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Pakistan

Agricultural Situation

Pakistan Revives the Ration Card 2008

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Report Highlights:

On February 8, 2008, the GOP launched the Bachat Card, a food rationing scheme which allows low-income Pakistanis to purchase five staple food products at subsidized prices through the government-owned Utility Stores Corporation. Flour, ghee and cooking oil, sugar, rice and pulses will be available to the eligible poor at below-market rates. Nearly 20 years ago, Pakistan abandoned an earlier ration card program due to corruption

Includes PSD Changes: No
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PAKISTAN INTRODUCES NEW RATION CARD FOR 5 TARGETED COMMODITIES

On February 8, 2008, President Pervez Musharraf launched the Utility Store Bachat (Savings) Card scheme, aimed at providing essential food items at reduced rates to 6.8 million poor households. The President and caretaker Prime Minister distributed the ration cards to a target group at the launching ceremony in Islamabad.

Through the Bachat Card scheme, the GOP plans to provide a subsidy of Rs. 36 billion (USD 6 million) annually. Five staple food products - wheat flour, ghee and vegetable oil, sugar, rice and pulses – will be made available at 42 per cent less than the prevailing market rates and 25 per cent less than the prevailing Utility Store prices.

The ration card can be used only through Utility Stores, which operate under the Ministry of Industries and Production. At present, there is a network of 4,500 Utility Stores throughout Pakistan. The GOP intends to increase the number to 6,000 by the end of March 2008.

Under the scheme, eligible cardholders can purchase flour at Rs.9 per kg (USD 0.15) and sugar at Rs.15 per kg (USD 0.25). The GOP-supported market price for wheat flour is Rs. 14 per Kg (USD 0.23) and Rs. 25 per kg (USD 0.42) for sugar.

There are also plans for a joint venture between the Utility Stores Corporation and a private firm to supply clean drinking water at Rs. 3 per liter (USD 0.05) against the market rate of Rs 22 per liter (USD 0.37). Bachat Card holders will get five liters of water free of cost with their purchased items.

The decision to initiate a food security support system was in reaction to high food inflation that has gripped Pakistan since early 2006. In December 2007, food inflation reached as high as 12.2 percent.

25 PERCENT OF POPULATION ELIGIBLE TO PARTICIPATE

While the scheme has been initially launched in Islamabad, plans are to expand the program to other regions of the country, reaching the 2 million poor families registered with the Bait-ul-Mal (House of Treasure – Pakistan's social security network) followed by 2.4 million households registered with the Directorate of Zakat and Usher (the mandatory annual Muslim tithing payment to the poor) under the Ministry of Religious Affairs. In addition, another 1.8 million poor families would be covered in the third phase of the scheme. In total, 38 million Pakistanis are the target beneficiaries – nearly one quarter of the population.

PRIOR RATION CARD SCHEME RIDDLED WITH CORRUPTION

A similar ration card system was abandoned about 20 years ago due to charges of mass corruption. A 1986-87 study of the ration shops indicated that 80 per cent of the total subsidy available was pocketed by Food Department officials in a major scam, while only 20 per cent of the subsidy reached the target population. Critics argue that the new Bachat Card program could open the floodgates of corruption once again. At present, the 37 million Pakistanis who fall below the poverty line live in rural areas; whereas, the majority of Utility Stores are located in urban areas.

About half of Pakistan's population is considered poor and vulnerable. Critics argue that the new system is acknowledgement that recent programs to help the neediest have failed to make a difference. The success of the new Bachat Card will depend upon the ability of the GOP to reach the poorest of the poor while controlling the corruption that engulfed similar projects in the past.

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