

EHSAAS RASHAN MADAD PROGRAM: GOVERNMENT'S ECONOMIC RELIEF PACKAGE FOR THE POOR

By
Mir Sherbaz Khetran
Research Fellow

Centre for Strategic Perspectives (CSP), ISSI

Edited by
Dr Neelum Nigar

November 17, 2021

(Views expressed in the brief are those of the author, and do not represent those of ISSI)



آئیں ملکر ضرورت مندوں
کو راشن پہنچائیں

In order to reduce the impact of rising inflation on the poor people, Prime Minister Imran Khan, on November 3, 2021, announced a relief package worth Rs120 billion. This program called the Raashan Madad Package will be under the purview of the Ehsaas Program and will be aimed at providing relief to 20 million families at first, which will in turn benefit 130 million Pakistanis overall. The program has been designed as a precision-target system of subsidy delivery focusing on deserving beneficiaries to provide financial assistance for the purchase of essential commodities at a discount through digitally processed transactions.¹

Dr Saniya Nishtar, Special Assistant to the Prime Minister for Poverty Reduction and Social Security, informed the cabinet that in the wake of massive increases in commodity prices, with the costs of 3 major food items rising 15% during the year, the Government of Pakistan will help the poor and vulnerable people by launching Rashan Madad Program. For this, the State Bank of Pakistan (SBP) has appointed the National Bank of Pakistan as the sole national agent for this subsidy program.² Under the program, household people who have less than Rs 31,500 monthly incomes will be eligible for a subsidy of Rs 1,000 per household per month to cover staple foods, including wheat flour, pulses (daal) and vegetable oil, in addition to 25% of food spending for low-income households to reduce the inflationary impact on vulnerable populations due to rising inflation.

¹ "PM Imran announces biggest welfare package in Pakistan's history to mitigate inflation impact, Dawn.com, November 3, 2021

² "PM Announces Rs. 120 billion Ehsaas Roshan," Lead Pakistan, November 4, 2021

The Current State of Inflation in the Country

In October 2021, the upward swing in consumer prices surged to 9.2%, triggered by faster rupee depreciation and rising energy prices. According to the data released by Pakistan Bureau of Statistics (PBS) on November 2nd, 2021. Inflation increased to its highest level in four months, the period when global oil prices kept on rising steadily.³ At the same time, prices of fresh vegetables, fruits and meat also posted a persistent increase in major urban centres. The average inflation during the July-October period rose to 8.74% on a yearly basis. Food inflation is still at a higher level as in urban areas it jumped by 9.4% in October on a yearly basis and 1.5% monthly, whereas the respective growth in prices in rural areas stood at 7.2% and 2.6%.⁴

The Economist Intelligence Unit (EIU) assessment released in November 2021, also showed that inflation will remain high in Pakistan for the next six months and the rupee will likely continue to depreciate despite a support package from Saudi Arabia. This is because of strengthening inflationary headwinds that are being driven largely by rapid import growth, exacerbated by a surge in global commodity prices, as the economy recovers from the disruption caused by the COVID-19 pandemic. The pass-through effect of higher oil prices, the EIU said, is reflected in rising inflation in power and transportation.⁵ Due to an increase in the prices of commodities and rising costs of services in the international market, the import reliant economies like Pakistan are feeling its effects. These trends have been a primary cause of inflation, commodity shortage, and extreme revenue dissipation in the country. The situation has not been helped by reactionary policy making by the government.⁶

Conclusion

The Ehsaas Roshan Madad Program can be seen as a positive step by the government. But inflation is generally welfare depressant and particularly affects the poor, middle class and the salaried class with no tangible assets, pensioners, widows, and other fixed-income earners. Unfortunately, there is no magic wand to fix the problem in the short term. The global supply shocks had repercussions for Pakistan's economy as imports of goods and services account for more than a quarter of GDP and

³ "Inflation jumps to 9.2 pc in Oct. Due to increase in oil prices rupee fall," Imran Ali Kundi, *The Nation*, November 2, 2021.

⁴ <https://nation.com.pk/02-Nov-2021/inflation-jumps-to-9-2pc-in-oct-due-to-increase-in-oil-prices-rupee-fall>

⁵ "Inflation in Pakistan will continue to rise for next 6 months: Report", *mint*, November 10, 2021.

⁶ "Soaring energy prices pose inflation risks as supply constraints persists," The World Bank, October 21, 2021. <https://www.worldbank.org/en/news/press-release/2021/10/21/soaring-energy-prices-pose-inflation-risks-as-supply-constraints-persist>

the country is dependent on POL products, machinery, food, industrial raw material, transport for both consumption as well as production.⁷ Moreover, lack of domestic economic viability is a major deterrent in the country's economic progress, making its reliance on global imports inevitable. It is quite understandable that political compulsions necessitate attention to be focused on short-term problems, but in this way the essential long-term policy decisions are neglected. The main thrust for combating inflation must be expansion of domestic productive capacity and keeping it aligned with growth in aggregate demand. Public policymakers in Pakistan should pay more attention in resolving supply bottlenecks and address the economy's structural issues in order to sustain the external shocks.

⁷ Ishrat Hussain, "Anatomy of inflation", *The News*, November 4, 2021 <https://www.thenews.com.pk/print/905809-anatomy-of-inflation-part-i>