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**Addressing Economic Distress Through Public Works:
The Case for Pakistan**

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Abbreviations and Acronyms

BPL	Below Poverty Line
CNIC	Computerized National Identity Card Number
DA	District Administration
DCO	District Coordination Officer
DPCC	District Programme Coordination Committee
EGP	Employment Guarantee Programme
ELR	Employer of Last Resort
FATA	Federally Administered Tribal Areas
GDP	Gross Domestic Product
ILO	International Labor Organization
IMD	Indices of Multiple Deprivation
IMF	International Monetary Fund
LFU	Local Fund Audit
MPA	Member of Provincial Assembly
NADRA	National Database And Registration Authority
NAIRU	Non-Accelerating Inflation Rate of Unemployment
NREGA	National Rural Employment Guarantee Act
PFC	Provincial Finance Commission
PIO	Public Information Officers
PMU	Programme Management Unit
PRI	Panchayati Raj Institutions
PSC	Programme Steering Committee
PWP	Public Works Programme
RSP	Rural Support Programme
RTI	Right to Information Act
TFD	Technical Feasibility Document
UA	Union Administration
UACC	UA-cluster/Markaz committees
VO	Village Organization

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Introduction

The Government of Pakistan is implementing a stabilization programme to curb double-digit inflation and deteriorating balance of payments. Demand has been depressed because of a combination of fiscal cutbacks and falling exports which, in turn, have led to a slowdown in growth and employment creation. Resultantly, there has been a significant increase in unemployment and poverty creation. The adverse impact of these multifarious economic crises on citizen welfare has been compounded by the War on Terror being fought in the *Khyber Pukhtoonkhwa* province that has resulted in large-scale destruction of the local economy and the displacement of the citizens of these regions.

The ILO is providing technical assistance to the Government of Pakistan on the adoption of an Employment Guarantee Program (EGP) that aims to provide an employment floor during the stabilization phase. The main objectives of EGP are:

- To enhance livelihood security of poor and unemployed households by creating an employment floor during the recessionary cycle
- To create a multiplier via public expenditure on local growth
- To provide a fiscal stimulus in districts most affected by the War on Terror

EGP will ensure that an adult from any poor household willing to do unskilled manual work at a statutory wage is entitled to employment for 60 days on local public works funded by the state. EGP is designed to be demand-driven in the sense that adult members of eligible households will have to register themselves for the programme. EGP is designed to ensure consumption, income and employment smoothing at the household-level. At the macro-level, it aims to increase national income and employment by engendering counter cyclical public spending.

EGP will help in operationalizing the Global Jobs Pact¹ – an agreement reached between Government, Employers' and Workers' delegates from ILO's member States in June

¹ILO (2009)

2009. The fundamental objective of the Global Jobs Pact is to reduce the time lag between economic recovery and a recovery with decent work opportunities. The Global Jobs Pact wants a global response to the challenges of unemployment while observing the Right to Decent Work – the bedrock of all ILO programs. Enhanced support is to be provided to vulnerable women, youth, low-wage, low-skilled, informal economy and migrant workers. Public employment services are to be strengthened and equal access & opportunities for skills-development must be ensured. The Pact also ensures social dialogue such as collective bargaining between employers and workers as measures to maximize the impact of crisis response.

EGP in Pakistan is one of the avenues that will address the concerns of the Global Jobs Pact and Decent work. It addresses the issue of loss of livelihoods due to national and international economic downturns and provision of employment as a right to low wage and low skilled workers through generation of public employment.

The programme also aims to enshrine and operationalize the right to employment recognized by the 1973 Constitution at the lowest tier of government: the Union Administration. The objective of embedding the programme at the UA-level is to lay the foundation of a social welfare state at the level of government that is closest to the people.

1. Economic Assessment of Public Work Programs (PWPs)

Developing a PWP is a very important step in improving the livelihoods of poor population in a country. However, it is important to understand the effects that this social policy will have on the economic situation of a country. Some of the effects of PWPs on economic conditions are explained below.

1.1. Addressing Structural and Cyclical Unemployment

PWPs have macroeconomic benefits in addition to social and political advantage. PWPs can help solve some of the demand side problems of unemployment. Firstly, PWPs can eliminate structural unemployment. Structural unemployment is defined as unemployment resulting from changes in the composition of the labor force, the structure of the economy, technological change or relocation of industry². Unskilled workers have little chance of finding decent employment if left purely to market mechanism so government intervention is necessary. By providing unskilled workers with employment, government does not only address problems of structural unemployment for unskilled workers but also helps them gain valuable experience which increases their chances of finding employment in the future.

PWP can also help to minimize adverse effects of cyclical unemployment on the poor. Usually during economic downturns, poor people face difficulty in finding employment. As a result they suffer immensely because they do not have enough saving to last through the period. PWP can help solve this problem. It can provide employment to poor people who do not have any other income or savings during tough economic times, thus generating “consumption smoothing” effects for poor people. This view is supported by Keynesian economists who advocate that to fight cyclical unemployment, they must increase their spending³. If government increases its spending instead of lowering interest rates, the government will also be able to make the economy more stable. However, such a policy may result in high inflation because of a mismatch between goods demanded and supplied.

The effect on semi skilled workers of frictional unemployment can also be minimized as these people can work in a PWP while searching for a new job or likewise a spouse or

²

<http://www.ilo.org/public/libdoc/ILO-Thesaurus/english/tr4220.htm>

³ Wray, Randall (2007)

another member of a household can also seek employment in a PWP while they search for a job.

1.2. Unemployment-Inflation Trade off

Another economic problem with PWP is the trade off between unemployment and inflation. Some level of unemployment is necessary to prevent inflation as the Phillips curve illustrate. Phillips curve is no longer accepted by economist but the trade off between inflation and employment is⁴. Monetarists such as Milton Freidman with his NAIRU (non-accelerating inflation rate of unemployment) argue that any employment more than this level will lead to an increase in inflation. This is in sharp contrast to Keynesian school of thought which advocates that by pumping aggregate demand, the government can attain full employment and solve unemployment problems. Hence, while Keynesian theories support full employment, which can be achieved through PWPs, Monetarist's theories do not. Keynesians also advocate government spending to alter the economy into desired states which again supports PWP while Monetarists advocate use of interest rates. However, PWP is more effective and preferable than "Keynesian pump-priming"⁵.PWPs go against Neo-Liberal values because the school of thought preaches that government should not intervene but rather create a free innovative environment and support businesses to achieve growth which in turn helps poor people. These values are also embraced by international organizations such as the World Bank and hence they are critical of PWP.

There are also economic problems with PWPs. Firstly, these programs increase demand for goods and services whose supply is based on market mechanism while they produce goods and services which are based on artificially created demand for labor⁶. As a result, PWPs increase demand for goods such as food. As it is difficult to increase food supply

⁴ Ibid.

⁵ Ibid.

⁶ Shariff, Abusaleh (2009b)

in the short term, price of food and other such goods will increase due to increase in demand. Unless food is imported (which will be expensive) cost of living will rise which will in turn will reduce social benefits of the program.

1.3. Local Multiplier Effect

An employment program potentially has the affect of stimulating the local economy also. First, by creating employment for the local population serves to boost aggregate demand in the local economy. Local businesses, particularly in retail trade, tend to improve their capacity utilization and profitability. Also, by creating this avenue for income generation at the local level, informal debt incurred by beneficiaries of the EGP to small businesses and landlords will also reduce and provide a further boost to local demand.

The other positive externality that can occur through an employment program that is geared to create public infrastructure is asset formation at the local level. Provided that the infrastructure that is created locally is one that is economically beneficial to the community and is of reasonably good quality, it will boost aggregate productivity of the local economy

1.3.1 Positive Affect on Human Capital

Improvement in consumption means nutritional status improves which in turn enables the poor to improve their human capital endowments. One of the key benefits of PWP is that it can provide training and experience to unskilled workers and with these skills and experience, unskilled workers can also find employment elsewhere. It has been observed⁷ that the long-term unemployed may become so inexperienced that their chances of ever finding work again are slim. But PWPs help create a pool of employable labor. Moreover, PWPs can decrease unemployment which can decrease unemployed supply of

⁷ Wray, Randall (2007)

labor and with available labor force lower than before, other employers will have to raise their wage rate to attract employment. If their wage is not much higher than PWP wage rate, they may not be able to find any workers.

2 Social Benefits of PWPs

2.1. Redistributive Element

PWP also has an egalitarian benefit. PWPs can help achieve more equality in society. Firstly, it leads to a redistribution of wealth. Government can collect taxes from rich and pay to poor through PWP. Even though this can be said of any welfare scheme as well, PWP goes further than this benefit. By providing work to people, prevailing wage rate in the area goes up which means that employers must pay more to workers which not only helps those who working for PWP but also those who are not. With more income, poorer people will be able to afford food, education and health care and thus more of these may be produced to meet the demand. Output produced from a PWP is usually demanded by poorer people and as a result goods will be produced based on poverty level rather than by market mechanism which usually produces what is demanded by the richer population. Therefore, PWP can not only mitigate effects of poverty but also lead to redistribution of wealth and far more equitable society.

As the concept of social multiplier suggests, once the PWP is introduced, it will have social benefits multiplied just as in the case of the multiplier effect. Social multipliers associated with job creation⁸ constitute but are not limited to —the benefits that include decreased crime and drug use; enhanced family and community cohesion; strengthened security, education, and healthcare; protection for the disadvantaged; environmental protection; improved local and state government budgets; greater equality of distribution of consumption, income, wealth, and power; induced investment in poor communities; and promotion of social and political stability. However, PWP may not improve living standards in the long run to a great extent as they do not help people to come out of

⁸ Ibid.

poverty but help them survive poverty. Approaches which can permanently relieve poverty can be more desirable than PWP.

2.2. Reduction in Crime and Disorder

Another social benefit includes a fall in crime and other forms of exploitation. With a PWP, private employers will not be able to give wages to workers which are below the minimum wage rate thereby decreasing exploitation of labor force. For example, NREGA favours strengthening the bargaining power⁹ of unorganized workers in the hope to sustain entitlements, such as minimum wages and social security. It is considered a unique opportunity for unorganised workers to organise themselves thus leading to a new labour movement.

Due to chronic poverty many people are forced into drug & human trafficking, prostitution, gun crime, etc. Many crimes have a very high correlation with poverty and an income can allow the poor to afford basic necessities. Thus government can remove the incentive of crime which will eventually have desirable social outcomes. Joblessness is usually concentrated among groups¹⁰ that suffer other disadvantages: racial and ethnic minorities, immigrants, younger and older individuals, women (especially female-heads of households with children), people with disabilities, and those with lower educational attainment.

2.3. Possibility of Corruption

One more social issue includes corruption which can undermine the social benefits gained from PWP and increase its social costs. Due to the decentralized requirement of the PWP design, the power in the hierarchy will be held with lower level officials. Of course there is no reason to think these officials will have no motive to cheat. With so

⁹ Shariff, Abusaleh (2009a)

¹⁰ Wray, Randall (2007)

much of power dispersed to so many lower level officials, it will prove harder to catch fraudulent activities. To ensure corruption and leakages in the system stay at a minimum, the government has got to ensure transparency and accountability. To achieve these governments has got to create a check and balance system along with a committee which evaluates fulfillment of goals and implementation of a PWP. This need can create additional costs and with added costs, it may not be worth spending resources on PWP as social cost will increase. In such a situation, only if social benefits exceed costs should the PWP be implemented. Corruption in any such system is inevitable especially in the context of developing states and to reduce these leakages, government will have to introduce checks and balances system. The government has either got to incur monitoring costs or corruption cost and has to allocate resources on checking costs where marginal cost of checking is same as marginal benefit of checking (which includes prevention of corruption and other forms of leakages).

3. Design Issues of PWPs

In the safety net literature the term PWP is used interchangeably with workfare¹¹ . However, the term workfare is more closely linked to labor activation programs that provide job search, training or apprenticeship than the sort of heavy construction labor that is the traditional mainstay of labor-intensive PWPs.

3.1. Key Design Features

Design of a PWP scheme is one of the most important determinants of its ability to achieve its objectives. Different PWP schemes have been designed differently based on the local context of the region where the program is supposed to be implemented. Some of the important design issues are explained below. Selecting areas¹² where PWPs will have the maximum benefits for the participants is very important. Locating programs in

¹¹ Grosh, Margaret et al. (2008)

¹² Ibid.

poor areas and communities that have a high unemployment level will increase the amount of

- a. direct benefits (in terms of transfers) and
- b. indirect benefits (in terms of physical assets that the program creates or maintains) that go to the poor.

3.1.1 Choice of Appropriate PWP Design

In low-income countries PWPs are undertaken with four objectives¹³ in mind:

1. **Transfer Benefits:** These programs provide transfer benefits to the poor. The transfer benefit is equal to the wage rate minus any costs of participation incurred by the worker. In countries, with high unemployment rates, transfer benefits from a good PWP can prevent poverty from worsening, especially during periods of adjustment or transition.

2. Stabilization Benefits: The programs, depending on their timing, may also confer consumption smoothing or stabilization benefits on program recipients. These stabilization benefits arise mainly from the reduction of risk that poor households face because of falling consumption in slack agricultural seasons. During agricultural slack season demand of labor is low in rural areas which can result in falling levels of consumption. A PWP lessens the risk of starvation for those who face seasonal unemployment. PWPs also provide local income to participants in times of unemployment without them having to migrate to cities looking for work.

2. **Building physical infrastructure:** A well-designed PWP can help to build much needed physical infrastructure. The Maharashtra Employment Guarantee Scheme in India has created considerable irrigation infrastructure and rural roads in the state. Some of the durable assets created by the program can generate additional second-round employment benefits.

¹³ Subbarao, Kalanidhi (2003)

3. Geographic targeting: These programs can be targeted to specific geographic areas that have high unemployment and poverty rates. Poor areas and communities can directly benefit from the program (in terms of transfer benefits) and indirectly benefit in terms of the physical assets that the program creates and/or maintains. To this extent, well designed PWPs can enhance the growth potential of less endowed regions.

PWPs have been implemented in many developing as well as developed countries, however for the purpose of this paper, it is essential to use examples from the former group of countries. Although most of the implemented PWPs have common objectives, they differ widely in design and implementation which poses a problem in comparing them to each other. In India, NREGA has been tried and implemented while in Argentina, Trabajar and Plan Jefes de Hogar has been implemented. Even though both the programs are PWPs, they differ considerably in design. For example, in Argentina, Plan Jefes de Hogar program targeted head of households only while in India the program targeted any person in a given household. Also while NREGA is meant for rural workers, Plan Jefes de Hogar also targets urban workers.

3.2. Demand for PWP

Restrictions to control demand: Another design issue is to control demand of the PWP. In a PWP, demand can put considerable load on governments budget and if the government is unable to control demand then it will be unable to ensure that resources are effectively utilized to benefit those in need. But by adding constraints¹⁴ to the family's own adjustment, the use of extra criteria for eligibility-beyond the desire to work for this wage-may actually diminishes the net benefits to the poor. The government can limit the demand in its design by introducing rationing features such as a head of household, one person per household. Extra restrictions¹⁵ on participant eligibility should only be applied if they help assure better targeting performance and at the same time add to the forgone income of participants. The fact that one wants to work at this wage rate should be the

¹⁴ Ravallion, Martin (1998)

¹⁵ Ibid.

only requirement for eligibility¹⁶. The government can also target special groups of people such as minorities and women to obtain further social benefits from the design. Another way of restricting demand for the program is through geographic targeting (as described in section on Rationale of PWP). If geographic targeting¹⁷ is used to restrict demand then the program should be targeted to poor areas. In effect there are three policy choices to control demand of the PWP:

- Wage rate
- Special groups: minorities and women
- Geographic targeting

Any one of the three or a combination could be used to restrict demand for PWP.

Demand of the produced goods: The type of goods and services which PWP will produce is also really important in maximizing social benefits. One way to do this is by ensuring that goods and services are produced which are demanded by poor people in those areas¹⁸. If demanded goods are produced output will benefit people and as a result social benefits of the output will increase. Not only will the production activity have a positive effect on outputs but also on social benefits. However, it can be a tough job for a central authority to survey the local authority of what should be produced. For this reason it is more appropriate for local governments to carry out this survey which again points to the argument that success of a PWP depends upon a decentralized system.

3.3. Labour-Material Cost Ratio

One more design issue which is really important is labor, material and administrative cost ratio. Due to the fact that public PWPs have to be labor intensive (resulting in high share of wage bill in total cost), the costs on material should be low¹⁹. However, this can be a

¹⁶ Subbarao, Kalanidhi (2003)

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

bit difficult as government would have to fund the type of projects which are highly labor intensive on a nation wide scale and such projects are usually harder to design. Moreover, high labor intensity may mean that the production method employed may not be the most efficient one available and hence the government will have to choose between inefficient production method and lower unemployment. Of course government may wish to measure return of its investment in terms of social benefits but then the issue arises whether more employment and income for the poor is better or whether more availability of (goods and services which will be cheaper) is better²⁰. Moreover, in some cases the output of a PWP project may not have enough demand which will undermine social benefits which are also derived from output. In such a case, social costs may outweigh social benefits.

3.4. Markers of a Good PWP Design

The cost-effectiveness²¹ of PWPs is determined by the following four variables:

1. labor intensity: the proportion of the total wage bill going to poor workers
2. targeting performance: gross wages minus all costs of participations incurred by the workers
3. indirect benefits: benefits accrued from the physical infrastructure and assets (skill development, employability) created from PWPs will help in better economic performance in other sectors such as agriculture, transportation, communication and sanitation
4. budget leverage: the share of government's outlay that actually benefits the poor in case if government requires co-financing from non-poor communities

It is important to bear in mind some of the limitations of the cost-effectiveness calculations and associated simulations. To the extent that a well-designed PWP is self-

²⁰ Ravallion, Martin (1998)

²¹ Subbarao, Kalanidhi (2003)

targeted and, therefore, does not incur administrative costs for targeting, the ‘costs savings’ in PWPs may make the program more cost-efficient than other targeted programs.

4. International Experience: Argentina and India

4.1. Argentina: Jefes De Hogar

Argentina implemented an Employer of Last Resort Program (ELR) after its economy collapsed and poverty and unemployment skyrocketed due to the economic crisis in late 1990s (For a more detailed discussion on Jefes De Hogar see Randall 2007). The program has been a success, providing job (at its peak) to 2 million workers or about 13% of the labor force within a few months of its creation. Peak spending on the program amounted to 1% of GDP. The macroeconomic impact of the *Jefes* program is larger than that because of the multiplier effect that results from spending by program participants. Taking this into account, the program increases GDP by 2.5% - adding a needed boost to aggregate demand.

Jefes program was supposed to be Argentina’s primary program to deal with the economic crisis that gripped Argentina with the collapse of the currency board. The program started by registering eligible, unemployed heads of household who wanted to work. Eligible households must contain children under 18, persons with handicaps or a pregnant woman. Households are generally limited to one participant in the program. Participants were also required to register their children in school and to take necessary vaccinations. Participants work in community services and small construction, agricultural or maintenance services or are directed to training programs (including finishing basic education).

One of the most distinguishing features of program’s institutional design is its decentralized model of administration. The Argentinean federal government provides the funding for salaries as well as a portion of equipment costs, general guidelines for the

execution of work projects, and some auxiliary services for managing the program. Such services include maintaining a national registry of program beneficiaries, as well as databases that track all projects that have been proposed, approved, denied and completed. These data are supposed to be made publicly available, thereby increasing transparency and reducing corruption.

The actual administration of the program is primarily executed by the municipal governments. The municipalities are responsible for assessing the pressing needs and available resources of their communities and for evaluating the projects proposed by the local non-profits or NGOs. For those projects that have been approved, the municipality contacts program beneficiaries, informing them of the availability, time and place of work. It is estimated that 10% of participants work in projects organized and run by community activists. A peculiar aspect of the project organization is that the federal government finances no more than 80% (but usually only 60%) of all project costs. This provision requires that the project executing local governments and NGOs contribute their own resources – an arrangement that commands a higher level of commitment from the local community.

A large majority of projects are designed specifically to cater to community needs by directly providing goods and services. According to Argentina Labor Ministry data, 87% of *Jefes* beneficiaries work in community projects. These include primary agricultural micro-enterprises and various social and community services. Some specific examples of rural programs include cleaning and environmental support in the agricultural sector, improving the sewer-systems and water-drainages. Other projects include health promotion programs, mending old clothes, repairing scrapped books in public libraries etc. The Ministry of Infrastructure hires *Jefes* workers for repairs of roads and bridges. Also some *Jefes* workers form co-ops that produce output on government contract (such as school uniforms).

It is important to note that program participants receive additional benefits. Many *Jefes* projects provide free healthcare for participants (with care provided by *Jefes* workers).

Projects also provide literacy programs for adults, tutoring for children, counseling for families with drug abuse or domestic violence problems and family planning. World Bank and Labor Ministry studies indicate that most projects are successfully completed. These are not “make work” projects of digging holes as some critics of public job creation programs have warned. These projects provide real benefits to the community. Further, by increasing political participation, the program ensures that even when participants leave the program, the individuals and the community will benefit from the enhanced feeling of community.

4.2. National Rural Employment Guarantee Act (NREGA): India

The Parliament enacted the National Rural Employment Guarantee Act (NREGA) in 2005 expressing the consensus of the state to use fiscal and legal instruments to address the challenges of unemployment and poverty (The major portion of this section is derived from Ministry of Rural Development, India Report). The rationale for such legislation was based on the need to provide a social safety net to rural households as well as to create assets that rejuvenate the natural resource base of their livelihood. With 60% of the population dependent on agriculture on livelihood, a major share of rural population is vulnerable to the vagaries of monsoon as an overwhelming share of the gross cropped area is rain-fed. NREGA aims at enhancing the livelihood security the household in rural areas of the country by providing at least one hundred days of guaranteed wage-employment in every financial year to every household whose adult members volunteer to do unskilled manual work. The objective of the Act is to create durable assets and strengthen the livelihood resource base of the poor.

The coverage of NREGA was expanded in phases. In the first phase, it was notified in 200 districts across the country. In the financial year 2007-08, the Act was notified to an additional 130 districts. In the third phase, the program is expected to cover the remaining rural areas in the country.

Criteria:

The broad guidelines for operation of NREGA are as follows:

1. Adult members of a rural household may apply for employment if they are willing to do unskilled manual work
2. Such a household will have to apply for registration to the local *Gram Panchayat*, which will issue a job card to the household as a whole.
3. Employment will be given within 15 days of submitting the application for work or from the date when work is sought by an employment seeker.
4. If employment is not provided within 15 days, a daily unemployment allowance in cash has to be paid. Liability of payment of Unemployment allowance is on the States.
5. At least one third of the persons to whom work is allotted has to be women
6. Wages are to be paid in accordance with the minimum wage rate unless the Centre notifies a minimum wage rate which shall not be less than Rs.60 per day. Disbursement of wages has to be done on a weekly basis
7. *Panchayat Raj Institutions* (PRIs) have a principal role in planning and implementation

Each district has to prepare a shelf of projects from a list of permissible works*.

8. Work should ordinarily be provided within a 5km radius of village or else extra wages of 10% are payable
9. Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process

Funding:

The funding responsibilities of the scheme are divided between the Central and State Governments. The Central Government bears the cost of wages of unskilled manual

* List of permissible works is as follows: water conservation, drought proofing (including planting and forestation), irrigation canals including micro and minor irrigation works, minor irrigation, horticulture and land development, renovation of traditional water bodies, land development, flood protection, rural connectivity etc.

labor; seventy-five percent of cost of material and wages of skilled and semi-skilled workers; administrative expenses (as determined by Central Government) which will include inter alia, salary and allowances of Program Officer and his supporting staff and worksite facilities; and expenses of National Employment Guarantee Council.

The state governments bear twenty-five percent of the cost of material and wages of skilled and semi-skilled workers; unemployment allowance payable in case the state government cannot provide wage employment on time; and administrative expenses of the State Employment Guarantee Council.

Program Evaluation:

Two years of implementation of NREGA vindicates the self-targeting, demand-based nature of the program. Although the program is not confined to BPL (Below the Poverty Line) families, experience shows that it is mainly the poor households willing to do manual labor who seek employment under NREGA. It is also evident that the nature of employment is seasonal. All Job Card holding families do not necessarily request for the full 100 days of employment.

Implementation of wage-employment programs poses many challenges especially in the transitional period of implementation. Hence, it is very important to continuously monitor progress of the program which Ministry of Rural Development does through external monitors. Some of the typical problems faced in the field are as follows:

- a. Non-conformity to application process and delay in issue of Job Cards
- b. Non-issue of dated receipts
- c. Inadequate shelf of Projects, resulting in delay in starting works
- d. Vital records not maintained: Job Cards, Muster Rolls, Measurement Books, GP records
- e. Delays in measurements and payments

4.2.1 Right to Information Act (RTI) and NREGA:

The Right to Information Act (RTI) was passed in India in the year 2005. The Act provides citizens the right to access government-held information from public authorities. Citizens can inspect works, documents, records; take notes, extracts or certified copies of documents or records; take certified samples of materials; and obtain information in electronic form. The *Panchayati Raj Institutions* (PRIs) which have been established as per Part IX of the Indian Constitution are covered by the Act, thereby giving citizens an additional tool to access information from local bodies.²²

PRIs, especially the Gram Panchayats have been made the main implementing agencies of the employment guarantee scheme. The works to be carried out under this scheme have to be decided in the Gram Sabha after which applications have to be made by the adults (who wish to enroll themselves for this scheme) to the local Gram Panchayat. In many states the Gram Panchayats have also been notified as public authorities under the RTI Act. Public Information Officers (PIOs) have also been appointed at that level to receive applications for information from citizens, process the ad then provide the requested information within a stipulated time period. The citizens can now directly obtain information from the Gram Panchayats.

A key provision of the new RTI Act is Section 4, which requires proactive disclosure of a range of information. Proactive disclosure refers to the obligation on the government (in this context the PRIs) to publish key information on an ongoing basis, without being requested to do so by citizens. Some of the information which have to be proactively disclosed include the budget allocated to each PRI, indicating particulars of all plans, proposed expenditures and reports of disbursements; and detailed plan of the implementation of subsidy programmes, including the amounts allocated and the details and beneficiaries of such programmes. Thus, details of sanctions and expenditures of all works are to be painted on the walls of the panchayats as well as on boards at the worksites.

In addition, the Panchayati Raj Acts of all states also indicate the proactive disclosure of information through Gram Sabha meetings or by putting up information on

²² Paul, Sohini (2006)

notice boards. The other way of obtaining information under the RTI Act is upon request, wherein citizens have to apply for information from the PIO who is then duty bound to handle requests provide the information sought within 30 days. Citizens have to pay nominal charges for obtaining these documents, whereas all those belonging to below poverty line families have been exempt from paying any fees for obtaining information under the Act.

RTI has provided the citizens with an important tool to hold their local public authorities for the services that are being provide or that should be provided under NREGA. The Act will ensure that NREGA is able to meet its proposed objectives with active participation from the citizens.

Table 1: Jefes De Hogar and NREGA – Key features

Features	Jefes De Hogar	NREGA
Beneficiaries (numbers- one in each household)	2 million people	33.7 million people
Spending (% of GDP)	1% of GDP	0.4% of GDP
Financing	<ul style="list-style-type: none"> • Federal Government covers up to 80% of the cost (and no more) including funding for salaries as well as a portion of equipment costs • The project executing local governments and NGOs contribute their own resources also 	<ul style="list-style-type: none"> • Federal (cost of wages of unskilled manual labor,75% of cost of material and wages of skilled and semi-skilled workers, Expenses of Natural Employment Guarantee Council) • State (25% of cost of material & wages of skilled and semi-skilled workers, Unemployment Allowance, administrative

		expenses of the State Employment Guarantee Council)
Selection Criteria	HHs must have children under 18 or handicapped, pregnant women	Adult Member of Rural Household
Other Benefits/ Conditions	<ul style="list-style-type: none"> • CCTS on schooling, vaccinations • Benefits for; health care, adult literacy, counseling on drug abuse etc. 	Daily Unemployment allowance if job is not provided within 15 days of application for job
Public-Private Linkages	Involvement of NGOs	None
Nature of Projects Executed Through PWP	Principle is 'not meant purely for digging holes'. 87% of projects are community projects ²³	Primary concern is with employment creation ²⁴

The above table provides a quick overview of Jefes De Hogar and NREGA. The table also provides a good comparison of the salient features of the two programs. It must be noted that NREGA is a fairly new program which started in 2005 as compared to Jefes De Hogar which started at the end of last decade. Jefes De Hogar caters to around 2

²³ Examples are primary agricultural micro-enterprises & social and community services including but not limited to cleaning and environmental support in the agricultural sector, improving the sewer-systems and water-drainages, health promotion programs, mending old clothes, repairing scrapped books in public libraries etc, repairing of roads and bridges. Also some *Jefes* workers form co-ops that produce output on government contract (such as school uniforms)
- Wray, Randall (2007)

²⁴ Projects based on the following works are allowed: water conversation, drought proofing (including planting and forestation), irrigation canals including micro and minor irrigation works, minor irrigation, horticulture and land development, renovation of traditional water bodies, land development, flood protection, rural connectivity etc.
- Ministry of Rural Development, India Report

million people whereas NREGA's beneficiaries are almost 17 times more (around 34 million) than that of Jefes De Hogar. The fiscal commitment on part of the government is huge in both programs; the cost of Jefes De Hogar is close to 1% of the entire GDP of Argentina whereas NREGA's cost is around 0.4% of India's GDP. The burden of finance in both programs is distributed along different tiers of government with the federal government providing more than two-thirds of the funding in both programs. In Jefes de Hogar, the other financing costs are borne by the local governments and NGOs which are actually implementing the projects. This institutional framework ensures more responsibility and ownership on part of the local governments and organizations as they also contribute to the financing of the program. On the other hand, the remaining funding for NREGA comes from the state governments. There are no NGOs involved in implementation of NREGA at the local level; the projects are implemented and administered by local village-level institutions.

Jefes De Hogar is also being used in Argentina as 'a platform' through which social services such as schooling for children and health benefits are provided to families participating in the program. This would help the participating families accumulate human capital benefits (better health and education) in addition to cash benefits. NREGA on the other hand, only provides unemployment allowance to households who are not provided with employment opportunities. The main motivation of NREGA is to provide employment in rural areas; hence the nature and quality of assets produced through the program are not a priority. This results in creation of assets which may not be durable but are a source of providing employment to people. On the contrary, Jefes De Hogar seeks creation of durable assets and projects that benefit the entire community. The design of these two programs provides important insights for the design of the Employment Guarantee Scheme for Pakistan.

5. Performance of Existing PWPs in Pakistan:

The only existing employment program similar to a PWP is the Peoples' Work Programme. Formerly called the Khushal Pakistan Program (2000-2007), the Peoples'

Works Programme ²⁵ covers small development schemes for provision of electricity, gas, farm to market roads, telephone, education, health, water supply, sanitation and bulldozer hours facilities to the rural poor. Up until March 2010, 904 schemes were approved under PWP I, with highest number of schemes under Road i.e. 320 followed by 272 schemes related to Water Supply and 209 electrification schemes.

The main purpose of the Peoples' Works Programme is infrastructure development and employment-generation is only an indirect outcome of the program. It is for this very reason that most of the projects are capital-intensive and fail to employ rural unskilled workers. The infrastructure projects are implemented through contractors who then sub-contract employment to employment contractors at the local level. The funds for the Peoples' Works Programme are provided through allocations for each individual member of parliament. The process of project selection is thus 'developmental' in a broader sense and employment creation is not a priority..

6. Design and Costing of EGP in Pakistan

EGP will be implemented in three phases in Pakistan. In the first phase, the programme will be implemented in FATA and Malakand. In the second phase, EGP will be implemented in rest of Khyber Pakthoonkhwa and Balochistan and in the final phase it will be implemented in selected districts of Sindh and Punjab.

6.1. Rationale for a Phased EGP

The ongoing War on Terrorism in Pakistan has resulted in loss of lives and infrastructure of the people. The worst affected areas in the country are those in Khyber Pakhtoonkhwa where terrorism and consequent fighting between militants and the Pakistan Army has resulted in a breakdown in the lives of the people. People in FATA and Malakand have not only suffered in terms of loss of human lives but the infrastructure of these areas has also been damaged. The conflict has also had an adverse impact on the livelihoods of

²⁵ Government of Pakistan (2010)

local residents. Therefore, it has become important to start rehabilitation in these areas first, by rebuilding local infrastructure as well as providing employment opportunities to local population at the same time.

If terrorism has disproportionately affected Khyber Pakhtoonkhwa recently, the people of Balochistan have suffered from neglect of the federation for a long time. In order to improve the living standards of the people of Balochistan, it is important to kickstart economic activity in the province so that people feel that they are getting their fair share of resources from the federation. The lack of economic opportunities and low-quality as well as missing infrastructure in some places requires a concerted effort on part of the government to bring Balochistan and Khyber Pakhtoonkhwa at par with the rest of the country in terms of regional development. Implementing EGP in these two provinces will ensure that people have more economic opportunities and will also enable them to build infrastructure according to their local needs. It is important to implement EGP in all divisions of Khyber Pakhtoonkhwa and Balochistan because almost all areas in both the provinces have poor socio-economic indicators (see Annexure) as compared to the rest of the country.

EGP should also be implemented in the areas which have poor socio-economic indicators in Punjab and Sindh and the scheme need not be extended to other areas in these two provinces as they perform better in socio-economic indicators as compared to the rest of the country. EGP should be implemented in selected districts of Punjab and Sindh only when the programme has been implemented in all districts of Khyber Pakhtoonkhwa and Balochistan.

The primary reason for phased implementation of EGP is that the fiscal costs to implement the program throughout the country in one go are very high. The global economic crisis in 2008 resulted in slowing down economic growth in Pakistan and coupled with already high inflation had a damaging effect on the livelihood of the poorest people in the country.

Pakistan had to seek IMF's assistance to see through these crises which resulted in conditions by the IMF on budgetary expenditures and the need to constantly rationalize costs of all development projects. In order to avail the loan facility under the IMF agreement²⁶, Government of Pakistan made a commitment to address macroeconomic imbalances through a tightening of fiscal and monetary policies and to protect the poor and preserve social stability through a social safety net.

Under the IMF regime and with limited available resources, Government of Pakistan can only afford to implement EGP in the most distressed areas of the country. EGP will be implemented in Pakistan in three phases. The details of the plan are given below.

6.2. Three Phase EGP Plan

The EGP will be implemented in three phases in Pakistan. In the first phase, the scheme will be implemented in FATA and the Malakand Division of Khyber Pakhtoonkhwa. We expect the uptake of the program to be around 20% of the total population of FATA and Malakand Division. This estimate is based on the actual uptake of NREGA in India. The wage rate for the program will be Rs.200 per day. The wage rate was set keeping in consideration the minimum-wage laws of Pakistan which stipulate a minimum wage of Rs.6000 per month or Rs.200 per day. Keeping in view the entire budget of the program, number of days worked are estimated to be 60. The wage rate times the number of days worked gives the Total Wage Cost. The Material Cost which is 40% of Total Wage Cost is also taken from NREGA to keep the jobs more labor intensive. The Administration Cost which is 10% of Material and Total Wage Cost is taken from administration cost estimates from NREGA. The sum of the Total Wage Cost, Material Cost and Administration Cost of the program gives us the Total Cost of the program in FATA and Malakand Division.

²⁶ International Monetary Fund (2008)

In Phase II, EGP will be extended to entire Khyber Pakhtoonkhwa and Balochistan province. The uptake of the program is expected to be 20% of the total population of Khyber Pakhtoonkhwa and Balochistan. The rest of the details are same as in Phase I.

In Phase III, EGP will cover Punjab and Sindh. The scheme will be implemented in the most deprived districts of Punjab and Sindh (Details of selection of most deprived districts are mentioned in the Annexure). Using the Indices of Multiple Deprivation – IMD (details in Annexure), roughly 20% of the cumulative population of most deprived districts of Punjab and Sindh are obtained. The uptake is expected to be 20% of the population of these most deprived districts.

6.3. Costing

Based on the wage rate chosen, the expected uptake and the labour-material cost ratio, the costing for the three phases of EGP in Pakistan is given.

Table 2: Costing Details of EGP Phase 1

Phase- I		
FATA		
	Unit	
Total Population	million	1.60
Population covered (20% of Total Population)	million	0.32
Wage rate	Rupees	200
Number of days worked	days	60
Total wage cost million	Million Rs.	3840
Material cost (40% of wage cost)	Million Rs.	1536
Administration cost (10% of material + wage cost)	Million Rs.	537.6
Total cost	Billion Rs.	5.91
Malakand		
	Unit	
Total Population	million	2.01

Population covered (20% of Total Population)	million	0.40
Wage rate	Rupees	200
Number of days worked	Rupees	60
Total wage cost million	Million Rs.	4824
Material cost (40% of wage cost)	Million Rs.	1929.60
Administration cost (10% of material + wage cost)	Million Rs.	675.36
Total Cost	Billion Rs.	7.43

Table 3: Costing Details of EGP Phase II

Phase-II		
Khyber Pakhtoonkhwa		
	Unit	
Total Population	million	7.47
Population covered (20% of Total Population)	million	1.49
Wage rate	Rupees	200
Number of days worked	Rupees	60
Total wage cost	Million Rs.	17928
Material cost (40% of wage cost)	Million Rs.	7171.20
Administration cost (10% of material + wage cost)	Million Rs.	2509.92
Total cost	Billion Rs.	27.61
Balochistan		
	Unit	
Total Population	million	3.65
Population covered (20% of Total Population)	million	0.73
Wage rate	Rupees	200
Number of days worked	Rupees	60
Total wage cost	Million Rs.	8760
Material cost (40% of wage cost)	Million Rs.	3504
Administration cost (10% of material + wage cost)	Million Rs.	1226.4

Total cost	Billion Rs.	13.49

Table 4: Costing Details of EGP Phase III

Phase-III		
Punjab		
	Unit	
Total Population	million	41.91
Population (22% Cumulative population of province comprising of most deprived districts)	million	9.23
Population (20% of 22% Cumulative population of province comprising of most deprived districts)	million	1.85
Number of days worked	Rupees	200
Wage Rate	Rupees	60
Total wage cost	Million Rs.	22152
Material cost (40% of wage cost)	Million Rs.	8860.8
Administration cost (10% of material + wage cost)	Million Rs.	3101.28
Total cost	Billion Rs.	34.11
Sindh		
	Unit	
Total Population	million	18.09
Population (23% Cumulative population of province comprising of most deprived districts)	million	4.13
Population covered (20% of 23% Cumulative population of province comprising of most deprived districts)	million	0.83
Wage rate	Rupees	200
Number of days worked	Rupees	60
Total wage cost	Million Rs.	9912
Material cost (40% of wage cost)	Million Rs.	3964.8
Administration cost (10% of material + wage cost)	Million Rs.	1387.68
Total cost	Billion Rs.	15.26

6.4. GOP Pronouncement on EGP in the Budget 2010-11

In its annual budget for the year 2010-11 presented in June 2010, the Government of Pakistan has allocated a sum of Rs. 5 billion for a pilot EGP. The programme envisages to employ one adult from any poor household who is willing to undertake unskilled manual work at the statutory minimum wage²⁷ will be entitled to employment for 100 days on local public works financed by the State. The pilot scheme will be in 120 union councils in 12 least developed districts, which are also the areas which come under Phase I and II of the proposed program outlined in this report. The scheme will also include a training component that will facilitate absorption into the labor market of the beneficiaries. The Government envisages 200,000 beneficiaries.

The scheme is expected to be administered through the Benazir Income Support Program (BISP) Office. Since the BISP is also the repository of the poverty scorecard being administered to identify income support beneficiaries, the EGP can build up on this database for the identification of its beneficiaries also. This is particularly useful given that GOP has stipulated the payment of the minimum wage for EGP, which tends to be higher than the market wage. As such, beneficiary targeting is built into the design of the scheme pronounced in the budget.

7. Institutional Design of EGP in Pakistan

The context for institutional design is particularly important in the Pakistani context for two reasons. One, because of a three tier governmental structure – which is evolving in

²⁷ The Minimum Wage at the time of the announcement was Rs. 7000/month or Rs. 233 per day.

terms of jurisdiction²⁸ – it is important to specify the respective roles of each tier. Second, because institutional capacity to administer the EGP across tiers is limited.

At the federal level, the BISP has started implementing the cash transfer program. It is in the nature of the cash program that once lists are drawn then only a delivery agency is needed to transfer the cash to beneficiaries. While the system of drawing up lists and delivering cash in a verifiable manner is still evolving,²⁹ BISP has reached out at the sub-district (tehsil level) for purposes of grievance redressal. The EGP, on the other hand, requires local level presence for identification of projects, their supervision, maintenance of beneficiary rolls, ensuring presence on the work site, procurement of material and payment of wages will require on the ground presence. As such, given the reach of BISP as well as its primary mandate of cash transfers, it does not appear to be the appropriate entity to administer the EGP alone.

Ideally suited for implementation of EGP is the local government tier. The Indian EGS also has a substantial role in the implementation of the programme. In Pakistan, the local government is in a state of flux presently. More importantly, it lacks requisite capacity and technical expertise to administer a program of this nature. At the same time, there are some non-governmental entities that have developed expertise in community infrastructure development programs at the local level.³⁰

We are mindful of the importance of state ownership of EGP if it is to become state policy and sustained over time. In this section, we therefore, we outline respective

²⁸ At the time of writing, elected local government has been dissolved and new legislation on local governments is awaited. Moreover, the 18th Constitutional Amendment enacted in April 2010 has devolved many areas of social policy from the federal to the provincial government.

²⁹ The BISP is carrying out a poverty score card census at the national level and intends to move to lists drawn up on the basis of this census. Presently, identification of beneficiaries is done by Parliamentarians and then vetted by the National Database Registration Authority (NADRA) which has limited socio-economic database of all citizens.

³⁰ The National Rural Support Program (NRSP) in particular has extensive experience of administering community infrastructure projects across the country.

jurisdiction across different tiers of government and public-private partnership between those non-state entities that have experience and capacity in the area and local government.

The core design features of EGP in Pakistan are detailed below.

7.1. Programme Jurisdiction

For the purposes of the programme the entitlement to employment for residents will be defined, created and operationalized at the level of:

- The Union Administration³¹
- Union Administration Cluster/Defunct Markaz level³²

In the first instance access to employment will be provided by union administrations (UA) to their own residents within the beneficiaries' *mouazza* (revenue village) of residence through community-based village-level public works schemes. In the second instance access to employment will be provided by UAs to their own residents within the jurisdiction of the UA through community-based union level public works schemes. In the event that employment is provided outside the revenue village the relevant UA will provide a travel allowance that will be paid in addition to the statutory wage.

Finally, access to employment will be provided to the residents of a UA-cluster/defunct Markaz level. UA-cluster/Markaz committees (UACCs) will be notified by the District Administration (DA) for the purposes of this programme. Each committee will comprise of the union nazims of all union councils that are part of the UACC; relevant Member(s)

³¹ Union Administration is the primary tier of local government and comprises of a certain number of revenue villages within its jurisdiction.

³² The markaz-level is the middle tier enacted as part of the 1979 Local Government Ordinance and comprises of clusters of union councils.

of the Provincial/National³³ Assembly; and the District Coordination Officer who shall be the convener of the committee. The jurisdiction of these committees will only extend to employment related to public works that spillover across UAs. They will not have any jurisdiction over local public works that are UA specific. Again, in case employment is provided to a resident outside the UA of residence the UACC will ensure that a travel allowance is paid in addition to the statutory wage.

7.2. Portfolio of Eligible Public Works

Each UA will prepare a medium term or annual portfolio of eligible works for the programme funding based on a criteria specified by the programme management. Key features of criteria may include equitable spread across UA, labour intensive nature, simple in nature and execution, use of local materials and manpower, future employment generation potential, contribution to social and economic sector services. The criteria should also ensure that the assets created are of acceptable quality and contribute to economic and social development of the community. Hence, the portfolio of eligible works must provide a fine balance between easy tasks that can be completed by unskilled workers while at the same time resulting in creation of assets that are of reasonable quality. The criteria will be defined and notified by the Programme Steering Committee (PSC).

7.3. Community Participation Institutions and Eligible Beneficiaries

During the pilot phase all selected UAs/UACCs will be eligible for the grant, provided they submit a formal council resolution agreeing to the terms and conditions of the programme grant. The council resolution will ensure that the selected UA accepts ownership of the programme and the institutional framework underlying it. Selected UAs/UACCs will have to sign tripartite agreements with the Project Management Unit

³³ This depends on whether this is going to be rolled out as a federal or provincial programme.

and the Rural Support Programmes (RSPs) that will be selected to assist with community mobilization and technical assistance.

Representative village organizations (VO) will be established in each village with all eligible households being members. Non-eligible households will also be encouraged to become members to benefit from other non-infrastructure related local development activities. Within selected UAs all resident households that register themselves will be eligible to participate in the programme.

7.4. Process of Registration and Application

Following steps will guide the process of registration and enrollment:

- ¾ Selection of villages within UA as per eligibility Criteria
- ¾ Formation of a VO and registration of eligible households within the village as VO members
- ¾ Prioritization of development schemes portfolio for the village and VO resolution endorsing the portfolio;
- ¾ Preparation of consolidated list of VOs and their members at UA level as well as prioritized list of development schemes for each VO
- ¾ UA resolution endorsing the lists of VOs and members and providing an undertaking to abide by programme terms and conditions.
- ¾ Approval of UA recommended portfolio and estimated budgets by District Programme Coordination Committee (DPCC).

Each UA will need to create and maintain a register of enrolled VOs and eligible households drawn from within their resident population. At the beginning of the programme cycle and annual planning cycle each UA will hold Programme Information Campaigns in each residential hamlet falling within their jurisdiction. The information campaign will be used to identify priority project(s) of the village for each year; disseminate programme benefits; details about the right to employment; the process of implementation; and the registration process.

Based on the registration process a database of enrolled members will be created and maintained at both the PMU and UA levels. The list of enrolled members will be publicly displayed outside the UA office and in a publicly designated place in every residential hamlet. An objection process will be instituted, which will allow resident(s) of every village community to object to spurious or fictitious enrollments (see g below).

The register of enrolled households will contain the following information:

8. Name of the household head
9. Name of the household head's father
10. CNIC number (If it exists. If not then NADRA will have to issue CNICs to all enrolled household heads)
11. Revenue village of residence
12. UA of residence
13. Age
14. Occupation
15. Education level
16. Name of adult member(s) of household who are likely to participate in the scheme
(All members need to be registered)
17. Name of adult member's father
18. Relationship with household head
19. CNIC number (If it exists. If not then NADRA will have to issue CNICs to all enrolled household heads)
20. Age
21. Occupation
22. Education

Programme registration will be demand-driven. All resident households in a UA will be given the right to enroll by registering in the programme. Following registration an "employment card" will be issued to each enrolled household by the UA. The

“employment card” will be made in the name of each household and will create an employment entitlement at the household level.

The objective of the programme is to provide employment to poor households. To ensure that only the poor are able to benefit two enrollment mechanisms can be used:

- Poverty surveys: Undertake a census of all households in eligible UAs using a poverty scorecard and enroll only those households that fall below a poverty threshold estimated at a point in time.
- Self-targeting: Set the statutory wage marginally below the market wage, which will provide enrollment incentives for only those households that cannot find market-based employment.

We support the self-targeting approach for the following reasons:

- The main objective of the programme is to target poor households that are adversely affected by employment shocks and are faced with problems of under- and unemployment. Poverty surveys are not very useful in measuring under- and unemployment. Self reported measures are likely to be inaccurate and finding proxy means to capture these factors may not be straightforward. Furthermore, the poverty survey approach provides a static snap-shot of poverty, whereas employment shocks have a temporal component associated with them. Enrolling households on the basis of static measures can exacerbate type-I and type-II errors.
- Setting the statutory wage equal to or above the market wage will create incentives for households to reallocate labour and direct it towards the programme. This will create over-enrollment, raise the fiscal burden and make the programme unsustainable in the long-run.
- The cost of undertaking poverty surveys will raise the cost of running the programme significantly.

Households willing to be enrolled in the programme will have to register themselves within a specific time period with their UA. For the purposes of the programme each nuclear family will count as a separate household. The unit of registration will be the household and not the adult member who will perform work. Registration will be done on the basis of forms that will be filled by the relevant VO in special community meetings held for the purposes of registration. Designated councilors of the union council will be mandated to attend these meetings.

7.4.1 Application Process

Membership of the VO and active participation in VO proceedings will grant automatic right of access to employment on the programme executed schemes to the enrolled households. After approval of any scheme for a VO/Village, UA will record and communicate the number of days of employment entitlement to member households, the VO and the PMU. If employment is not provided equal to the number of days intimated the applicant will be entitled to an unemployment allowance, which will be: (i) at least one-half of the statutory wage for the no of days of employment promised; Wages will be paid weekly and in extreme cases no later than a fortnight. Wages will be paid to the beneficiary in front of the community to ensure transparency. The programme will ensure gender-parity in wage setting. Priority would be given to women-headed households in the allocation of work.

7.5. Institutional Framework for Funding, Planning, Implementation and Monitoring

7.5.1 Institutional Framework

Programme Steering Committee (PSC)

Programme planning and policy formulation will be done by the PSC that will be set-up at the provincial level. The PSC will be responsible for approving policies and

programme guidelines including the criteria for eligibility and selection of public works. It will also determine the jurisdiction of the programme; the criteria for the allocation of funds between UAs; and it will also be responsible for coverage and phasing of the programme. The PSC will be headed by Chairman Planning and Development Board and it will include: representatives of the Programme Management Unit; all MPAs/MNAs, District Nazims and DCOs from the programme districts.

Project Management Unit (PMU)

A project management unit (PMU) will be established at the provincial level that will be responsible for programme oversight and will ensure that the implementation of the programme is in line with plans and policies formulated by PSC. The Programme Director will also be ex-officio secretary of the PSC. The PMU will be responsible for providing the enabling framework for contracting between the RSPs, the district governments of the programme districts and the union administrations enrolled in the programme. The internal audit of the programme and its monitoring and evaluation will be done by the PMU. The databases related to the programme will be maintained at the PMU. The PMU will also be responsible for third-party audit and evaluation of the programme and for formulating the framework for third party audit.

District Programme Coordination Committee (DPCC)

The DPCC will be established at District level. It will be convened by an MPA and will include as members all MPAs of the district, the District Coordination Officer and the nazims of all program UAs in the district. It will be responsible for programme coordination, and monitoring at the district level. The DPCC will also approve the medium-term portfolio of eligible public works proposed by UACCs that fall within its jurisdiction. It will notify the formation and membership of all UACCs falling within its jurisdiction. It will handle disputes regarding household membership; delay in receipt of funds by households; violation of claims to employment etc.

Union Administration/Union Cluster Administration

Village level implementation of the programme will be the responsibility of UAs or the UACCs. The registration and data-maintenance authority will be the UAs at the level of the union. UACCs will comprise of the union nazims of all union councils that are part of the UACC; relevant Member(s) of the Provincial and National Assembly; and the DCO will be the convener of the committee.

The UAs will maintain the register of VOs and eligible households as well as the register of employment claims. However, as part of the agreement of the programme they will share this data with the PMU, which will maintain an integrated data-base of all UAs and UACCs. The UAs and UACCs will prepare a consolidated portfolio of public works based on the prioritization suggested by member VOs, which will be endorsed or amended by the relevant union council and DPCC, respectively. The budgetary requirement for implementation of this portfolio will be passed by the relevant union council and DPCC, respectively.

Village Organizations (VOs)

VOs will be responsible for the formulation and prioritization of the development portfolio for the village. This portfolio will need to be endorsed by a resolution of each VO. The VOs will create the register of eligible households and maintain the employment register. They will be responsible for the implementation of the approved local public works.

Rural Support Programmes (RSPs)

RSPs will be responsible for mobilizing and forming VOs. They will assist the VOs in creating the register of eligible households from among the members of the VOs and help the UAs maintain the employment register. They will help VOs prioritize and formulate a portfolio of schemes and ensure that this is in line with the criteria formulated by the PSC

and does not exceed the budgetary allocation for the relevant VO. RSPs will be responsible for the programme information campaign in collaboration with the union councilors representing the relevant village. RSPs will be responsible for the capacity building of VOs, UAs and UACCs. They will assist the VOs with the implementation of local public works.

7.5.2 Funding Procedure

Funding will be allocated to all selected UAs and UACCs on the basis of a simple formula approved by the PSC³⁴. The formula will reflect the result of a simulation exercise that estimates the size of the fund needed annually to finance a target number of days of employment and the capital cost required to generate the employment at the UA and UACC level. To ensure certainty and continuity rule-based access to funds at the UA- and UACC-levels is extremely important. Based on the indicative allocations, UAs, with assistance from RSPs, prioritize a portfolio of schemes for each target village and indicate the number of days of wage employment for each scheme.

Funding will be disbursed to selected UAs on a six-monthly basis, in August and February of each year. UAs will be informed in advance of the exact date and amount of each disbursement. Disbursements will be made directly into the bank account of the UA to which the PFC shares are transferred, through the existing disbursement processes.

Disbursements will be interrupted or suspended in cases where conditions of funding are not met (see g below).

7.5.3 Planning

Programme success is integrally tied to the ability of the UAs and UACCs to frame an annual plan of labour-intensive public work schemes in advance at the level of the UA;

³⁴ Again this depends on whether this will be a provincial or federal programme

the revenue village; and the UACC. Since access to employment is to be created at the level of the revenue village; UA; and UA-cluster it is important that schemes are approved and ready for implementation at each of these levels and correspond to the budgeted annual funding allocation.

There is a need to institute bottom-up development planning to ensure that the public works that are designed and implemented not only contribute to local employment generation but can impact development among the poor at the village level. Bottom-up development planning is also important to create ownership of local public works at the community level.

Village organizations are a missing institutional tier in the framework of bottom-up planning. In order to overcome this institutional vacuum there is a need to create village organizations (VOs) by mobilizing village communities. For this purpose the programme must engage Rural Support Programmes (RSPs)³⁵ to mobilize and create membership-based VOs. The VO membership must consist of a certain percentage of the village population for the village residents to become eligible for the programme. Mobilized VOs will be registered with the relevant UA and the UACC. Again, an integrated database of registered VOs will be maintained at PMU level.

An important function of the VOs will be to put together a proposed annual development plan for village public works based on: a positive list of public work schemes that are approved for the purposes of the programme by the PSC; defined financing limits for each scheme-type; and a technically designated number of workers and worker days involved in implementation formulated by the PSC. This information will be contained in the technical feasibility document (TFD) of the programme that will be designed by the PMU in consultation with the RSPs and will be approved by the PSC. The TFD is an important document that will ensure that funds can only be utilized for labour-intensive public works and will provide employment-related guidelines. Bottom-up planning will

³⁵ We recommend engaging RSPs because of they have considerable experience of community mobilization in rural Pakistan.

ensure that the public works portfolio reflects community demands, which will help create ownership of the assets created as part of the programme.

Based on the medium term approved plan for each UA, the proposed annual development plan from each village will need to be approved by the relevant union council at the beginning of the fiscal year. The UA will also approve the schemes designed as part of the proposed annual development plan provided they meet the conditions laid out in the TFD. The Union Council will also approve an integrated list of schemes for the UA that will become the prospective annual plan of the programme at the UA level, which will be approved at the beginning of the fiscal year. Similar plans will be made by the UACC, which will be approved by the DPCC. Scheme approval at the beginning of the fiscal-year is important to ensure that a continuous flow of employment can be provided throughout the year.

7.5.4 Implementation

The VOs will be the implementing agency of these public works at the village and the UC level. An important function of the VOs will be to act as community-based implementing agencies. In doing so VOs will involve all registered resident households from the village in the implementation of village-level schemes. Technical support will be provided by RSPs to VOs not only with regard to development planning but also with regard to scheme implementation. Over the medium term, capacity of the UAs would be gradually approved to take over the engineering, community mobilization and monitoring functions on their own and RSP support would be gradually phased out.

Use of private contractors would not be permissible for programme schemes. Any savings made by CO against the approved scheme costs through better efficiencies would be treated as common bonus for the participating eligible households and would be distributed equally among them.

7.5.5 Monitoring and Oversight Framework

Complaints

Complaints regarding spurious registration and the non-provision of employment within the stipulated period will be made simultaneously to the UA and the DPCC. PMU will engage an independent Grievance Redressal Oversight Agency to carry out independent enquiry into any complaints of misuse of programme resources.

Conditions of Funding

The conditions on which the grant shall be provided to the UA and UACCs include: (i) continued fulfillment of the eligibility conditions; (ii) maintaining accurate registers of enrolled households and employment claims and sharing the relevant data with the provincial government in a timely manner; (iii) a demonstrated commitment to participatory decision-making through holding information campaigns and open council meetings four times a year and funding only membership based VOs; (iv) timely design and approval of an integrated medium terms and annual development plan; (v) financing schemes only if they meet the requirements set out in the TFD; and (vi) adequate review of annual financial statements and audit opinion and, where necessary, implementation of appropriate mitigation measures.

Audits

An annual audit process shall be introduced to ensure transparency, effectiveness and accountability. The audit will be supported by the operation based on Pakistan Audit Standards that require the expression of an audit opinion. This improves upon the present practice being followed by the provincial Local Fund Audit (LFA) where a list of audit queries or objections (known as audit “paras”) are prepared. The audit process will provide the PMU with an audit opinion (unqualified, qualified, adverse) or a disclaimer of opinion by the middle of each fiscal year, which covers both their financial statements

and the procurement, participation and safeguards conditions outlined above. The audit will be conducted by qualified third parties.

UAs obtaining unqualified or qualified opinions will be permitted to continue participating in the programme, or the nature of qualifications will be monitored by the provincial/federal government. UAs obtaining adverse opinions or where opinions are disclaimed, will be immediately barred from receiving outstanding disbursements and will not receive an allocation for the subsequent financial year.

Monitoring and Reporting Systems

A multi-tier Programme Monitoring and Reporting system would be established to ensure programme oversight and quality of outputs. Provincial oversight is intended to supplement and support citizen oversight of UAs, not to replace it. These “top-down” systems will be simplified and streamlined and supplemented by an independent verification process. These reports are: (i) the monthly internal reports required under the terms of the programme agreement to be submitted to the Union Council, including the monthly accounts which are required under the terms of the agreement to be displayed for public information; and (ii) an annual report, narrative and financial, to be prepared and submitted within three months after the end of each fiscal year, which will be subject to external audit. This report will include the annual financial statements of the UAs, as well as details on procurement practices and outcomes, citizen participation, social management and effect delivery of employment.

7.6 Constitutional Protection

EGP can only become a successful program if it is sustainable and provides employment to the most vulnerable workers as a matter of right. The Employment Guarantee Program can be made sustainable by recognizing it through an Act of Parliament. This will have two advantages. First, since an Act of Parliament can only be passed by bringing together

major political forces it will make it more difficult for a subsequent government to terminate the program even after the government that initiates the program completes its tenure. Secondly, it will enable participants to seek redress through courts if the procedure outlined for grievance redressal in the institutional framework of the program is unable to relieve the participants.

Annexure 1

Technical Note ILO-EGP

This technical note details the process that has been used to arrive at the target population and costs for the International Labor Organization – Employment Guarantee Programme (EGP from here-on). This project will be implemented in three phases and the note outlines the method to arrive at figures for each phase of the project.

PHASE I

Phase-I of the scheme is directed towards creating a PWP for Federally Administered Tribal Areas (FATA from here-on) and Malakand Division..

1. Population Projection.

The last nation-wide census was carried out in Pakistan in the year 1998. As we do not have figures from an actual population census since then, we are calculating estimates using figures from the 1998 census as baseline figures. The EGP is being designed to provide employment to people and the nature of work will be labor-intensive. We select the 15-49 age cohort of the current population to proxy for people eligible to do labor-intensive work. We use the 15-49 years age cohort of the 1998 Census³⁶ to project population figures for the same age group in 2009. The 1998 Census figures are bifurcated into Male and Female population.

Table I : FATA Population Figures

* Chitral district is not included in Malakand Division. It is included in Khyber Pakhtoonkhwa province in this note.

³⁶ The 1998 population census gives information of only the male population in the 15-49 years age cohort. We calculate the female population in the 15-49 years age cohort by using the female share in the total population in FATA and applying it to find 15-49 years aged females. Unit for all figures is millions.

Age: 15-49 years	TOTAL		
	BOTH SEXES	MALE	FEMALE
FATA 1998	1282728	667162	615566

Source: 1998 Census Report of Pakistan (2001)

As no nation-wide population census has taken place in Pakistan since 1998, to project population figures for 2009 we have to rely on estimates from other surveys conducted by the government. We have the population estimates for the year 2008 from Pakistan Economic Survey (PES) 2008-09. The PES gives an estimate of the total population of Pakistan but it does not have any information on gender classification of the population. Hence, we can only calculate National Population Growth Rate and apply it on male as well as female population of 1998 to get the current male and female population.

In order to calculate National Population Growth Rate, we use population figures from the 1998 census. The total population of Pakistan in the 1998 census is recorded to be 132.2 million. The total population estimate of Pakistan according to Pakistan Economic Survey 2008-09 is 162.37 million³⁷.

Now, the National Population Growth Rate is calculated by the formula:

$$\text{Population Growth Rate} = [1 - (P/P_n)]^{1/n}$$

where, P : Baseline population estimate, which is 1998 here

P_n : Other population estimate, which is 2008 here

n: difference of years between Other population estimate and baselines
population estimate, which is 2008-1998 = 10 years

Inserting the figures in the Population Growth Rate formula, we calculate the National Population Growth Rate Estimate.

³⁷ Government of Pakistan (2009)

Table II : Population Growth Rates

National Population Growth Rate
0.020346

Source: Author's calculations

Now, we use the National Population Growth Rate calculated above to project population estimates for males and females in the 15-49 age cohort in FATA. We use the following formula.

$$\text{National Population 2009} = \text{Pn1998} * (1 + \text{National Population Growth Rate}) ^ 11^{38}$$

Using the above formula, we get population estimates (2009) for FATA in the 15-49 age cohort as follows:

Table III : Population Projection for FATA in 2009

15-49 years	TOTAL		
	BOTH SEXES	MALE	FEMALE
FATA 2009	1600878	832636	768243

Source: Author's calculation

It is important to note that the Male and Female Population (and hence the total population for 2009) have been calculated from the National Population Growth Rate. In this way, the population projection of 2009 preserves the province-wise share of population and the male-female share in population of the 1998 census. Without any

³⁸ We need population estimate for the current year. Difference between current year (2009) and census year (1998) is 11 years.

other primary source to make predictions, this is the safest way to predict the characteristics of population in the year 2009.

Repeating the entire process for Malakand Division, we get the total population of Malakand in 2009.

Table IV : Population Estimates of Malakand Division in 2009

	BOTH SEXES	MALE	FEMALE
Malakand Division 2009	2012668	984230	1028439

Source: Author's calculations

PHASE II

In Phase II, the EGP will be introduced in rest of Khyber Pakhtoonkhwa as well as Balochistan province. The aim is to make the scheme available to all parts of Khyber Pakhtoonkhwa and Balochistan.

Repeating the process outlined in Phase I, the population estimates in 2009 of Khyber Pakhtoonkhwa and Balochistan are given as:

Table V : Population Estimates of Khyber Pakhtoonkhwa and Balochistan in 2009

	BOTH SEXES	MALE	FEMALE
Khyber Pakhtoonkhwa 2009	7467562	3727152	3740411
Balochistan 2009	3650795	1908275	1742520

Source: Author's calculations

PHASE III

In Phase III, the scheme will be expanded to the most deprived districts of Punjab and Sindh. First, we need to calculate the current population of Punjab and Sindh in 2009. Using the process outlined in Phase I, the population estimates of Punjab and Sindh in 2009 are calculated. Each district with its share of population is ranked according to the Index of Multiple Deprivation 2005.

The Indices of Multiple Deprivations (IMD)³⁹ are based on the premise that multiple deprivations are made up of separate dimensions or 'sectors' of deprivations. These sectors reflect different aspects of deprivation. Each sector is made up of a number of indicators, which cover aspects of this deprivation as completely as possible. A schematic view of the sectors and the indicators selected is given in the box below:

Table VI: Variables Chosen to Construct Sectoral Deprivation Index

³⁹ Jamal, Haroon (2007)

VARIABLES USED TO REPRESENT SECTORAL DEPRIVATIONS	
Education	
	Illiteracy Rate (10 years and above) – Female
	Illiteracy Rate (10 years and above) – Male
	Out of School Children (5-9 Years) – Female
	Out of School Children (5-9 Years) – Male
Housing Quality and Congestion	
	Percentage of Non-Owner Households
	Percentage of Homeless Population***
	Inadequate Material Used in Roof
	Inadequate Material Used in Wall
	Households with no Bathroom Facility***
	Household with no Kitchen Facility***
	Households with no Latrine Facility
	Housing Units with One Room
	Persons Per Room
Residential Housing Services	
	Un-electrified Households
	Households not using Cooking Gas
	Households with no Inside Piped Water Connection
	Households with no Telephone (landline) Connection**
Employment	
	Unemployment Rate [15-65 years].
	Employed Labor Force in Non-Manufacturing Sectors
*** These indicators are not available in PSLM survey 2005.	
** This indicator is not available in the Census 1998.	
Source: Pakistan Population and Housing Census (1998) and PSLM Survey 2005	

Source: Jamal (2007)

The districts are then arranged in descending order of deprivation. The most deprived district in each province is ranked first while the least deprived district is ranked last. The cut-off point is drawn where cumulative population of the districts is roughly 20% as a rule of thumb. After attaining the population estimates in 2009, ranking the districts according to the Index of Multiple Deprivation 2005 and applying the cut-off at the 22% cumulative population, we get the following tables.

Table VII: Population Estimates of Punjab in 2009

Punjab 2009	Index of Multiple Deprivation 2005	TOTAL			share	Cumulative
		BOTH SEXES	MALE	FEMALE		
Lodhran	64.90	635073	326198	308875	1.52	1.52
Muzaffargarh	64.20	1373581	705424	668157	3.28	4.79
Rajanpur	61.80	571665	296160	275504	1.36	6.16

Layyah	60.10	604982	307564	297418	1.44	7.60
D.G. Khan	59.60	840903	430133	410769	2.01	9.61
Pak Pattan	59.50	718667	367349	351318	1.71	11.32
R.Y. Khan	58.40	1707342	877738	829604	4.07	15.39
Jhang	58.10	1602682	820878	781804	3.82	19.22
Vehari	58.10	1171450	600990	570460	2.79	22.01
Khanewal	58.00	1168989	599975	569014	2.79	24.80
Okara	57.50	1266653	660176	606477	3.02	27.82
Khushab	57.10	515288	245120	270168	1.23	29.05
Bhakkar	56.50	580181	294003	286179	1.38	30.44
Mianwali	56.50	584162	281551	302611	1.39	31.83
Bhawalnagar	56.20	1163225	594336	568889	2.78	34.61
Bhawalpur	54.40	1369699	718652	651047	3.27	37.87
Sargodha	53.60	1524103	769034	755070	3.64	41.51
Sahiwal	53.50	1061596	542075	519521	2.53	44.04
Hafizabad	52.90	472983	244908	228076	1.13	45.17
Multan	51.90	1798820	946786	852034	4.29	49.46
Kasur	51.80	1299738	683536	616202	3.10	52.56
Narowal	51.80	671452	325198	346254	1.60	54.17
Mandi						
Bhauddin	50.90	652552	325732	326819	1.56	55.72
TobaTekSingh	50.00	918363	461943	456419	2.19	57.91
Attock	48.00	745397	361272	384125	1.78	59.69
Jhelum	47.70	541646	261639	280007	1.29	60.99
Chakwal	47.20	606205	267934	338271	1.45	62.43
Sheikhupura	46.60	1865409	973961	891448	4.45	66.88
Faisalabad	44.20	3178946	1650663	1528283	7.58	74.47
Gujrat	42.70	1160963	561954	599009	2.77	77.24
Rawalpindi	41.40	2072583	1048402	1024181	4.94	82.18
Sialkot	40.90	1560433	789666	770767	3.72	85.90
Gujranwala	38.50	1962629	1025078	937551	4.68	90.59

Lahore	29.20	3945091	2092906	1852184	9.41	100.00
Total		41913450	21458935	20454516	100.00	

Table VIII: Population Estimates of Sindh in 2009

Sindh 2009	Index of Multiple Deprivation 2005	TOTAL			share	Cumulative
		BOTH SEXES	MALE	FEMALE		
Thatta	65.30	643,334	334,382	308,951	3.55	3.55
Tharparkar	64.00	446,393	233,139	213,254	2.47	6.02
Umerkot	64.00	359,193	187,588	171,605	1.98	8.01
Dadu	62.50	980,784	504,481	476,303	5.42	13.43
Larkana	61.20	1,062,704	532,483	530,221	5.87	19.30
Badin	61.10	636,427	332,181	304,246	3.52	22.81
Jacobabad	60.10	799,763	398,890	400,872	4.42	27.23
Sangher	59.70	815,435	423,026	392,409	4.51	31.74
Khairpur	57.40	854,296	438,555	415,741	4.72	36.46
Nawabshah	57.20	610,785	308,802	301,984	3.37	39.83
Mirpurkhas	56.30	514,620	265,793	248,826	2.84	42.68
Ghotki	55.60	533,141	276,905	256,236	2.95	45.62
Naushero						
Feroz	53.50	612,179	311,044	301,135	3.38	49.01
Shikarpur	52.70	492,182	245,241	246,941	2.72	51.73
Hyderabad	47.20	1,736,405	903,701	832,704	9.59	61.32
Sukkur	44.50	529,337	282,649	246,687	2.92	64.24
Karachi						
Central	20.90	1,518,213	810,451	707,762	8.39	72.63
Karachi East	20.90	1,814,993	986,137	828,857	10.03	82.66
Karachi South	20.90	1,183,211	658,466	524,745	6.54	89.20
Karachi West	20.90	1,331,466	752,018	579,447	7.36	96.56

Malir	20.90	623,178	364,874	258,304	3.44	100.00
Total		18,098,039	9,550,806	8,547,232	100.00	

Source: Author's calculations

The districts selected in Punjab have a cumulative population of approximately 22% in the population share of Punjab whereas the districts selected in Sindh have a cumulative population of approximately 23% in the population share of Sindh. The difference in percentage of cut-off is only because the last included districts had a population which increased the cumulative population above the 20% mark. The selected districts in both provinces are shown below:

Table X: Selected Districts of Punjab

Punjab 2009	Index of Multiple Deprivation 2005	TOTAL		
		BOTH SEXES	MALE	FEMALE
Lodhran	64.90	635073	326198	308875
Muzaffargarh	64.20	1373581	705424	668157
Rajanpur	61.80	571665	296160	275504
Layyah	60.10	604982	307564	297418
D.G. Khan	59.60	840903	430133	410769
Pak Pattan	59.50	718667	367349	351318
R.Y. Khan	58.40	1707342	877738	829604
Jhang	58.10	1602682	820878	781804
Vehari	58.10	1171450	600990	570460
Total		9,226,345	4,732,434	4,493,910

Source: Author's calculations

Table XI: Selected Districts of Sindh

Sindh 2009	Index of Multiple	TOTAL
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	Deprivation 2005	BOTH SEXES	MALE	FEMALE
Thatta	65.30	643334	334,382	308,951
Tharparkar	64.00	446393	233,139	213,254
Umerkot	64.00	359193	187,588	171,605
Dadu	62.50	980784	504,481	476,303
Larkana	61.20	1062704	532,483	530,221
Badin	61.10	636427	332,181	304,246
Total		4,128,835	2,124,254	2,004,581

Source: Author's calculations

Now, we calculate 20% population of the cumulative 20% population comprising the most deprived districts in Punjab and Sindh respectively.

Table XII : Population Estimate of Punjab and Sindh in 2009 for EGP:

Punjab	TOTAL		
	BOTH SEXES	MALE	FEMALE
22% Cumulative population of province comprising of most deprived districts	9,226,345	4,732,434	4,493,910
20% of 22% Cumulative population of province comprising of most deprived districts	1.85 million	-	-

Source: Author's calculations

Sindh	TOTAL		
	BOTH SEXES	MALE	FEMALE
23% Cummulative population of province compirsing of most deprived districts	4,128,835	2,124,254	2,004,581
20% of 23% Cummulative population of province comprising of most deprived districts	0.83 million	-	-

Source: Author's calculations

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