Social Enterprise Development Centre

Policy Brief

POVERTY ALLEVIATION THROUGH BENAZIR INCOME SUPPORT PROGRAM

Hibah Tipu Sheikh

Executive Summary

In Pakistan, 29.5 percent of the population lives below the poverty line. In order to curb this social issue, an unconditional cash transfer program, Benazir Income Support Program (BISP), was developed through which a certain amount of cash is paid to the beneficiaries each month. This program intended to alleviate poverty in the long run and was designed to reduce the impact of financial crises faced by the poor. However, BISP beneficiaries face certain issues such as increased reliance on nominal cash transfers to meet their basic needs and not being able to invest in human capital and savings. For poverty to be alleviated, the BISP cash transfers should enable the beneficiaries to become independent enough to support themselves regardless of the monthly income received through BISP. By being independent, they should be able to meet their basic needs without fully relying on the cash transfers and should also be able to save and invest some amount on their health and education. Recommendations to reduce poverty and improve BISP include setting a conditionality to cash transfers, where children of beneficiaries may be required to go to schools and health care visits may be made compulsory. An audit for BISP and regular transfer of payments may increase efficiency in the system, and may help alleviate poverty in the long run.

Prevailing Issue of Poverty

Poverty is a prevailing social issue in Pakistan, where 29.5 percent of the population lives below the poverty line (Asian Development Bank, 2017). National Poverty Headcount Ratio[1] shows a reduction to only 6.1 percent in 2013 from 7.9 percent in 2011 (World Bank, 2017). Pakistan's new poverty index shows four out of ten Pakistanis living in multidimensional poverty (United Nations Development Program, 2016b). With the passage of time, the headcount has reduced to 38.8 percent in 2015, but intensity has only reduced marginally from 52.9 percent in 2005 to 50.9 percent in 2015 (United Nations Development Program, 2016a).

In such grim conditions, social protection measures are needed to help people manage risks that come with poverty. These measures provide a safety net to ensure that

[1] The percentage of population living below the poverty line.

a minimum amount of income is always given to the people who are below the poverty line, or are dangerously close to it.

Benazir Income Support Program

Benazir Income Support Program (BISP) established in July 2008, has since grown rapidly to become the largest poverty alleviation program in Pakistan through income transfer (Arif, 2012). The short-term objective of the program was to "cushion the adverse impact of the food, fuel, and financial crisis on the poor, but its broader objective was to provide a minimum income support package to the poorest and to those who are highly vulnerable to future shocks" (World Bank, 2015). BISP provides eligible families with unconditional cash transfers at a monthly value of PKR 1,566 as of July 2015, which is given quarterly (Benazir Income Support Program, 2017). The beneficiaries have steadily increased to 5.4 million in 2016 (Benazir Income Support Program, 2016). Currently, BISP provides income support through monthly cash transfers to almost 4.8 million families (18 million people) and $2.9 billion have been distributed to BISP beneficiaries (Arif, 2012).

Impact of BISP

The impact of BISP can be seen by the reduction of poverty level from 66 percent to 35 percent among the beneficiaries of BISP, as reported by the National Bureau of Statistics (Mumtaz et al., 2017). BISP has brought a 4 percent decrease in the severely poor Multi Dimensional Poverty Index (MPI) category, and a 6 percent decrease in the MPI poor category (Mumtaz et al., 2017). However, it shows very limited effect that BISP has had in permanently alleviating poverty. This is because many beneficiaries are still deprived of education and health and are unable to invest in human capital due to the limited amount of cash received.

There are many indexes to measure poverty, and not one measure alone can effectively encapture all aspects of poverty, monetary or otherwise. The Multi-Dimensional Index is one of the measures of poverty which recognizes that monetary based poverty is just one type of deprivation. There is usually a combination of a number of deprivations that afflict a household which vary across three dimensions: education, health, and living standards, each measured by different indicators. In education, there has been a 7 percent increase in school attendance of the students whose parents are BISP beneficiaries, but the impact on nationwide education levels remains low (Mumtaz et al., 2017). In health, the Under Five Mortality rate of beneficiary children has fallen by 3 percent (Mumtaz et al., 2017). However, this improvement in the heath indicator is offset by the same percentage increase in stunting levels, which is the shortness of height according to age (Mumtaz et al., 2017). This shows that while one indicator may have a positive impact, another related indicator falls in value keeping the poor trapped in the vicious cycle of poverty. A change in such indicators can also be due to other policies in these areas and not just due

to BISP which makes it difficult to ascertain the true impact of BISP on poverty alleviation.

Therefore, BISP has been able to make some positive impact in alleviating poverty but it has been at a very limited scale.

Critiques of BISP

Those who are slightly above the poverty line may only be there temporarily and may slip back below poverty line at any time due to an economic shock. This proximity to the poverty line makes it hard for BISP beneficiaries to permanently step out of poverty, as they begin to heavily rely on nominal income received every month. For the recipients to truly step out of poverty, they may ideally utilize their monthly income in three segments which include spending on basic necessities, investing in human capital, education, health, and saving the rest for unforeseen circumstances.

The effect of BISP on poverty alleviation may not be determined fully, as it might not be right to assume that injecting money in poor households will certainly aid consumption and expenditure patterns. This is because many households share the income, and use it to pay their debts, thus making the effect of transfer on alleviating poverty negligible (Cheema et al., 2014).

Savings are necessary for poor households to step out of poverty permanently. BISP has had little or no impact on the propensity to save as only 12 percent of BISP households reported some level of savings and 81 percent of BISP households remain in debt (Cheema et al., 2014). Despite increase in the monthly value of the transfer, the real value of transfer has eroded in comparison to it due to the changing inflation rates (Cheema et al., 2014). Such low levels of savings are due to the limited amount of money received and that too on unconditional basis (Mumtaz et al., 2017). Granting cash on an unconditional basis does not translate into savings and investment in education and health because there is no incentive for the poor to spend money outside of meeting their basic needs (Nayab & Farooq, 2012).

There have also been delays in the payments of BISP transfers which cause inconvenience to those who rely on it for fulfilling their basic necessities. Cases of corruption are also common which require external and internal audits in order to keep track of the money transferred. Currently, BISP covers over 22.6 percent of the total population whereas the target population according to MPI is 38.8 percent (Mumtaz et al., 2017).

There is a huge gap between women who are eligible for the cash transfers and those who are the actual beneficiaries. A large number of women do not have their National Identity Cards (NIC), hence are not yet registered with BISP. This gap should be filled so that all eligible women become beneficiaries and receive the monthly income (Gazdar & Zuberi, 2014).

These issues show a critical need for the BISP program to be improved and made more efficient and effective in order to achieve the required results.

Policy Recommendations

Although BISP has been a positive step towards alleviating poverty, there is room for improvement. For example, with unconditional cash transfers, BISP gave households the leverage to not invest in human capital or save thus reducing their chances of permanently stepping out of poverty. With the subsequent incorporation of other schemes such as Waseela-e-Taleem, this limitation was addressed to some extent. However, similar schemes targeting various priority areas affecting the poor can be incorporated in the program to improve the conditions of the poor households (Nayab & Farooq, 2012).

BISP in collaboration with NADRA can launch welfare schemes which encourage women to get their NICs made on a priority basis so that the number of women who are eligible can also become BISP beneficiaries.

Also, there is a need for a better communication strategy in order to avoid delays in monthly payments to the recipients as timely payments are very important for poor households who use BISP as the primary source of income (Gazdar & Zuberi, 2014).

In order to ensure that there are no discrepancies in the payments disbursed, rigorous internal and external audits can help in ensuring that the money is being spent correctly.

The selection process for the program can be made more flexible so that if not all, most poor families can be accommodated under it (Gazdar & Zuberi, 2014).

The BISP design ignores the transitory nature of poverty such that houses can move above or below poverty line due to changing conditions. The BISP cash transfer should take into account the status of a household vis-a-vis poverty rates, and inflation to ensure a more rational distribution of cash (Nayab & Farooq, 2012).

Primarily, BISP can be improved by the introduction of conditionality to the cash transfers such as making it compulsory for poor parents to send their children to schools and make bi-annual visits to the nearest local hospital which may result in improving their conditions in the long term. Improvement in terms of more efficient administration, improved management of resources and better monitoring and evaluation of BISP can help in having a profound impact on the poor.

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