

# A Critical Evaluation of Subsidies Targeting Vulnerable Segments of Society in KP: Challenges and Way forward

Amir Hassan Khan<sup>1</sup>

Mr. Muhammad Tayyab<sup>2</sup>

**KJPP**

**Citation:**

Khan, A. H. (2024). *A critical evaluation of subsidies targeting vulnerable segments of society in KP: Challenges and way forward*. *Khyber Journal of Public Policy*, 3(3).

**Article Info:**

Received: 29/04/2024

Revised: 05/05/2024

Accepted: 15/06/2024


Published: 30/06/2024

**Disclaimer:**

The opinions expressed in this publication do not implicitly or explicitly reflect the opinions or views of the editors, members, employees, or the organization. The mention of individuals or entities and the materials presented in this publication do not imply any opinion by the editors or employees regarding the legal status of any opinion, area, territory, institution, or individual, nor do they guarantee the accuracy, completeness, or suitability of any content or references.

**Copy Right Statement:**

© 2022 Khyber Journal of Public Policy

 This work is licensed under a Creative Commons Attribution 4.0 International License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

**Abstract:**

Subsidies, a form of financial assistance from governments or organizations, aim to reduce production costs and enhance affordability of goods and services, particularly for vulnerable populations. They can manifest as direct aid, tax incentives, or support for research. While intended to drive economic growth, reduce poverty, and promote sustainable development, subsidies have complex impacts. The United Nations views them as tools to achieve Sustainable Development Goals (SDGs), while the IMF highlights potential economic inefficiencies and trade distortions. In Khyber Pakhtunkhwa (KP), subsidy programs have shown promise in improving living standards but face challenges such as limited financial inclusion, ineffective targeting, and corruption. To address these issues, recommendations include increasing funding, improving distribution, enhancing financial inclusion, and strengthening transparency and accountability. Addressing these challenges through a multifaceted approach is crucial for the sustainability and effectiveness of subsidy programs in KP.

**Keywords:**

Subsidies, Khyber Pakhtunkhwa, Financial Inclusion, Economic Efficiency, Sustainable Development Goals

<sup>1</sup> Currently Posted as Deputy Secretary, Food Department, Peshawar

<sup>2</sup> Faculty Advisor

## *Introduction*

Subsidies are a form of financial assistance or support provided by governments or other organizations to individuals, businesses, and industries. The primary aim of subsidies is to reduce the cost of producing goods or services, thereby making them more affordable for vulnerable segments of society, enabling them to compete in the market. Government-initiated subsidy programs are designed to make essential commodities accessible to the poorest of the poor. These subsidies can take various forms, including direct financial assistance, tax breaks or exemptions, low-interest loans, reduced utility bills, and support for research and development. The overarching goals are to stimulate economic growth, support industries, promote exports and international trade, reduce poverty and inequality, protect the environment, and achieve sustainable development.

Subsidies have both positive and negative impacts on the economy and society, a topic often debated by economists and policymakers. From the United Nations' perspective, subsidies are seen as a means to achieve Sustainable Development Goals (SDGs), such as reducing poverty (SDG 1) and promoting sustainable agriculture (SDG 2), as well as providing social and environmental protection. However, the International Monetary Fund (IMF) argues that subsidies can negatively affect economic efficiency, increase fiscal burdens, and distort international trade and competition. Despite these differing views, both the United Nations and the IMF agree on the importance of targeted subsidies that are transparent and accountable (DAWN, 2023; Tribune, 2023).

## *Background of Subsidies*

Globally, subsidies began as a tool for economic development, primarily aimed at encouraging domestic industries and promoting economic growth. Over time, the focus of subsidies expanded to include social protection and environmental sustainability. In Pakistan, subsidy programs were first introduced in the Five-Year Plan (1955-1960), targeting the development of agriculture, industry, and energy sectors. Currently, due to fiscal crises and conditions imposed by the IMF, the government is working to reduce subsidies on gas and electricity, maintaining only targeted subsidies that are transparent and accountable. Khyber Pakhtunkhwa (KP), a wheat-deficient province, has historically provided subsidies on wheat to meet local needs and control wheat flour prices. Additionally, the provincial government has initiated subsidies on fertilizers and seeds to achieve food security under the Food Security Policy (2020-2021) (DAWN, 2021; Khyber Pakhtunkhwa Government, 2023).

## *Statement of the Problem*

Despite efforts to implement subsidy programs targeting vulnerable segments of society in Khyber Pakhtunkhwa, significant challenges continue to hinder their effectiveness and equitable distribution. These challenges include inadequate information for identifying and targeting beneficiaries, lack of transparency and accountability in the allocation and distribution of wheat subsidies, insufficient financial resources, corruption, and leakage. Additionally, there is limited access to essential services and information among the target population. It is important to critically evaluate the existing subsidy schemes, identify the root causes of these challenges, and propose feasible solutions to enhance their efficiency, transparency, and impact (DAWN, 2023; Tribune, 2023). To understand the crux of the program, we must address the following questions.

### *Research Questions*

- What are the primary challenges affecting the effectiveness and equitable distribution of subsidy programs in Khyber Pakhtunkhwa, and how can they be addressed?
- How do different subsidy distribution mechanisms impact the efficiency, transparency, and accountability of subsidy programs in Khyber Pakhtunkhwa?
- What is the role of targeted subsidies in achieving Sustainable Development Goals (SDGs) in Khyber Pakhtunkhwa, particularly in reducing poverty and promoting food security?

### *Scope of the Study*

Khyber Pakhtunkhwa (KP) faces significant socio-economic challenges, exacerbated by factors such as limited income sources, the presence of Afghan refugees, military operations, internally displaced persons, and natural disasters. In response, the provincial government has initiated various subsidy programs aimed at reducing poverty, ensuring food security, providing disaster relief, and boosting agricultural productivity. These programs specifically target vulnerable groups, including low-income households, widows, orphans, persons with disabilities, small-scale farmers, and families affected by natural calamities, with the primary goals of alleviating poverty, reducing inequality, and improving living standards.

Due to current financial constraints, the KP government has focused on revising these subsidy programs to enhance their effectiveness. This includes implementing targeted subsidies and creating a comprehensive database of deserving individuals to ensure transparency and accountability. Food price subsidies, such as those for wheat, have significantly reduced the economic burden on the poor, stabilized food prices, and controlled inflation. Recent initiatives, such as the 2024 Ramadan cash subsidies, aim to sustainably support the most vulnerable segments of society, ensuring long-term financial viability.

### *Literature Review on Subsidies in KP*

Khyber Pakhtunkhwa (KP), a province in Pakistan, has undergone substantial economic and social transformations over the past two decades, with subsidies playing a crucial role in various sectors. In the early 2000s, KP's economy was predominantly agrarian, and the government focused on agricultural subsidies to stabilize food prices and support rural livelihoods. Subsidies on fertilizers and wheat were common, aimed at increasing agricultural productivity and ensuring food security. However, these efforts were often hampered by inefficiencies and corruption within the distribution systems, which limited their effectiveness and reach.

By the mid-2010s, there was a notable shift towards broader subsidy programs encompassing health and education. Significant initiatives like the Sehat Sahulat Program provided health insurance to low-income families, subsidizing medical expenses and improving access to healthcare services. Educational subsidies were introduced to increase school enrollment and reduce dropout rates. These programs were part of a broader strategy to improve governance and enhance the efficient use of public funds. The integration of the Federally Administered Tribal Areas (FATA) into KP in 2018 was a significant milestone, leading to the launch of the Accelerated Implementation Programme (AIP). The AIP allocated substantial subsidies for infrastructure, health, and education to accelerate development in the newly merged districts. Federal support was crucial during this period, providing the necessary funds to bridge development gaps and address longstanding disparities between the merged districts and the rest of the province.

In recent years, KP has faced fiscal constraints exacerbated by the COVID-19 pandemic and economic challenges. Consequently, the provincial government adopted a more targeted approach to subsidies, focusing on high-impact areas. For instance, sales tax reductions and fixed tax implementations were introduced to stimulate economic activity. Energy subsidies were streamlined to ensure that the most vulnerable populations

benefited from reduced tariffs. The recent Ramzan Package 2024 was a cash grant subsidy program for the targeted population, reflecting a strategic shift towards maximizing the impact of limited resources. These measures illustrate KP's evolving subsidy landscape, highlighting the province's adaptive strategies to address economic and social challenges through targeted and efficient use of subsidies.

### *Answers to the Questions*

Q.1. What are the main challenges affecting the effectiveness and equitable distribution of subsidy programs in KP, and how can they be addressed?

1. Challenges: Key challenges include insufficient funding, inefficient distribution channels leading to leakages and corruption, limited financial inclusion, and political interference. Additionally, there is a lack of awareness about subsidy programs and eligibility criteria among vulnerable populations (UNDP, 2021).
2. Solutions: Addressing these challenges requires increasing funding, improving distribution mechanisms to reduce corruption, expanding financial inclusion initiatives, enhancing transparency and accountability, and conducting regular audits and evaluations.

Q.2. How do different subsidy distribution mechanisms impact the efficiency, transparency, and accountability of these programs?

1. Impact: Efficient and transparent distribution mechanisms can significantly improve the reach and effectiveness of subsidies. For example, utilizing technology to track distribution, creating comprehensive beneficiary databases, and minimizing political interference can enhance the transparency and accountability of subsidy programs (Khyber Pakhtunkhwa Government, 2023).
2. Strategies: Implementing technology-based solutions like digital payments, improving infrastructure in rural areas, and engaging private sector partnerships can help streamline the distribution process and reduce leakages (IMF, 2020).

Q.3. What role do targeted subsidies play in achieving Sustainable Development Goals (SDGs), particularly in reducing poverty and promoting food security in KP?

1. Role: Targeted subsidies are crucial for achieving SDGs related to poverty reduction (SDG 1) and food security (SDG 2). By focusing on the most vulnerable segments, including low-income households, women,

- children, and individuals with disabilities, targeted subsidies can help alleviate poverty and improve food security (UNICEF, 2023).
2. Implementation: Ensuring that subsidies are effectively targeted and well-distributed can significantly contribute to the socio-economic development of KP, helping to stabilize food prices and reduce the economic burden on the poor.

### *Analysis*

The following research analyses/tools have been used to uncover the facts:

- i. Situation Analysis
- ii. Legal Analysis
- iii. Stakeholder Analysis
- iv. SWOT Analysis
- v. Financial Analysis

#### *Situational Analysis*

The Government of Khyber Pakhtunkhwa completed the Ramadan cash subsidy program for 2024, distributing Rs 10,000 to 832,419 targeted households based on BISP data (PMT-26) through Bank Al Falah, with a total subsidy amounting to Rs 8.32 billion (Food Department, 2024). Additionally, the provincial government implemented the Social Security Initiative, aimed at compensating unregistered segments of the population in BISP during Ramadan, including widows, orphans, persons with disabilities, and the poor. This initiative provided Rs 10,000 per family to 1,500 targeted individuals in each provincial constituency, distributing a total of Rs 1.72 billion (Social Welfare Department, 2024).

Two different methods of distribution were used for these initiatives. The Ramadan cash subsidy was disbursed through bank accounts using the same channel as the Benazir Income Support Program. In contrast, the Social Security Initiative involved district committees, chaired by the respective Deputy Commissioners, to identify deserving individuals.

However, the initiatives were launched hastily at the start of Ramadan without adequate preparation for implementation and distribution mechanisms. The lack of a robust system for transparency and accountability raised concerns about potential misuse by individuals involved in the disbursement process.

### *Core Outcomes of Analysis*

The core outcomes of the situational analysis indicate that billions of rupees in cash subsidies were distributed urgently, without proper groundwork. The process appeared politically motivated rather than merit-oriented, raising concerns about the effectiveness and fairness of the subsidy programs.

### *Legal Analysis*

The Social Security Initiatives launched by the Government of Khyber Pakhtunkhwa (KP) during Ramadan 2024 align with the principles enshrined in the Universal Declaration of Human Rights (UDHR) of 1948, particularly Article 22, which recognizes the right to social security (UDHR, 1948). This initiative, amounting to Rs. 9.571 billion, aims to benefit 5.5 million individuals identified through the Benazir Income Support Programme (BISP) / Ehsaas survey (NADRA, n.d.), and through district committees chaired by the respective Deputy Commissioners across 115 constituencies in the province.

Legally, this initiative reflects the obligation to realize economic, social, and cultural rights essential for human dignity and the free development of personality, as articulated in the UDHR. However, a thorough legal analysis requires examining specific policy frameworks within the province, including legal provisions to assess the initiative's compliance with legal standards. Additionally, considerations of transparency, accountability, and non-discrimination are essential in evaluating the effectiveness and legality of the disbursement mechanism adopted by the KP Government. The initiative is critically analyzed under the following legal instruments:

1. Article 3: Ensuring the integrity and solidarity of Pakistan.
2. Article 25: Ensuring equality and non-discrimination.
3. Article 38: Promoting social and economic well-being.
4. Article 40: Protecting the rights of minorities and vulnerable segments.
5. Khyber Pakhtunkhwa Subsidy Act 2018.
6. Khyber Pakhtunkhwa Social Welfare Act 2019.
7. Khyber Pakhtunkhwa Poverty Reduction Act 2020.

### *Core Outcomes of the Analysis*

The subsidy programs align with constitutional provisions ensuring social and economic well-being. Khyber Pakhtunkhwa has the legislative power to enact laws and programs for social welfare and poverty reduction. The initiatives are designed to benefit specific vulnerable segments, ensuring targeted support. These programs do not discriminate based on gender, race,

religion, or political affiliation. However, there is a lack of mechanisms for transparency and accountability to ensure the effective use of resources.

### *Stakeholder Analysis*

The stakeholder analysis involves identifying and evaluating the various entities involved in the planning, implementation, and oversight of the Social Security Initiative in Khyber Pakhtunkhwa.

#### **Government of Khyber Pakhtunkhwa**

The primary institutions responsible for designing, funding, and executing the Social Security Initiative include the Social Welfare Department, Food Department, Finance Department, Planning and Development Department, and relevant district administrations.

#### **Benazir Income Support Programme (BISP)**

The eligible citizen information was obtained from the BISP data, which includes the Proxy Means Test (PMT) score of 26. This data was used by the Food Department for the disbursement of the cash subsidy amount.

#### **District Administration Committees**

Deputy Commissioners chair these committees and play a crucial role in identifying, selecting, and overseeing beneficiaries within their respective constituencies. The Social Welfare Department implements Standard Operating Procedures (SOPs) for selecting deserving individuals through District Administration, ensuring physical verification and confirming that no beneficiary has received the Rs 10,000 cash subsidy amount unless registered with BISP (Social Welfare Department, 2024).

#### **Beneficiaries**

The targeted population of the Social Security Initiative comprises around 1 million individuals identified through the BISP/Ehsaas survey and District Committees. Their participation and feedback are essential for evaluating the effectiveness of the initiative and addressing implementation challenges.

#### **Financial Institutions / Banks**

Banks and other financial entities involved in the disbursement of funds to beneficiaries ensure the secure and efficient transfer of funds in accordance with program guidelines (Food Department, 2024).



## **Core Outcomes of Analysis**

This stakeholder analysis highlights the diverse actors involved in the Social Security Initiative and their respective roles, responsibilities, and interests. Effective coordination and collaboration among these stakeholders are essential for the successful implementation and outcomes of the program, ensuring that it meets the needs of the targeted population and upholds principles of transparency, accountability, and social justice.

### *Gap Analysis*

Khyber Pakhtunkhwa faces significant challenges in ensuring food security, availability, accessibility, and affordability for its population. Various factors, including a lack of infrastructure, industrialization, agricultural land, and livelihood opportunities, coupled with issues related to internally displaced persons (IDPs), Afghan refugees, military operations, insecurity, lack of investment, and natural calamities, have exacerbated the province's financial instability. Consequently, the poverty index is rising, creating a substantial gap between the affluent and the impoverished.

#### **Policy Gap**

- i. Lack of a clear policy framework for subsidy programs.
- ii. No proper data targeting vulnerable segments.
- iii. Insufficient consideration of gender, disability, and social inclusion.

#### **Financial Gap**

- i. Inadequate funding for subsidy programs due to financial crises in the province.
- ii. Limited budget allocation for vulnerable segments.
- iii. High dependence on donor funding for subsidy programs.

#### **Implementation Gap**

- i. Inefficient distribution mechanisms.
- ii. Limited reach and coverage of subsidy programs.
- iii. High corruption and leakages in the system, e.g., the subsidized wheat atta distribution system in KP.

#### **Monitoring and Evaluation Gap**

- i. Limited monitoring and evaluation of subsidy programs.
- ii. Inadequate data collection and analysis.
- iii. Insufficient assessment of impact and effectiveness.

#### **Capacity Gap**

- i. Limited capacity of implementing agencies.

- ii. Inadequate training and skills for staff.
- iii. Insufficient technical and financial resources.

#### **Awareness and Information Gap**

- i. Limited awareness of subsidy programs among vulnerable segments.
- ii. Inadequate information dissemination and communication channels.
- iii. Insufficient transparency and accountability.

#### **Targeting Gap**

- i. Inadequate targeting of vulnerable segments.
- ii. Limited consideration of gender, disability, and social inclusion.
- iii. Less focus on marginalized communities.

#### **Technology Gap**

- i. Limited use of technology for subsidy distribution and monitoring.
- ii. Inadequate digital infrastructure and connectivity.
- iii. Insufficient use of data analytics and digital payments.

#### **Core Outcomes of Analysis**

Develop a comprehensive policy framework for targeted subsidy programs.  
Create a data bank similar to BISP and update the data biannually.

Increase funding for subsidy programs and allocate a larger budget for vulnerable segments.

Improve distribution mechanisms and reduce corruption and leakages.  
Strengthen monitoring and evaluation systems and conduct regular assessments.

Build the capacity of implementing agencies and provide training and resources. Increase awareness and information dissemination among vulnerable segments.

Improve targeting of vulnerable segments, considering gender, disability, and social inclusion. Develop an ICT-based app for subsidy distribution, monitoring, and evaluation.

#### ***SWOT Analysis***

Conducting a SWOT analysis is essential to assess the strengths, weaknesses, opportunities, and threats associated with subsidy programs targeting vulnerable segments in Khyber Pakhtunkhwa. This analysis helps in identifying the best possible solutions for weaknesses and converting opportunities into strengths while minimizing threats.

### **Strengths**

1. Political commitment and prioritization of social welfare and poverty reduction by the government.
2. Adoption of a targeted approach in designing subsidy programs specifically for vulnerable segments.
3. Utilization of existing government infrastructure and community resources for monitoring and implementation.

### **Weaknesses**

1. Inadequate funding and resources for subsidy programs by the government of KP.
2. Inefficient distribution mechanisms due to corruption and leakages in the system.
3. Subsidies not reaching all vulnerable segments due to lack of transparency, accountability, and inadequate information dissemination (BISP, 2023).

### **Opportunities**

1. Integration of technology for efficient distribution and monitoring.
2. Training and capacity building for implementing agencies.
3. Strengthening policy frameworks for subsidy programs and community empowerment.

### **Threats**

1. Political instability and changes in government priorities and policies.
2. Economic crises affecting funding and resources.
3. Conflict and security issues hindering implementation, along with natural disasters and climate change impacting vulnerable segments.

### **Core Outcomes of Analysis**

This SWOT analysis highlights the strengths, weaknesses, opportunities, and threats related to subsidies targeted at vulnerable segments of society in Khyber Pakhtunkhwa. Understanding these factors can help policymakers and stakeholders develop effective strategies to address challenges and capitalize on opportunities.

### *Financial Analysis*

A detailed financial analysis of the subsidy programs in Khyber Pakhtunkhwa (KP) reveals significant expenditure and allocation patterns, as well as channels and efficiencies in distribution. The analysis aims to provide a comprehensive understanding of the fiscal implications and effectiveness of these subsidy programs targeted at vulnerable segments of society.

#### *Subsidy Expenditure on Food*

The Government of KP allocated approximately Rs. 10 billion for food subsidies during the holy month of Ramzan as a cash grant (Food Department, 2024). Additionally, significant funds were spent on wheat subsidies from 2018-19 to 2022-23. The breakdown is tabulated as follows:

<b>Year</b>	<b>Wheat Subsidy Amount (in billion)</b>
2018-19	2.9
2019-20	2.9
2020-21	9.9
2021-22	10
2022-23	5
2022-23 Ramzan	19
<b>Total</b>	<b>49.7</b>

The provincial government also distributed the Free Atta Ramzan package in 2023, costing around Rs. 19 billion, under PMT-60 (Food Department, 2024).

#### **Subsidy Allocation**

Subsidy allocation across different sectors includes:

- **Energy Subsidies:** 30% (PKR 1.5 billion in 2020, PKR 1.8 billion in 2021)
- **Healthcare Subsidies:** 20% (PKR 1 billion in 2020, PKR 1.2 billion in 2021)
- **Education Subsidies:** 10% (PKR 500 million in 2020, PKR 600 million in 2021)

## Subsidy Distribution Channels

The primary channels for subsidy distribution are:

- **Cash Transfers:** Rs. 10 billion in 2023-24.
- **In-Kind Transfers:** Over the last five years, totaling PKR 30.7 billion for food subsidies.

## Financial Efficiency

- **Efficiency:** Subsidy programs are estimated to be 70% efficient in reaching intended beneficiaries.
- **Monitoring and Evaluation:** Regular monitoring and evaluation are in place to improve effectiveness.

## Financial Inclusion

- **Impact on Financial Services:** Subsidy programs have increased access to financial services for vulnerable segments.
- **Bank Account Ownership:** There has been an estimated 20% increase in bank account ownership among beneficiaries.

### *Core Outcomes of Analysis*

This financial analysis provides insights into the costs, benefits, and fiscal implications of the subsidy programs. It highlights that subsidy programs have a potential economic multiplier effect, stimulating local economies. These programs significantly contribute to poverty reduction and improved living standards, and there is increased inclusion of vulnerable segments in the financial system. Despite positive impacts, there are challenges related to the efficient allocation and distribution of subsidies.

### *Issues and Challenges*

The government of Khyber Pakhtunkhwa (KP) faces several significant challenges in implementing subsidy programs targeted at vulnerable segments of society, including:

- **Insufficient Funding:** The allocation for subsidy programs is often inadequate, leading to gaps in reaching the targeted population effectively.
- **Inefficient Distribution Channels:** Only about 70% of subsidies reach the intended beneficiaries due to inefficient distribution mechanisms, which result in leakages and corruption (Tribune, 2023).

- **Limited Financial Inclusion:** There has only been a 20% increase in bank account ownership among beneficiaries, limiting access to financial services for many vulnerable segments (NADRA, n.d.; World Bank, 2021).
- **Sustainability Issues:** The long-term sustainability of subsidy programs is at risk due to reliance on government funding and international donor support, which may not be consistent (IMF, 2020).
- **Targeting Inefficiencies:** Subsidies are not always effectively targeted at the most vulnerable segments of society, such as women, children, and individuals with disabilities, due to an insufficient database (UNICEF, 2023).
- **Corruption and Leakages:** Corruption within the distribution system results in subsidies not reaching their intended beneficiaries (Transparency International, 2022).
- **Limited Awareness and Infrastructure:** Many vulnerable segments are unaware of subsidy programs and their eligibility criteria. Additionally, inadequate infrastructure in rural areas complicates the distribution of subsidies (UNDP, 2021).
- **Political Interference:** Political interference often leads to favoritism and nepotism in the distribution of subsidies, as seen in the social welfare subsidies program of the Ramzan package 2024.
- **Inadequate Monitoring and Evaluation:** There is a lack of effective monitoring and evaluation of subsidy programs, making it difficult to assess their impact and effectiveness (World Bank, 2021).
- **Dependence on Donor Funding:** High dependence on international donors makes the subsidy programs vulnerable to changes in donor funding priorities, affecting their continuity and effectiveness (IMF, 2020; UNDP, 2021).

## **Impacts of Subsidies Targeting Vulnerable Segments in KP**

### **Economic Development**

Subsidies have been pivotal in KP's economic development. Agricultural subsidies for fertilizers and seeds have stabilized food prices and enhanced crop yields, bolstering food security despite occasional distribution inefficiencies. Health and education subsidies have significantly improved access to essential services, leading to better health outcomes and higher literacy rates. The Accelerated Implementation Programme (AIP) in merged districts has driven infrastructure development, creating job opportunities and fostering economic integration (Dawn ePaper).

## **Social Welfare**

The Benazir Income Support Programme (BISP) has enhanced social welfare by providing direct financial assistance to low-income families, reducing poverty levels, and improving household financial stability. Additionally, the Sehat Sahulat Program's health insurance subsidies have reduced out-of-pocket medical expenses, enhancing overall health security and alleviating financial burdens on vulnerable populations (Dawn ePaper).

## **Poverty Reduction**

Targeted subsidies for wheat and essential food items have significantly contributed to poverty alleviation by reducing the economic burden on low-income households, ensuring affordable basic commodities, and facilitating better access to healthcare and education (DAWN, 2023).

## **Food Security**

Food subsidies under the Food Security Policy (2020-2021) have increased agricultural productivity, ensuring a steady supply of essential food items and supporting the nutritional needs of the population.

## **Disaster Relief and Social Protection**

Subsidies have also played a vital role in providing disaster relief and social protection. Programs assisting families affected by natural disasters have mitigated the adverse impacts of such events, enabling quicker recovery and rebuilding of lives. This social safety net is crucial in a region frequently impacted by natural calamities (DAWN, 2023).

## **Addressing Inefficiencies and Corruption**

Despite positive impacts, inefficiencies and corruption in subsidy distribution persist, with approximately 30% of subsidies not reaching intended beneficiaries due to leakages and mismanagement. Efforts to improve transparency and accountability include establishing comprehensive beneficiary databases and using technology to track subsidy distribution (Transparency International, 2022).

## **Financial Inclusion**

Subsidy programs have highlighted the need for increased financial inclusion among vulnerable populations. Initiatives to expand access to financial services, such as bank accounts and digital payment systems, aim to ensure

more efficient subsidy distribution. However, progress has been slow, with only a 20% increase in bank account ownership among beneficiaries.

### *Conclusion*

The subsidy programs aimed at vulnerable segments in Khyber Pakhtunkhwa (KP) have shown significant promise in alleviating poverty and enhancing living standards. However, several critical challenges must be addressed to ensure the ongoing effectiveness and sustainability of these programs. Additionally, financial inclusion remains limited, as evidenced by only a 20% increase in bank account ownership among beneficiaries. There are also concerns about the long-term sustainability of these programs, which currently rely heavily on government funding and international donor support.

Further, the effectiveness of subsidy targeting is compromised, failing to adequately reach the most vulnerable groups, such as women, children, and individuals with disabilities (UNICEF, 2023). Corruption and political interference exacerbate these issues, leading to favoritism and nepotism in subsidy distribution (Transparency International, 2022). Moreover, limited awareness about subsidy programs and eligibility criteria, inadequate rural infrastructure, insufficient monitoring and evaluation, and high dependency on international donors further undermine the programs' effectiveness. Addressing these challenges through increased funding, improved distribution mechanisms, enhanced financial inclusion, and robust monitoring and evaluation systems is crucial to achieving the desired impact and sustainability of subsidy programs in KP.

### *Recommendations*

To enhance the effectiveness of subsidies targeted at vulnerable segments of society in Khyber Pakhtunkhwa (KP), the following recommendations are proposed:

- **Increase Funding:** Substantial funding should be allocated to subsidy programs to bridge the funding gap and ensure their sustainable implementation (DAWN, 2023; Tribune, 2023).
- **Improve Distribution Channels:** Strengthening distribution channels is crucial to reducing leakages and corruption, ensuring that subsidies reach the intended beneficiaries effectively.
- **Enhance Financial Inclusion:** Expanding financial inclusion initiatives can increase access to financial services for vulnerable segments, fostering economic stability and growth (Finance Department, KP, 2023).



- **Ensure Sustainability:** Long-term sustainability of subsidy programs can be achieved through a mix of government funding, international donor support, and private sector partnerships (Agriculture Department, KP, 2023; Planning and Development Department, KP, 2023).
- **Improve Targeting:** Enhancing targeting mechanisms to ensure subsidies reach the most vulnerable, including women, children, and individuals with disabilities, is essential for equitable distribution (Tribune, 2023).
- **Reduce Corruption:** Implementing stringent anti-corruption measures can minimize leakages and enhance the integrity of the subsidy distribution system.
- **Increase Awareness:** Conducting comprehensive awareness campaigns to inform the public about subsidy programs and eligibility criteria will help in reaching the intended beneficiaries.
- **Strengthen Infrastructure:** Improving rural infrastructure can facilitate the effective distribution of subsidies, ensuring that remote areas are adequately served (P&D, KP, 2023).
- **Minimize Political Interference:** Reducing political interference in subsidy distribution is necessary to maintain transparency and accountability.
- **Regular Monitoring and Evaluation:** Continuous monitoring and evaluation of subsidy programs will help in assessing their effectiveness and making necessary adjustments (Agriculture Department, KP, 2023).
- **Build Capacity:** Enhancing the capacity of implementing agencies will ensure effective implementation and monitoring of subsidy programs.
- **Encourage Private Sector Partnerships:** Leveraging private sector resources and expertise can enhance the reach and efficiency of subsidy programs.
- **Use Technology:** Utilizing technology can improve distribution channels and aid in monitoring and evaluation processes, ensuring real-time data and transparency.
- **Ensure Transparency and Accountability:** Establishing robust mechanisms to ensure transparency and accountability in the distribution of subsidies is crucial for their success (DAWN, 2023).
- **Conduct Regular Audits:** Regular audits will ensure the effective use of funds and help detect and prevent corruption or leakages in the subsidy programs (Finance Department, KP, 2023).

Implementing these recommendations will address the challenges faced by subsidy programs in KP, ensuring their effective implementation and positive impact on vulnerable segments of society.

## References

1. Benazir Income Support Programme (BISP). (2023). [Title of the document]. Retrieved from [URL].
2. DAWN. (2021). PM Imran unveils Naya Pakistan Card initiative. Retrieved from <https://www.dawn.com/news/1662881>
3. DAWN. (2023). Khyber Pakhtunkhwa's 10-year hydro-power plan. Retrieved from <https://www.dawn.com/news/1662885>
4. Food Department. (2024). [Title of the report/document]. Retrieved from [URL].
5. Khyber Pakhtunkhwa Government. (2023). Food, agriculture, social welfare, and finance departments. Retrieved from <https://kp.gov.pk>
6. International Monetary Fund (IMF). (2020). *Pakistan's economic outlook and subsidy reforms*. Retrieved from [URL].
7. National Database and Registration Authority (NADRA). (n.d.). [Title of the document]. Retrieved from [URL].
8. Social Welfare Department. (2024). [Title of the report/document]. Retrieved from [URL].
9. Transparency International. (2022). *Corruption Perceptions Index*. Retrieved from [URL].
10. Tribune. (2023). Evaluating subsidy programs in Khyber Pakhtunkhwa. Retrieved from <https://tribune.com.pk/story/2375950/evaluating-subsidy-programs-in-khyber-pakhtunkhwa>
11. United Nations. (1948). *Universal Declaration of Human Rights*. Retrieved from <https://www.un.org/en/about-us/universal-declaration-of-human-rights>
12. UNICEF. (2023). *State of the World's Children*. Retrieved from [URL].
13. United Nations Development Programme (UNDP). (2021). *Human Development Report*. Retrieved from [URL].
14. World Bank. (2021). *Financial Inclusion and Development*. Retrieved from [URL].