

# PUNJAB RURAL SUPPORT PROGRAM (PRSP)

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## I. INTRODUCTION

Pakistan is an agriculture-based economy. More than 24% of the GDP comes from the agriculture sector of Pakistan. Around 62% of the total population of Pakistan lives in rural areas. The 1998 census provides us with an estimate that 68% of Punjab's population is in rural areas, moving along the rapid rural-urban migration the decrease the figure will not be more than 10%. Since there has been any recent census, the exact figures are hard to determine. Even though the agriculture sector is the backbone of the Pakistani economy, there has not been much improvement in the social and financial standards of this sector.

Approximately 35 million rural people remain poor (accounting for about 80 percent of Pakistan's poor), and rural poverty rates in 2004-2005 were still at levels approximating those of 1990s. And in spite of improvements, non-income measures of welfare related to health and education are low in comparison with those of other countries in South Asia. Infant mortality per 100 live births in 82 in Pakistan (885 percent in rural areas, compared to only 62 in India, 56 in Bangladesh and 12 in Sri Lanka. The national primary school enrollment rate for girls is only 48 percent (42 percent in rural areas), compared to 86 percent in India.<sup>1</sup>

The agriculture systems are still not up to date in most of the regions; the traditional practice is done in most of the areas due to lack of awareness. This further leads to the deterioration of the living standards in the rural areas because of low standards regarding education, technology, and infrastructure. The government of Pakistan has tried several times to give uplift to rural areas both on federal and provincial level. The Punjab Rural Support Program is also one of these initiatives taken up by the provincial government of Punjab.

<sup>1</sup>Dorosh, P., Sur, M., & Arshad, R. R. (2007). Pakistan: Promoting rural growth and poverty reduction. Washington, D.C.: World Bank.

## II. HISTORY

In 1997, the government of Punjab decided to fund the establishment of an organization to address the issue of prevailing poverty and rising unemployment in the province. As a result, the Punjab Rural Support Program (PRSP) came into existence in June 1998 as

a non-political, no-governmental, private organization registered under section 42 of the Companies Ordinance (1984). At first the PRSP was set up to work in eight regions of the Punjab: Faisalabad, Gujranwala, Lahore, Multan, Muzaffar Garh, Narowal, Sahiwal, and Sargodha. The overall objective of PRSP's working is reduction in poverty and improvement in the quality of life of the rural poor. The detail objectives are to:

Inculcate the habit of saving rural population (men and women). Introduce an institutional system of community organization at the grassroots level.

Enhance the managerial, vocational skills of the villagers. Provide credit for the micro enterprises, agriculture inputs, and livestock production on easy terms and conditions and it will increase the income of villagers.

Help the villagers to develop the physical infrastructure and social sector services (roads, sanitation, clean drinking water, culverts, schools, and health services, etc.).

Empower the village communities to take self-initiatives for their development and develop productive linkages with line departments situate in their territory.

To achieve the goal and objectives of PRSP, the strategy of harnessing people's potential to help themselves is being adopted. The rural people are being organized to provide them a common forum, their production, and managerial skill are also being enhanced through different managerial, technical, and vocational skills and capital is provided for investment in income generating activities. Plus, the PRSP facilitates the process of community organization and multi-purpose, broad-based village level organizations called Community Organizations (COs), formed of both men and women. All the individual and collective problems are solved through these local level community organizations.<sup>2</sup>

<sup>2</sup>Anwar, H. N., Zafar, M. I., & S. H. (2006). Evaluation of Punjab Rural Support Programme-The Case of Lahore Region. Pakistan Journal of Life and Social Sciences, 4(1), 2nd ser., 58-62

## III. MARKET FAILURES

The rural support program is the initiative taken due to the market failure of the private sector providing assistance to the rural areas. Even though most of the

raw materials used in the urban industry comes from the rural areas but the private market has failed to provide any social level benefits to the rural sector. The rural sector has always been neglected regarding infrastructure and education. Previously, the main issue regarding this sector was that there was no support from the government for the social uplift, the support has always been regarding subsidies and monetary reward related to the agricultural production. This support program, as mentioned earlier, was developed for social uplift of the rural Punjab.

The vision statement of the PRSP mentions, "Help alleviate poverty and to this end enhance household income, empower the dis-empower and improve the quality of life of the poor in the rural Punjab."

This shows that the government was well aware of the fact that the private is not willing to support the rural sector in any way. Therefore, this PRSP was started. Thus, the market failure in this situation relates to the social and private benefits. The issue is very clear that the private sector only looks for the best possible raw materials from the rural sector that too at the lowest rates to maximize their private benefits. The government, on the other hand, has always supported the rural sector by providing subsidies on fertilizers, tractors, and other agricultural inputs. Even though there was government support, the social benefits were still not maximized.

The main objective of this program, as mentioned earlier, is poverty alleviation. There are several reasons which led to such levels of poverty in rural areas. Firstly, the lack of proper market system led to a wide gap in earnings by the urban industrialists and farmers. This further led to the disproportionate income distribution within the rural sector as the farmers with more land had an absolute advantage over the small farmers. Secondly, the issue of credit was a major reason for poverty. The traditional system of small loans for the rich landlords is a failure as the markup of these loans keeps on growing and the loan receiver is then forced to work for the landlord because in most of the cases the loan repayment is not possible.

Thirdly, the lack of educational facilities also caused a lot of poverty. There has been a major rural-urban migration, but the lack of skills in rural labor has been a reason of the rural areas not getting an uplift. The more skilled labor is, the more they earn in the urban centers and send back more money, and this process leads to more social uplift. Since the private sector has failed to provide the rural areas with high standard educational systems, the government is responsible to provide it. But even the government has failed to provide with adequate educational facilities in most of the rural areas.

Lastly, the inadequate infrastructure in rural areas also limits the growth opportunities. The lack of

metaled roads leads to the disruption of transport. Transport is the basic requirement for development, and most of the rural areas lack this transport infrastructure. The rural areas have also been neglected regarding basic facilities like gas, electricity, and sewage. All these things are the basic requirements for the social uplifting of any region.

In this paper, however, we will focus upon the poverty alleviation in rural areas in Punjab with the analysis of the PRSP with respect to goals achieved and future plans of the program. The provision of public goods needs to be addressed properly to alleviate poverty. Since poverty is not a single issue, it is linked with all kinds of market failures and public policy failures; we will step address each issue and purpose a possible solution to that issue. The projects already taken up by PRSP are mentioned in the appendix.<sup>3</sup>

#### IV. COMPARISON

The comparison of the PRSP can be done with similar programs initiated in the neighboring countries like India. Since both Pakistan and India are similar in many ways, the comparison will be quite realistic and practical. Following are some successful examples of the rural support programs in India.

The Mahatma Gandhi National Rural Employment Guarantee Act, 2005, guarantees 100 days of employment in a financial year to any household whose adult members are willing to do manual unskilled work. The Act has come into forces with effect from 2006 in 200 districts initially and later on it was extended to all the rural districts of India from the financial year 2008-09.<sup>4</sup> This Act came into action after 56 years of experience of the already working support programs in India. It is evident that from the beginning the Indian government has put its support to the rural areas in developmental aspects as compared to support provided by Pakistani government in its support programs, which were usually short term and were based upon crises of food or agricultural technology. Some of the programs in India include the National Rural Employment Program (NREP) 1980-89; Rural Landless Employment Guarantee Program (RLEGP) 1983-89; Jawahar Rojgar Yojana (JRY) 1989-90; Employment Assurance Scheme (EAS) 1993-99; Jawahar Gram Samridhi Yojana (JGSY) 1999-2002; Sampoorna Grameen Rojgar Yojana (SGRY) 2001; National Food for Work Program (NFFWP) 2004.<sup>5</sup> Most of these programs listed above are based on social uplifting of the rural areas rather than direct or indirect financial support.

The literature from India states that there are also problems in their support programs. Mathur (2009) states that in social audit undertaken in Andhra Pradesh (India), it was found that in certain villages,

some people stated that they had not been paid for the work done. When comparisons were made of the payments as per the passbook with the payment as per the job card, it was discovered that the job card did not contain the inner pages that recorded the work done by each person; the job card itself was incomplete.<sup>6</sup>

Similar problems also persist in Pakistan. The major issue in PRSP is corruption that leads to inefficiency. A case of corruption was disclosed in the Faisalabad region where the official in charge was found guilty of using the public funds for personal use. The funds released by the government were recorded in the books as for the repairs of the health units in rural areas but unfortunately, there were no improvements in the health units, which led to the disclosure of the corrupt practices carried out by the officials.<sup>7</sup>

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is one of the largest anti-poverty programs in the world. As Farooq states in his article; “MGNREGA is considered as a “Silver Bullet” for eradicating rural poverty and unemployment, by way of generating demand for productive labor force in the Indian villages. It provides an alternative source of livelihood which will have an impact on reducing migration, restricting child labor, alleviating poverty, and making villages self-sustaining through productive assets creation such as road construction, cleaning up of water tanks, soil, and water conservation work, etc. For which it has been considered as the largest anti-poverty program in the world.”<sup>8</sup>

<sup>4</sup>Ganiee, F. A. (2014). A Case Study of Rural Development Programmes In India. IJELLH, I(5).

<sup>5</sup>Ganiee, F. A. (2014). A Case Study of Rural Development Programmes In India. IJELLH, I(5).

<sup>6</sup>Ganiee, F. A. (2014). A Case Study of Rural Development Programmes In India. IJELLH, I(5).

This is a good example for the Pakistani counter-part as the villages must be self-sustaining. Not only should there be jobs related to agriculture but other jobs opportunities must be created/developed in rural areas to reduce/minimize rural-urban migration. Skill development should be made sure in the rural regions.

There are several paths to reduce poverty in rural areas i.e. introduction of latest agricultural machinery, direct investment from the government in basic facilities, promotion of Non-Governmental Organizations (NGO's) for rural development, supporting the microcredit banks, etc. Our analysis would focus on the gradual but stable improvement in the social status and income levels of the rural population. For this purpose, we may include different strategies that seem appropriate for the goals to be achieved.

## V. RECOMMENDATIONS

Education is strongly related to poverty reduction. It is evident that investment in education does not reap immediate benefits. Education is a long-term process and usually the governments try to invest in projects which show immediate results like transport facilities in urban areas to gain public support. Education as per experts' state takes around at least 15 years to show positive results which in Pakistan's context means three electoral terms of the government. The basic objective of the recommendation here is the public-private partnership in making education available in the rural areas. The PRSP is already working to develop educational systems in rural areas, but it is not very efficient in doing so. The motivation behind the public-private partnership is that this will not only increase the efficiency but also increase the quality of education, while costs can also be reduced. PRSP has already worked upon projects of up-gradation of schools in rural areas, but the outcomes have not added to the overall literacy rates. Partnership with the private sector can be done in the following way.

The government can hand over the schools to the private owners and subsidize tuition fees for the people in the surroundings. A direct subsidy in the form of cash transfer may lead to the moral hazard issue as there may be the case of asymmetric information, therefore, the government can get the local people to register the children in the government office and then directly subsidize the private owner of the school. A direct subsidy to the owner will work as an incentive to increase the efficiency of the schools while a yearly increment in the subsidy will help to motivate owners further. The issue may arise that from where will the subsidy amount be generated? The idea behind this is simple, once the schools are handed over to the private owners, they already have the building and other essential materials available hence the initial investment of the owners is saved. Moving on, the already provided subsidy will be utilized in this process rather than adding new funds to the program. Later on the government will have the option to take back the schools from private owners once the contract ends. This means that through a private partnership the government can for once make sure that the schools are run in the most efficient manner. Education is a process that develops over time. Once the system gets smooth stream, then there is only a need for running finances rather than excess subsidies. This PPP will make sure that the process is in the stream and later when PPP ends the schools are self-sustaining, and one generation of the kids have passed through the system. This is a long-term solution requiring at least ten years to prove the efficiency of PPP.

Moving on the skill development of the youth in rural areas. Until now, no initiative has been taken up by

PRSP in this aspect. The skill development should be a focus point of PRSP. The skills that should be introduced may be amateur level skill set for employment in industries. These skills may be of an electrician, plumbing, basic technology skill, etc. The recommendation for this issue is that a basic training center can be opened up in the rural area. A single center can cover up many villages because there are prerequisites for the training course, and only a certain age group can acquire these skills, unlike schools where all the age groups are to be catered simultaneously. Once people get trained in these centers, they can further enhance their skills in urban centers or apply the skills in their farming/employment practices.

The very basic need for the uplift of any area is the infrastructure. PRSP has completed many such projects. The electrification of villages and supply of natural gas has been done under the PRSP. The building of sustainable sanitation has also been a part of the PRSP. The lacking in infrastructure is in terms of metaled roads and transport links. Most of the rural regions have been isolated without any proper linkages with the urban centers.

This not only holds back development but also leads to poverty, as market and job opportunities are not much available in such villages. People need to travel to long distance usually by foot to get to the nearest bus stop from where the local buses operate. As new metaled roads will open, the people of the region will be motivated to move around, and new market opportunities will also open up. The supply of electricity to all rural regions is also very important because it is directly related to the agricultural production. And since agricultural production has a direct relation to the incomes, it means that the electricity has an indirect link with income levels. It will be wrong to state that an urban level infrastructure should be made compulsory in villages, but a basic level is needed on urgent basis. All the other facilities are directly dependent on the infrastructure of any area; therefore, the government must start focusing on the infrastructure of the rural areas.

Moving on there is the issue of credit in small villages. The traditional loan practices have been abandoned, and those who require credit have no option available for them. Firstly, the large farmers are unable to secure loans because the farmland is not considered a mortgage able property and hence without any proper security the banks do not lend loans. Set aside the large farmers because they exist in very small numbers. The main issue is of the small farmers who require small amount of loans. The popular practice in Bangladesh and Mexico is of the micro finance projects that help such small recipients. In those states, the recipients are normally the small

vendors or women in the rural regions. Recently the private sector micro finance banks have stepped in the Pakistani market. But the overall analysis of the micro finance credit on a world level is said to be not very popular (Evidence from Article<sup>9</sup>).

The PRSP can add a new initiative based on the terms of the micro finance but reduce the interest rates because the micro finance has very high-interest rates in private market. Mostly the small farmers face the crisis when some unfortunate event leads to bad harvests. This leads to cash flow issues forcing the small farmers to get loans from large farmers hence, otherwise are forced into poverty when their basic needs are not fulfilled. The government needs to make sure that by the PRSP such farmers are given credit on lowest interest rates and least mortgage property. The issues of adverse selection may happen but the government must decentralize the system to reduce this issue to the lowest rate. Credit facilities will help the rural people to make themselves more financially stable as well as the poor class within the rural area will be motivated to work and earn themselves.

Lastly, the PRSP must ensure a clear and better market place formation between the urban and rural regions. The rural regions are not well connected with the urban centers, and thus, the farmers face the problem of asymmetric information, which leads to being paid less than what they deserve. This shows that there must be a proper channel to sell rural goods in urban centers. The government can make offices in certain regions and make sure that the market process is maintained without any farmer being under or overpaid. These facilitation centers may not only provide security to rural sellers but will also increase the overall transactions as mostly the transportation and imbalance market rates force the rural sellers to sell less, and therefore they lose the incentive to produce more. Hence, such facilitation centers are necessary for the smooth market process.

So, the bottom line issue is that with a proper PPP and active participation from the government program like PRSP can be used to alleviate poverty from the grass root levels and add to the development of the country.

## APPENDIX 1

For the projects completed under PRSP;  
<http://www.prsp.org.pk/Projects/Projects.aspx>  
 For the Rural statistics of Punjab:  
<http://www.pbs.gov.pk/content/agriculture-statistics>

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