries. 133,285 family members of BISP's beneficiaries have also availed the micro finance under the above mentioned programs. Under the National Rural Support Program through PMFIL scheme 17,420 BISP beneficiaries have availed the facilities of micro finance and various training programs and around 801 family members of BISP beneficiaries have also been benefited.
- ▶ 10,892 BISP beneficiaries have been trained by the NAVTTC and TEVTA Punjab, Motorway Police, Aik Hunar Aik Nagar (AHAN) a subsidiary organization of Ministry of Industries and a NGO "Trust for History, Art and Architecture Pakistan (THAP)". On the other hand 61,877 family members of BISP beneficiaries have also availed the trainings.
- ▶ BISP introduced biometric system for verification of beneficiary's particulars incase of loss of card. Earlier, the beneficiary had to activate her card by call process for verification / activation of new card. Now the beneficiary only gives their thumb impression in specified UBL locations numbering 75 all across the country.
- ▶ For the first time in history, BISP has introduced biometric withdrawal system in Larkana, Sindh for 62,000 beneficiaries. It is a great achievement on the part of BISP to have successfully completed the pilot phase of the biometric in Larkana. The biometric system for payment has fully ensured women empowerment by deleting the role of middle man.
- ▶ Design improvements; particularly in payment mechanism have been made to make it more efficient, transparent and user-friendly. Moreover, the BISP board in its meeting held in November, 2015 has given go ahead for a new banking model. New Design / Banking model has been revised and discussion held with all the stakeholders including Finance Division, SBP, NADRA, World Bank and commercial banks.
- ▶ Through new banking model, the beneficiaries would be able to draw the amount by using their CNIC along with biometrics. There will be no more requirement of a non-personalized, bank-specific debit card which will ensure that cash grant is directly going to beneficiary women's hand instead of anyone else. Transaction authentication will take place through biometric verification. This will eliminate the punching of PIN mechanism which proved difficult to our illiterate beneficiaries. The beneficiaries will also have the option of drawing the amount from multiple banks and Points of Sale (POS) in each district.
- ▶ So far, BISP has achieved all the targets set under IMF's Extended Fund Facility which has been acknowledged by IMF in eleventh review meeting held in May 2016.
- ▶ BISP is also in negotiating with World Bank for a new project which will strengthen the institutional capacity of BISP to launch updation of Nation Socio-Economic Registration (NSER). The new project will be phased out for four years 2016-2020, amounting to US\$ 100 million. DFID has also pledged a grant of US\$ 224 million in line with the World Bank's funding.

### Box-I: Donor's Support to BISP

Benazir Income Support Programme (BISP) has achieved international recognition due to its stringent targeting mechanism, innovative design and transparent systems. The UN Secretary General, World Bank, US government, British government through DFID and ADB have all appreciated BISP's performance and have provided financial support. The international support from the World Bank, USAID, ADB and DFID is summarized below:

- i. World Bank:** The International Development Association (IDA) provided a credit of US\$ 60 million to BISP for the "Pakistan Social Safety Net Technical Assistance Project" for the period August 4, 2009 to June 30, 2016. The TA project has supported the design of the poverty scorecard, survey of all households in Pakistan and associated activities. BISP has received additional financing of US\$ 150 million for the Pakistan Social Safety Net project to launch a Co-responsibility Cash Transfer/CCT (Waseela-e-Taleem) programme for the primary education of the children of BISP beneficiaries. Additional funding of US\$ 150 million was made through the set of Disbursement Link Indicators (DLIs) totaling 19, out of which 17 have been achieved amounting to US\$ 152 million.
- ii. USAID:** BISP was provided a grant of US\$ 160 million by the USAID as budgetary support for payment of cash benefits to the beneficiaries identified under the new poverty scorecard system. This amount was fully consumed by January, 2012. USAID also commissioned a 3<sup>rd</sup> party assessment of BISP payment mechanisms. The report shows that 98.7 percent beneficiaries of BISP received their monthly cash transfers.
- iii. Asian Development Bank:** In June 2009, an amount of US\$150 million was provided by the ADB to the Ministry of Finance under the ADB-funded "Accelerating Economic Transformation Programme" (AETP), specifically for use by BISP to make cash transfers to beneficiaries identified through the new targeting system. BISP has fully disbursed the entire amount to its beneficiaries. ADB has signed a project for another US\$ 430 million for Social Protection Development Project for BISP in November 2013. The project will finance un-conditional cash transfer payments to newly enrolled BISP beneficiaries for 5 quarters. Other components of the project include re-designing and roll out of Waseela-e-Rozgar and Waseela-e-Sehat.
- v. Department for International Development (DFID):** DFID supported BISP's initial activities (test phase targeting survey, process evaluation and spot checks, etc.) through the Trust Fund managed by the World Bank. Now DFID has provided a grant of £ 300 million to BISP for the co-responsibility cash transfer (CCT) program for the primary education of the children of BISP beneficiaries. DFID committed an amount of US\$ 229 million which was made through the set of DLIs totaling 18, out of which 12 have been achieved amounting to US\$ 163 million.

**Source:** Benazir Income Support Program (BISP)

BISP's operational design, separation of function and innovative technology based mechanism has inspired countries like Bangladesh, India, Ghana, Mongolia, Cambodia and Nepal to initiate similar programs to improve the lives of their millions of poor.

### Outlook for 2015-16 and Beyond

In line with government's resolve to run BISP on transparent and efficient lines, the future focus of BISP is being attuned to following aspects:

- ▶ For updating of NSER, a detailed Road Map for the project plan has been finalized. An advisory committee, comprising of all the stake holders has been constituted to guide the activity – first meeting held on 02-10-2015. NSER technical committee has also been formed and the first meeting was held on 20-11-2015.
- ▶ Shifting of all the beneficiaries from traditional to scientific payments mechanisms in the future.
- ▶ BISP is also working on graduation models with concerned stakeholders. Target is to achieve 100,000 micro finance loans for BISP beneficiaries under PMIFL and Chief Minister's Self Employment Schemes through Akhuwat by the end 2016.
- ▶ Target to send 2 million children to school by 2016.
- ▶ Better integration of various programme components to maximize impact and outreach of the programme for the benefits of the poor.
- ▶ Consolidate its partnership with the provinces to integrate the federal social protection schemes with provincial programs to achieve equity for the poor.
- ▶ Facilitate the government in using BISP Registry for targeted subsidy provision under other sectors and elimination of non-targeted subsidies.
- ▶ BISP will remain committed towards the achievement of Sustainable Development Goals to:

- i. Eradication of extreme poverty (SDG1)
- ii. Ensure inclusive and Equitable Quality Education and Promote Lifelong learning opportunity (SDG4)
- iii. Achieve gender equality and empower all women and girls (SDG5)

- ▶ To promote gender equality and empower women
- ▶ To achieve universal primary education
- ▶ To improve maternal health
- ▶ To reduce child mortality
- ▶ To establish and strengthen Community and NGO institutions.

**II. Pakistan Poverty Alleviation Fund (PPAF):**

Pakistan Poverty Alleviation Fund (PPAF) is established as an apex Governmental Non Profit Organization for community-driven development in the country. PPAF enjoys facilitation and support from the government, World Bank, International Fund for Agricultural Development (IFAD), KFW (Development Bank, of Germany), Italian Development Cooperation and corporate donors. Outreach of PPAF has been extended throughout Pakistan and its microcredit, water and infrastructure, drought mitigation, education, health and emergency response interventions have been widely recognized. Externally commissioned Independent studies have demonstrated positive outcomes and impact of PPAF interventions on the lives of benefiting communities related to their economic output, household incomes, assets, agricultural productivity and other qualities of life indices. PPAF aims to be the leading catalyst in improving the quality of life, broadening the range of opportunities and socio-economic mainstreaming of the poor and disadvantaged, especially women. The core operating units of the PPAF deliver range of development interventions at the grassroots/community level through a network of 134 Partner Organizations across the country.

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

- ▶ To eradicate extreme hunger and poverty

Since its inception in April 2000 to March 2016, PPAF has disbursed an amount of approximately Rs. 181.35 billion to its 134 Partner Organizations in 130 districts across the country. During the same period, 8 million individuals have availed the PPAF financing with 60 percent of the loans goes to women. Over 36,000 water and infrastructure projects have been initiated; 2,000 health and education facilities were supported; 440,000 credit groups and 132,000 community organizations formed, 680,000 staff and community members trained, 397,000 individuals received skills/entrepreneurial trainings, 96,000 productive assets transferred to ultra and vulnerable poor households, 150,00 interest free loans were disbursed through Prime Minister Loan (PMFIL) scheme, 26,000 individuals including women and youth trained on enterprise development under Waseela-e-Haq National & Waseela-e-Haq Sindh program of BISP and were facilitated in establishing their successful ventures, and also 30,800 disable persons were rehabilitated.

During July 2015 to March 2016, Pakistan Poverty Alleviation Fund (PPAF) has disbursed an amount of approximately Rs.11.96 billion to its partner organizations (POs) under PPAF core interventions administered under various operational units as shown in Table 15.2

**Table 15.2: Disbursement by Operating Units/Special Initiatives**

S.No	Components	Amount (Rs.million)
1	Institutional Development and Social Mobilization	237.38
2	Microfinance Portfolio Management	7,474.97
3	Livelihood, Employment and Enterprise Development	1,172.82
4	Water and Infrastructure	967.66
5	Education, Health and Nutrition	503.61
6	Prime Minister's Interest Free Loan	1,602.02
<b>Total</b>		<b>11,958.46</b>

Source: Pakistan Poverty Alleviation Fund, Islamabad.

During the same period, a total of 2,612 Community Organization (COs) were formed and

15,262 community and PO staff members were trained (25% women) under Institutional

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Development and Social Mobilization component. Similarly, under Livelihood, Employment and Enterprise Development (LEED) component, 75,506 individuals received skills / entrepreneurial trainings (38% women) and 16,801 productive assets were transferred to ultra and vulnerable poor (41% women). 80 Digital Hubs were also established under the same component. 330,843 new microcredit loans were extended to the borrowers including 45% women borrowers. 776 Water and Infrastructure sub- projects were initiated and benefitted 465,416 persons (52% women). Under health and education component, 81 educational and 30 health facilities were

supported during the reporting period. 6,702 new students (44% girls) were enrolled and 60,735 patients (59% women and girls) were treated under various ailments. 79,440 interest free loans (59% women) were disbursed through Prime Minister Interest Free Loans (PMIFL) scheme. 926 Persons with Disabilities (PWDs) were also rehabilitated.

Overall, these projects and interventions benefitted around 1.05 million poor and marginalized population including 49 percent women beneficiaries during the reporting period. Details of major highlights of physical progress are shown in Table-15.3:

S.No	Outreach	Numbers
1	<b>Institutional Development and Social Mobilization:</b> <ul style="list-style-type: none"> <li>Community organizations formed</li> <li>Community and PO staff trainees (25% women)</li> </ul>	2,612 15,262
2	<b>Livelihood, Employment and Enterprise Development:</b> <ul style="list-style-type: none"> <li>Individuals received skill / entrepreneurial training (38% women)</li> <li>Productive assets transferred to ultra and vulnerable poor (41% women)</li> <li>Digital Hubs established</li> </ul>	75,506 13,801 80
3	<b>Microfinance Portfolio Management – Micro-loans (45% women)</b>	330,843
4	<b>Water and Infrastructure Sub-projects:</b> <ul style="list-style-type: none"> <li>Sub-projects initiated</li> <li>Sub-projects beneficiaries (52% women)</li> </ul>	776 465,416
5	<b>Education:</b> <ul style="list-style-type: none"> <li>Educational facilities supported</li> <li>New students enrolled in program schools (44% girls)</li> </ul>	81 6,702
6	<b>Health:</b> <ul style="list-style-type: none"> <li>Health facilities supported</li> <li>Patients treated under program health facilities (59% women and girls)</li> </ul>	30 60,735
7	<b>Disability Programme- Person with Disabilities (PWDs) rehabilitated</b>	926
8	<b>Prime Minister Interest Free Loans Scheme - Number of loans (59% women)</b>	79,440
<b>Overall program beneficiaries during the reporting period (49% women)</b>		<b>1,048,631</b>

Source: Pakistan Poverty Alleviation Fund, Islamabad.

III. Zakat: Zakat as an institution plays an important role in the Islamic economic system in solving a number of economic problems. Equal distribution of wealth curtails the rate of unemployment and reduces chances of economic recession. Zakat system in Pakistan was introduced through an Ordinance called Zakat and Ushr Ordinance, 1980. Zakat funds are utilized to assist the needy, indigent, poor, orphans, widows, handicapped and disabled. These poor segments of society are provided Zakat funds directly or through respective local Zakat Committees or

indirectly through institutions i.e. educational, vocational, social institutions and hospitals, etc.

S.No	Provinces /Other Areas	Disbursed Amount (Rs. Million)
1	Punjab	2784.83
2	Sindh	1190.40
3	Khyber Pakhtunkhwa	693.85
4	Balochistan	256.55
5	FATA	174.93
6	ICT	132.79
7	Gilgit-Baltistan	70.18
<b>Total</b>		<b>5303.53</b>

Source: Ministry of Religious Affairs



Under the 18<sup>th</sup> Constitutional Amendment, the subject Zakat has been devolved to the provinces/federal areas. However, in view of Council of Common Interest (CCI) decision 8<sup>th</sup> November, 2012 and subsequent change in Rules of Business, the federal government (Ministry of Religious Affairs and Inter-faith Harmony) has been assigned the job of collection and disbursement of Zakat at federal level till next NFC under the CCI approved formula. A total amount of Rs. 5303.53 million is distributed in bulk amongst the provinces and other administrative areas for FY2016. The Zakat funds disbursed to the provinces and other Areas during FY2016 is given in Table 15.4.

**IV. Pakistan Bait-ul-Mal:** Pakistan Bait-ul-Mal (PBM), an autonomous body set up under 1991 Act is significantly contributing toward poverty alleviation through its various poorest of the poor focused services programmes and providing assistance to destitute, widow, orphan, invalid, infirm & other needy persons, as per eligibility criteria approved by Bait-ul-Mal Board. The main objectives of the PBM is to provide “Financial assistance to the destitute, widows, orphans, invalids, infirm and other needy persons with emphasis on rehabilitation educational assistance to needy orphan and stipends for the outstanding, non-affording students for higher professional education, residential accommodation and necessary facilities for the deserving, free medical treatment for indigent sick people, free hospitals and rehabilitation centers for the poor, financial aid to charitable institutions including educational and vocational setups”. During July 2015 to March 2016, Pakistan Bait-ul-Mal (PBM) has managed to disburse an amount of Rs. 3132.39 million to its core projects.

#### Major Projects/Achievements of PBM:

- a) **Individual Financial Assistance (IFA):** Through Individual Financial Assistance (IFA), the poor, widows, destitute women and orphans were supported for medical treatment, education, rehabilitation and general assistance. An amount of Rs. 1456.93 million has been disbursed during the period July 2015 to March, 2016.
- b) **PBM Thalassemia Center:** During last three years, PBM has provided financial assistance to 1500 Thalassemia patients. Keeping in view the importance of Thalassemia centre and to cater the patients in Pakistan, especially AJK, Northern Areas and Gilgit-Baltistan, a State of the Art Thalassemia centre has been established in March, 2015 in Islamabad for free of cost treatment by PBM and providing treatment to number of patients per month.
- c) **Special Friends of PBM:** PBM has envisioned providing wheel chairs to every disabled in the country. A family who has two or more special children will be called as Special Family and will have the right to be benefited through this new scheme. Rs. 25,000/- are being given to each family annually. An amount of Rs. 58.67 million has been disbursed during July to March, 2016, under PBM special friend’s programme.
- d) **Pakistan Sweet Homes (Orphanage):** Pakistan Bait-ul-Mal has established Orphanages at divisional level. 34 Pakistan Sweet Home (Orphanages) have been established, where 3430 children have been enrolled so far including 100 girls where they are being provided free food, nutrition, medical treatment, lodging and boarding, as well as free education through well reputed educational institutions. During the period from July to March, 2016 an amount of Rs. 261.94 million has been utilized on the said programme.
- e) **PBM Great Homes (Old Homes):** To provide care, love, hopes, family like atmosphere and security to un-secured, un-cared senior citizens. PBM plans to establish one Great Home at each Provincial/Regional Headquarters. Two pilot Great Homes are functional at Lahore and Karachi for old age citizen. After successful implementation of the pilot phase, this scheme will be replicated for females as well. Great Home will provide basic necessities of life in a dignified manner and in a family like environment i.e. boarding, lodging, food, clothing, medical, recreation etc. During the period from July to March, 2016 an amount of Rs. 4.85 million has been disbursed.

- f) **Child Support Programme:** PBM mobilizes funds from the Government of Pakistan (GoP) and distributes them as conditional cash subsidy to eligible beneficiaries for sending their children to school aged between 5-16 years to get primary education. Additional cash incentive is being paid to the eligible beneficiaries @ Rs. 3600/- per annum to the families with one child and Rs. 7200/- per annum to the families with two or more than two children. Presently, the program is fully active in 10 Districts i.e. Nawabshah, Ghotki, Quetta, Kharan, Lasbela, Swat, Muzaffarabad, Ghanche, Bahawalpur and Khairpur. A new intervention of disbursing (CSP payment subsidy through biometric verification has also been introduced at District Khairpur. During July to March, 2016, an amount of Rs. 68.33 million has been disbursed.
- g) **National Centre(s) for Rehabilitation of Child Labour (NCsRCL):** PBM has established National Centers for Rehabilitation of Child Labour (countrywide) since 1995 for primary education. Children (Male & Female) between the ages 5- 6 years are weaned away from hazardous labour and enrolled in these centers. The current strength of NCsRCL is 159. Under this project, an amount of Rs. 408.84 million has been spent during July to March, 2016.
- h) **Vocational Training Centers (VTCs):** Vocational Training Centers have been established throughout the country since 1995. These centers are providing free training to widows, orphan and poor girls in different skills. The current strength of the centers is 147; out of which 15 centers have been upgraded which have diversified fields including Computer Skills, Office Equipment i.e. Fax, Photocopies, Printers, Interior Decoration, Fishing Tie & Dye and Glass Painting etc, according to the requirement of area. However, local skills have also been included so that trainees could get more skills. Under this project, an amount of Rs. 173.48 million has been spent during to July to March, 2016.
- i) **Civil Society Wing:** Pakistan Bait-ul-Mal provides grant-in-aid to registered Non-

Government Organizations (NGOs) for their projects aimed at institutional rehabilitation of the poor and deserving persons. So far, an amount of Rs. 26.41 million has been disbursed.

#### **New Initiatives under PBM:**

**Prime Minister's National Health Insurance Programme:** The Prime Minister's National Health Insurance Program will provide inpatient hospitalization insurance coverage to 3.100 million enrolled beneficiaries. The coverage limits are Rs. 50,000 for secondary care service and Rs. 250,000 for tertiary care for specified diseases as per the program parameters. PBM will provide the coverage to patients who will completely utilize its basic limit.

**V. Employees Old Age Benefits Institution (EOBI):** Employees Old-Age Benefits Institution Act 1976 was enforced with effect from April 01, 1976, to achieve the objective of Article 38 (C) of the Constitution, by providing compulsory social insurance. It extends Old-Age Benefits to insured persons or their survivors. Under EOB Scheme, Insured Persons are entitled to avail benefits like, Old-Age Pension (on the event of retirement), Invalidity Pension (In case of permanent disability), Old-Age Grant (an Insured Person attained superannuation age, but does not possess the minimum threshold for pension) Survivor's Pension (in case an Insured Person is expired). EOBI does not receive any financial assistance from the government in carrying out its operations. A contribution equal to 5.0 percent of minimum wages has to be paid by the Employers of all the Industrial and Commercial Organizations where EOB Act is applicable. Contribution equal to 1.0 percent of minimum wages by the employees of said Organizations.

Pensions are paid on monthly basis. The minimum pension is Rs. 5,250/- per month which may raise upto Rs. 6,560/- depending upon the period of insurance and wages of the insured person. Old-age grant is paid in lump sum equal to one month's average wages of the insured person for every completed year of insurable employment. During 1<sup>st</sup> July, 2015 to 31<sup>st</sup> March, 2016, an amount of Rs. 16,706 million has been disbursed to 378,615 beneficiaries. Furthermore, it is

planned that 29,645 more beneficiaries will take benefits from the EOBI up to June 2016; an additional amount of Rs. 7,540 million is allocated for Old-Age Pension, Survivors Pension,

Invalidity Pension and Old-Age Grants. Details of disbursed benefits during the said period is shown in Table-15.5 below.

**Table-15.5: Benefits disbursed during the period from July 2015–March 2016**

Benefits	July-March, 2015-16	
	Number of beneficiaries	Amount of benefits paid (Rs. millions)
Old-age pension	231,638	10,400
Survivors' pension	139,256	6,011
Invalidity pension	5,364	230
Old-age grant	2,357	65
<b>Total:</b>	<b>378,615</b>	<b>16,706</b>

Source: Employees' Old Age Benefits Institution (EOBI), Karachi

**VI. Workers Welfare Fund (WWF):** Workers Welfare Fund was established under Workers Welfare Fund Ordinance, 1971 for providing low cost housing and welfare measures to the workers of industrial labour. Initial contribution of Rs.100 million was made by the government and further resources were to be raised by the private sector.

The main objectives of WWF are;

- a). Financing of projects connected with the establishment of housing estates or construction of houses for the industrial workers.
- b). Other measures for the welfare of workers such as
  - ▶ Education- free of cost up to secondary level.
  - ▶ Scholarships- post secondary level.
  - ▶ Marriage grants.
  - ▶ Death grants etc.

**Functions performed by Workers Welfare Fund:**

- ▶ To finance the projects connected with the establishment of housing estates for workers which include the following;
  - a) Construction of houses, flats and development of plots.
  - b) Establishment of health facilities like hospitals, wards, and dispensaries.
  - c) Establishment of education facilities like

schools, colleges, technical institutes and industrial homes.

- ▶ To provide free education to worker's children up to higher secondary level in Worker Welfare Model Schools.
- ▶ To bear all educational expenses of worker's children studying in any public/private school in big cities where WWF schools either do not exist or insufficient to meet the education needs of local worker's children.
- ▶ To provide Matric-Tech education in Worker Welfare Model Schools & Vocational Training Institutes for students of 9<sup>th</sup> & 10<sup>th</sup> class.
- ▶ To award scholarships (fees, boarding, and books) and award of monthly stipends to worker's children (from Rs. 1600 to Rs.3500 p.m) studying at post Matric up to Ph.D level.
- ▶ To provide Death Grant @ Rs.500,000/- to the widow/legal heir of the deceased workers as a compensation.
- ▶ To provide Marriage Grant @ Rs.100,000/- for the marriage of each daughter of workers.

During July-March, FY2016 expenditures amounting to Rs.1.16 billion have been incurred on scholarships. Another Rs. 524.60 million has been disbursed as Marriage Grant (@100,000/- which benefitted 5,371 workers' families. WWF has also disbursed Rs.619.80 billion as Death Grant (@500,000/-) to 1,241 cases of mishaps of workers all over the country.

**VII. Microfinance Initiatives:** Microfinance industry in Pakistan is working towards furthering the financial inclusion agenda in Pakistan by offering not only credit products but also savings, insurance and remittances services to its clients. As shown in the Table 15.6 below, the sector continued to exhibit an increasing trend from the year 2014 to 2015. Micro-credit outreach grew by 19.5 percent during the year whereas the Gross Loan Portfolio (GLP) for the sector has increased by 28.2 percent in the year 2014-15. One of the

biggest increase witnessed in the number of active savers which expanded by 63.8 percent over one year. This increase can largely be credited to the opening of m-wallet accounts. As a result of biometric verification of mobile SIM card holders, the opening of m-wallet account has been made completely paperless and can now be opened by simply dialing a string. In addition, insurance policy holders increased by 22.1 percent over the last one year. This segment is dominated largely by health and credit life insurance.

**Table-15.6: Active Borrowers, Active Savers and Active Policy holders by Peer Group**

Details	Micro-Credit		Micro-Savings		Micro-Insurance	
	Active Borrowers	Value (Rs. Million)	Active Savers	Value (Rs. Million)	Policy Holders	Sum insured (Rs. Millions)
2015-16 (Jan-Dec)	3,757,003	92,991	13,956,969	64,679	4,585,070	81,358
2014-15 (Jan-Dec)	3,142,589	66,791	8,520,718	43,497	3,754,074	60,418
Increase/ decrease (Net)	614,414	26,200	5,436,251	21,182	830,996	20,940
Increase/ decrease (%)	19.5%	28.2%	63.8%	48.6%	22.1%	34.6%

Source: Pakistan Microfinance Network (PMN).

The continued growth in the industry can be attributed to a number of factors which include an enabling environment, supportive regulatory structures, robust industry infrastructure, government backed credits schemes.

bring the non-bank microfinance players under regulatory umbrella under the ambit of Non-Bank Financial Companies (NBFC) will allow them to mainstream their operations and provide an opportunity to grow at a rapid pace.

The National Financial Inclusion Strategy (NFIS) which was launched last year lays down a framework for the financial inclusion in the country. Microfinance industry is geared up to play an important role in this strategy. Its excellent outreach in rural areas, having predominantly women clients, synergies with branchless banking and ability to tap Small & Medium Enterprises (MSMEs) make microfinance industry a pivotal player in achieving financial inclusion targets in the country. Moreover, recent initiative by Securities & Exchange Commission of Pakistan (SECP) to

The objective of the microfinance initiative is to provide liquidity to the microfinance providers in response to tighter liquidity conditions and spikes in inflation. It is provided as a package through microfinance banks (MFBs), microfinance institutions (MFIs), Rural Support Programmes (RSPs), and others including Commercial Financial Institutions (CFIs) and Non-Government Organizations (NGOs). Table 15.7 presents the number of Micro-credit beneficiaries with Outstanding Loans Portfolio (OLP) and Disbursements by loan providers.

**Table 15.7: Micro credit beneficiaries, outstanding loans portfolio and loan disbursement**

MFP	Active Borrowers	Outstanding Loans Portfolio (Rs)	Number of Loans Disbursed	Disbursements (Rs)
<b>Total for Pakistan Micro Finance Sector (year ended December 31, 2015)</b>	<b>3,757,003</b>	<b>92,991,151,760</b>	<b>1,298,423</b>	<b>44,396,359,341</b>
<b>MFBs</b>				
Apna Microfinance Bank	21,614	2,654,416,400	21,614	2,654,416,400
First Microfinance Bank Limited	214,117	6,278,348,805	74,376	2,642,726,200
Khushhali Bank	520,517	17,389,927,010	217,262	7,877,213,917
FINCA Microfinance Bank	90,804	5,438,119,108	28,638	2,446,142,503

## Social Safety Nets

<b>Table 15.7: Micro credit beneficiaries, outstanding loans portfolio and loan disbursement</b>				
<b>MFP</b>	<b>Active Borrowers</b>	<b>Outstanding Loans Portfolio (Rs)</b>	<b>Number of Loans Disbursed</b>	<b>Disbursements (Rs)</b>
NRSP Bank	258,444	9,085,508,026	186,455	7,307,362,181
Pak Oman Microfinance Bank	16,334	394,149,701	3,398	137,155,000
Tameer Bank	287,285	12,186,090,091	94,145	4,695,003,238
Waseela Microfinance Bank	27,218	1,350,106,533	13,096	677,364,178
U Bank	22,300	920,126,967	12,614	513,074,100
<b>Total for MFBS</b>	<b>1,458,633</b>	<b>55,696,792,641</b>	<b>651,598</b>	<b>28,950,457,717</b>
<b>MFIs</b>				
AKHUWAT	469,017	5,763,293,202	124,279	2,843,850,000
ASA – Pakistan	262,706	4,451,704,373	82,913	2,032,890,000
ASASAH	1,151	7,746,052	716	7,249,647
Community Support Concern	16,331	375,992,715	5,057	200,000,000
DAMEN	44,814	1,145,581,805	9,483	435,725,000
DEEP	1250	4,000,000	500	1,760,000
Farmer Friend Organization	22,551	324,796,701	5581	167,870,000
Jinnah Welfare Society	38,620	730,962,706	10,877	10,877
Kashf Foundation	249,251	4,665,980,243	57,097	2,044,538,000
Micro Options	5,062	97,059,673	1,822	43,858,000
MOJAZ Foundation	16,110	292,673,194	4946	147,845,000
Naymet Trust	2,400	9,111,278	120	1,700,000
Orangi Charitable Trust	45,256	573,018,088	7,033	161,548,000
SAFCO Support Fund	54,929	619,854,416	14,564	279,264,000
SVDP	5,498	121,346,999	1,593	48,365,000
<b>Total for MFIs</b>	<b>1,234,946</b>	<b>19,183,121,445</b>	<b>326,581</b>	<b>8,416,473,524</b>
<b>RSPs</b>				
National Rural Support Programme	610,462	10,515,022,574	140,315	3,696,230,000
Punjab Rural Support Programme	64,645	1,080,719,225	15061	358,769,000
Sindh Rural Support Organization	61,656	1,062,953,586	15,359	355,274,000
Sarhad Rural Support Programme	3,864	25,342,500	929	12,384,000
Ghazi BarothaTaraqiatiIdara	10,937	132,779,934	3,038	61,978,000
Thardeep Rural Support Programme	105,427	1,401,835,941	38,415	748,966,000
<b>Total for RSPs</b>	<b>856,991</b>	<b>14,218,653,760</b>	<b>213,177</b>	<b>6,526,328,000</b>
<b>Others</b>				
AGAHE	10,991	135,591,372	2,777	63,615,000
AMRDO	1,832	38,545,552	1,832	32,675,000
Badarie	2,599	35,982,189	156	4,530,000
Badbaan Enterprise Development Forum	2,132	32,120,233	598	15,715,000
BRAC	54,021	1,312,220,358	15,179	672,308,000
MEHRAN EDUCATIONAL SOCIETY	3,202	84,201,942	986	22,658,000
Narowal Rural Development Programme	8,128	168,976,475	2,253	81,713,000
Orix Leasing	23,109	409,033,452	5439	170,057,000
Organization for Participatory Development	5,995	79,065,931	1,162	29,495,000
Rural Community Development Society	63,620	1,196,934,164	15,860	518,001,000
Sungi Development Foundation	11,011	99,901,788	2,217	40,611,000
Saarth Development Society	5,796	100,440,857	2,030	55,390,000
Shadab Rural Development Organization	3,768	81,249,818	1,514	45,950,000
Shah Sachal Sami Foundation	8,444	102,229,583	3022	61,927,100
Villagers Development Organization	1,785	16,090,200	24	3,840,000
<b>Total for Others</b>	<b>206,433</b>	<b>3,892,583,914</b>	<b>54,063</b>	<b>1,795,827,100</b>

Source: Pakistan Microfinance Network (PMN)

**Box-II: Establishment of Pakistan Microfinance Investment Company (PMIC)**

The Pakistan Poverty Alleviation Fund (PPAF), Karandaaz Pakistan (funded by UK's Department for International Development) and Germany's Kreditanstalt für Wiederaufbau (KfW) signed the Shareholders' Agreement for the establishment of Pakistan Microfinance Investment Company (PMIC).

- ▶ The establishment of PMIC, a private sector Investment Finance Company, is as one of the key milestones in the National Financial Inclusion Strategy (NFIS) launched by the Honourable Finance Minister in May 2015.
- ▶ The goal of the government to meet the needs and aspirations of over 2.0 million poor people and marginalized and disadvantaged households through financial inclusion. The National Financial Inclusion Strategy (NFIS) is targeted towards helping the poor segments of the society through financial inclusion.
- ▶ The objective of the Company is to provide much needed liquidity to microfinance providers serving the poor and micro and small enterprises in Pakistan. It is estimated that PMIC financing could support nearly 300,000 new job opportunities every year.
- ▶ The new company is expected to commence operations by July 1, 2016 after completing regulatory requirements and 50% of the loans served by PMIC will be directed to women and rural areas”.
- ▶ PMIC will help the microfinance sector reach the huge numbers of people in Pakistan who do not have access to microfinance services and contribute to job creation and growth of micro and small businesses in the country.
- ▶ The new company will be set up as a Non-Bank Finance Company (NBFC) and will be led by a highly competent professional board. PPAF is providing Rs. 3,000 million, DFID £15 million and KfW €7 million as initial equity contributions for this venture.

**Conclusion:**

Social safety net programmes such as Benazir Income Support Program (BISP), Pakistan Bait-ul-Mal (PBM), Zakat, Employees Old Age Benefit Institution (EOBI) and Workers Welfare Fund (WWF) are contributing significantly to protect poor masses which eventually led to

poverty reduction, the fact being acknowledged world-wide. Moreover, poverty is also expected to further decrease with enhanced budgetary allocations for social sectors. Since, government is keen to develop human resources by providing more employment opportunities and creating income generating activities.

