

Social Safety Nets and Sustainable Economic Development: A Theoretical Perspective with Reference to Pakistan Economy

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Abstract

This study dig out to answer two different but correlated question ; firstly, what is the role of Social Safety Net (SSN) measures in targeting the poverty for a developing country like Pakistan. Secondly, can the provision of social safety nets help in Sustainable Economic Development (SED)? The study surrounds to answer these questions in context of Pakistan's economy. Pakistan being a developing country focuses on both, social safety nets and social safety protection measures. The social protection programs of the country are highly skewed and mainly restricted to formal sectors. This phenomenon restricts the access of deserved people in the informal sectors and clearly indicates an exclusion bias of the right people from the social security and protection programs. To answer the first question, the poor of the country have been divided on the basis of national poverty line as; extremely poor, ultra poor, the poor, vulnerable to poverty, quasi poor and non poor. The required informal social safety net measures as an appropriate solution are then identified against each category. The second question has addressed in the other way around. The absence or lacking of adequate social safety net measures mean the prevalence of extreme poverty and lacking of opportunities therefore, the relationship between SSNs and SED will lead us to the ultimate socio-economic evils such as poverty, income inequality, class-conflict, corruption, self-indulgence, hedonism and the provision of adequate SSNs would then mean the absence or lacking of these evils which can subsequently contribute to SED. Finally, we can conclude that provision of adequate measures of SSNs and SSPs on the basis of equity and passions will significantly contribute in the process SED of the country.

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Introduction

All nations of the world face a volatile economic situation. This volatility is partially influenced by Demographic characteristics of a country's inhabitants, creed, geographical borders, culture, traditions, norms and economic resources of the country. Keeping this reality into consideration, every nation tries to stabilize its economy to the best possible extent by optimal utilization of the scarce economic resources in such a way to minimize economic evils such as; poverty, income inequality, inflation, internal and external balance etc. Poverty is one of the oldest economic issues in the known history of human civilization that gives sub-birth to many other socioeconomic issues. Developing countries in general and underdeveloped countries are particularly suffering from this issue. In spite of allocation of million of dollars to successfully tackle the issue of poverty, by taking direct and indirect measures, the history witnesses fewer success stories. The experience of developing countries reveals that lack of economic resources is not the main reason of slow development process in these countries rather these countries are essentially suffering from; absence of good governance, non-continuation of long run productive and developmental projects, Political instability, corruption, disability of politicians etc. Keeping this scenario into consideration, Pakistan – a geopolitically important country of the Asian region – has been taken as a case study to investigate two major questions; i). What is the role of social safety net measures in targeting the poverty of developing countries as Pakistan; ii). Can social safety net measures help in Economic Development? To address these two questions is the subject matter of this paper.

“Social safety nets, or ‘socioeconomic safety nets’, are non-contributory transfer programs seeking to prevent the poor or those vulnerable to shocks and poverty from falling below a certain poverty level. Safety net programs can be provided by the public sector (the state and aid donors) or by the private sector (NGOs, private firms, charities, and informal household transfers).¹

The social safety net program generally includes the following:

- The transfer of cash;
- Food-based programs such as supplementary feeding programs and food stamps;
- Barter transfers (the transfer of goods and services);
- The transfer of cash against physical or mental work;

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- The provision of price subsidy on diverse public or private goods or services;
- Public works;
- Exemptions for health care, schooling and utilities.

“Social safety nets are necessary components of efforts to alleviate poverty because macroeconomic policies, through their ‘trickle-down’ effect, are unlikely to be effective, even in periods of high growth. This is primarily because of the difficulty in micro targeting and reaching poor and disadvantaged people”²

Direct approaches through special programs for poverty alleviation become even more important when a country like Pakistan has recently been through an economic crisis and real incomes have stagnated. Attempts to stabilize the economy through steep reductions in fiscal and current account deficits as part of the on-going extended structural adjustment program with the International Monetary Fund are probably hurting households, especially those at the bottom of the economic ladder. This process of structural adjustment in the country has caused tax hikes (especially on consumption), cutbacks in public expenditure (particularly on development and social services) and the phasing out of food subsidies (for example, on wheat). It has led to depreciation in the exchange rate and enhanced tariffs on public utilities (such as power and gas). All these adjustments reduce economic opportunities and by increasing the cost of living further lower the living standards of poor people.³

Poverty is a multidimensional issue which necessitates multidimensional measures to address it effectively. Social safety nets measures exactly fit in the need of a wide range of the poor who require diverse assistance according to their specific conditions. The following table represents the various categories of poverty and corresponding measures to address each category accordingly.

Table-1: Measurement of poverty, based on National/International poverty line and required social safety net instruments

| Measurement of Poverty on the basis of Poverty line (PL) | Required social safety net instruments |
|--|--|
|--|--|

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| | |
|--|--|
| I. Extremely poor; < 50% of the PL income | A. Non-conditional grants B. Donation C. Wage employment D. The provision of basic needs i-e food, shelter, education etc. E. Cash for work programs F. Various short term trainings G. Subsidy, especially on food items and utility services |
| II. Ultra poor > 50% but < 75% of the PL income | A. Non-conditional grants B. Donations C. Wage employment D. The provision of basic needs i-e food, shelter, education etc. E. Cash for work F. Various short term trainings G. Subsidy, especially on food items and utility services |
| III. Poor > 75% but < 100% of the PL income | A. Microfinance B. Specialized trainings to improve the quality of goods and services. C. Subsidy, especially on food items and utility service D. Subsidized inputs for production and provision of services |
| IV. Vulnerable > 100% but < 125% of the PL income | A. Microfinance B. Specialized trainings to improve the quality of goods and services C. Subsidy, especially on food items and utility service D. Subsidized inputs for production and provision of services |
| V. Quasi non- poor >125% but < 200% of the PL income | A. Microfinance B. Subsidy, especially on food items and utility service C. Training to expand his/her business and improve market linkages. |
| VI. Non-Poor >200% of the PL income | A. Conventional finance B. Various trainings for improvement in productivity |

Source: Author's own perception

Table-1 provides detailed categories of the poor. These categories are based on a country's own measurement of poverty line. The table depicts that the level of poverty is not the same therefore; the effective solution to the issue of poverty may not be the same for each group of the poor. Various feasible measures of social safety nets corresponding to each group of the poor people represented in the table. If we treat all the groups alike and offer the same bundle of social safety nets to each group, belong to various categories of poverty, this treatment will obviously misuse the scarce resources in terms of yielding the optimal solution to the issue.

The worst of the poor is "extreme poor" class. These are the people who cannot participate in physical economic activities either because of physical or mental disability or old age and ill health. These people cannot perform economic activities therefore; the provision of micro-credit facilities for such group of people will obviously guarantee a default of the loan and interest. Some micro-finance institutions on the basis of humanitarian ground had provided the facility of micro-credit to extremely poor and marginalized segments in their corresponding operational areas but subsequently they got bad experience of major defaults.⁴ Same is the case with Ultra poor. People who belong to this group, possess approximately the same characteristics as the extremely poor class therefore, they need the same social safety net measures like the extremely poor. People representing this group cannot effectively perform economic activity. This group of people needs credit but they are less credit worthy.

Category three consists of the poor class. This class is a better class as compared to the previous two classes. This group needs credit for self employment activities and they are capable to perform economic activity and pay back their loans within the due time period as well. This group is considered as credit worthy. In spite of performance of self employment activities, the group requires other incentives as subsidy, free access to education, health, clean water and shelter etc. The succeeding two groups of people (Vulnerable to poverty and Quasi poor) approximately requires the same measures of social safety nets for the performance of efficient economic activities.

Social Safety Net Measures in Pakistan

Pakistan social safety nets' program like the rest of the developing countries is highly skewed towards workers in the formal sector in urban areas. This 'skewness bias' adversely affects the common poor of the informal rural sector in particular. Pakistan does not have a centralized institution of social safety nets to cater the needs of the poor therefore, various institutions with diverse structure and programs are operating

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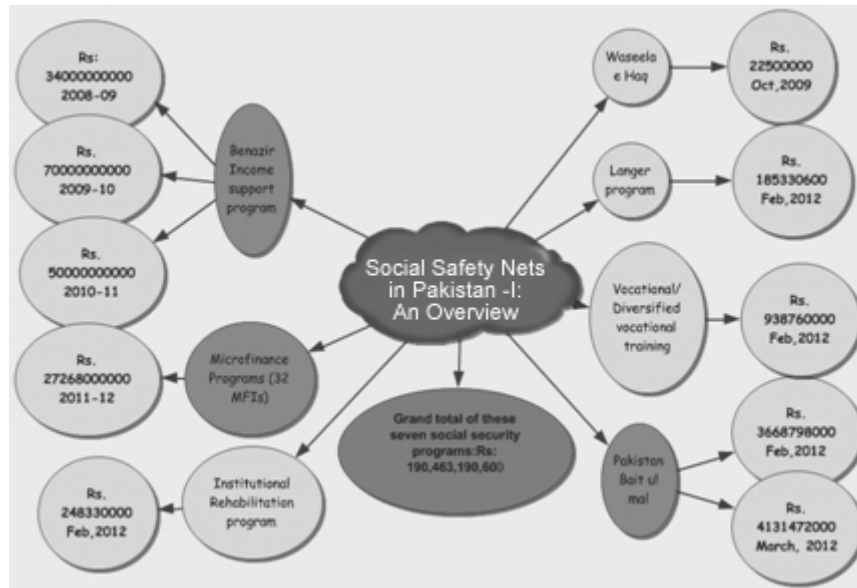
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across the country. The following organization at different level and forums are providing social safety programs across the country.

- Government
- Non-Government Organizations
- Mosques
- Financial Institutions
- Private Transfers.

The following two diagrams represent various Social Safety Net (SSN) programs in Pakistan along with total disbursement.

Diagram-1: Social Safety Net (SSN) programs in Pakistan along with total disbursement.⁵



Source: This diagram is developed with the help of “Inspiration 9 IE”

Diagram-1 represents various social assistance programs in the country. All these programs are ‘Social assistance programs’ which do not provide ‘Social security’ to the poor and marginalized people of the country. The red circles represent mega social assistance programs. These are namely;

- i). Benazir income support program⁶
- ii). Pakistan Bait ul Mal
- iii). Micro-finance programs.

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A total sum of disbursements under these programs is equivalent to US \$21643.54439 Million. The beneficiaries of these programs are approximately 4.8 million poor households.

Diagram-2: Social Safety Net (SSN) programs in Pakistan along with total disbursement.⁷



Diagram-2 represents both social safety net programs for the general masses and social protection programs for formal sector employees and their families. The red circles represent mega programs with big allocatory budget. Pakistan Poverty Alleviation Fund (PPAF) is among the leading organizations, in terms of disbursement, to alleviate the absolute level of rural poverty by adopting multi-dimensional strategies including, Social mobilization, the provision of basic needs such clean water, sanitation, credit, trainings etc. PPAF is working across the country with the help of its partner organizations. People work programs-1 and 2 provide cash against work, to extend modern facilities from cities to villages. The objectives of all these programs are the same; ‘facilitation of poor and marginalized segments and the provision of social security’ but strategies to achieve these goals are different.

The Impact of Insufficient Opportunities on Sustainable Economic Development

In order to understand the importance of social safety nets measures for Sustainable Economic Development (SED), we have to think the other way around. The provision of social safety nets and social protection

programs are essentially the same; ‘protection of poor and marginalized segments along with their families’ and the absence or lacking of such facilities means the prevalence of extreme poverty and lacking of opportunities therefore, the relationship of insufficient opportunities and SED will lead us to the ultimate socioeconomic evils resulting from the absence or lacking of such programs. Sustainable Development (SD) is considered as a better measure of human material development than any other measure used in the known history of human beings. This concept takes into consideration multi-dimensional aspects of development as a benchmark. In general, Sustainable development is assumed to be economically viable, socially acceptable and an environmentally sound process. This section is dedicated to discuss that how the lacking of socioeconomic opportunities can breakdown the process of Sustainable Economic Development through different channels such as poverty. Poverty is often associated with degraded rural environments, which has many costs, because a healthy natural environment sustains non-monetary economies and can be viewed as the ‘social security’ of the rural populations. When the productive functions of healthy rural atmospheres damage, or when people lose access to those productive environments, movement to cities in search of alternative livelihoods can worsen urban poverty. A sound environment alone will not alleviate poverty, but attempts at poverty alleviation in isolation of the environment will sooner or later be damaged. It is evident today that the costs of past environmental mistakes are being borne by the current economy. Recent data have shown that natural disasters, worsened by the mismanagement of natural systems, have the greatest human impact on the poorest countries.

Research and policy has tended to focus on the relationship between poverty and environmental degradation in terms of pointing out that the poor are both victims and agents of environmental degradation: victims in that they are more likely to live in ecologically vulnerable areas, agents in that they may have no option but deplete environmental resources thus contributing to environmental degradation.⁸ However, it is also acknowledged that the poor often have practices that conserve the environment. Great physical and spatial variability in natural resource endowments also seems to complicate the picture

In general terms, the underlying causes of both poverty and environmental degradation are structured by uneven processes of development operating via technologies, incentives, institutions and regulations which favor some social groups and some geographical areas over others.⁹

“At the micro-level (individual, household, village), environmental entitlements are determined by a range of factors including natural

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*resource tenure arrangements, labor mobilization arrangements, social relations (including gender), capital endowments and technology. At the macro-level (sub-national, national, global), wider processes operate via decisions on technologies, incentives, institutions and regulations (land rights) to favor some social groups and some geographical areas. These processes include demographic changes, environmental processes, macroeconomic policies, markets and prices, donor and development agency approaches to poverty and environment, agricultural research, governance and political conflict”.*¹⁰

Sustainable Development is an integrated process which necessitates that all pillars of SD should be simultaneously addressed. The solution of any pillar in isolation will adversely affect the rest of the pillars. For example, a significant increase in energy prices for the purpose of reduction in energy radiations may unduly affect the urban poor, who spend a large amount of their income on energy. Similarly, agricultural subsidies in food-surplus countries may weaken food production by the rural poor, who are forced to sell their crops at an unrealistically low price. Such inequities contribute to social Un-sustainability, which may in turn be reflected in the decreasing ability to design and implement sound environmental, economic and social policy. The end result is a failure of governance.¹¹

Conclusion

The sufficient provision of social safety nets is not the moral and legal obligation of a state only but private initiatives in this respect are also of equal importance. The joint efforts of public-private models of SSNs provision at different forums can accelerate the facilitation of the poor and marginalized segments. Insufficient provision of basic facilities such as access to hospital, education, clean drinking water, shelter etc, can become obstacles in the way of development specially this phenomenon will adversely affect the environment in a number of ways, which is one of the important pillar of sustainable development. Moreover, the insufficiency of resources to honor the demand of the deprived people intensifies the socioeconomic evils such as poverty, income inequality, class conflict, low productivity etc.

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