

SECTOR ASSESSMENT (SUMMARY): SOCIAL PROTECTION¹

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. **Persistent poverty requires social protection.** Poverty in Pakistan declined substantially from 35.9% in 2001 to 22.3% in 2006 and vulnerability (percentage of the population under the \$2 per day international poverty line) from 73.9% in 2001 to 60.1% in 2006. Relatively little progress was made in poverty reduction from 2006 to 2011. A decline in average annual gross domestic product (GDP) growth rates after 2007 and rising inflation, coupled with the impacts of the devastating floods of 2010 and 2011, suggest that poverty incidence may have since increased significantly. A recent study using 10 indicators to create a multidimensional district-based profile of poverty estimated poverty incidence at 33% of all households in the country.² Two major causes of poverty are lack of employment opportunities and high costs related to catastrophic and maternal health risks.

2. **Gender inequality a major cause of poverty.** Sociocultural constraints on the mobility of girls and women and on their access to jobs, finance, and adequate health and education cause gender inequality and poverty. The women's labor force participation rate is only 19%. The adult literacy rate for women is only 36%, compared with the already low rate of 64% for men. Maternal (297 per 100,000 live births) and infant mortality rates (78 per 1,000 live births) are among the highest in the world. High health costs, especially for transport and prenatal care, are a major reason for high death rates and for impoverishment among women. Despite a slight upward movement for the gender inequality index rank of 125 (2008) to 123 (2012),³ it remains very low. Various studies have pointed to improved gender outcomes due to the Benazir Income Support Program (BISP), which provides cash transfers to poor women. Over 90% of BISP beneficiaries receive the money directly, and in most cases also make or share the decision on the use of the money. Women now feel more validated in the family and society as they now bring some regular income in addition to their unpaid household work.

3. **The poor—especially women—need jobs and skills.** Income poverty is closely related to lack of job and income opportunities. The current monthly cash transfer of PRs1,000 per family only comprises about 7% of a family's income. Skills training linked to new and better jobs or creating higher incomes in self-employment are essential to make social protection in Pakistan more sustainable for the poor and for the state.

4. **Mother and child health major risk factors for poor families.** Pakistan is unlikely to achieve the health-related Millennium Development Goals (MDGs). Skilled doctors or nurses attend only 38% of births—and much less among the poor. Child mortality is high, with infant mortality at 78 deaths per 1,000 live births and under-five mortality at 94 deaths per 1,000 live births. The BISP micro health insurance program includes maternity benefits for the poor. They help women and babies survive problematic deliveries. A transport allowance will be added to the program to improve access by the poor to health facilities.

¹ This summary is based on data from evaluations and spot checks of the Benazir Income Support Program; World Bank. 2012. Pakistan. *Towards an Integrated National Safety Net System*. Islamabad; Department for International Development. 2012. *Political Economy Analysis of Social Protection and BISP*. Islamabad; and various government sources.

² A. Naveed and N. Ali. 2012. *Clustered Deprivation: District Profile of Poverty in Pakistan*. Islamabad: Sustainable Development Policy Institute.

³ United Nations Development Programme. 2013. *Human Development Report*. New York. (148 countries are ranked).

5. **Social protection for the chronic poor.** In 2008 Pakistan introduced a comprehensive social protection program for the poor, mainly social assistance through cash transfers to the very poor. The BISP was established in response to the 2008 global food and fuel inflation. Major reforms were introduced in 2011 to improve targeting, financing, and governance of the program. A well-managed targeting system will, over time, enable coordination with provincial social safety net programs and the replacement of untargeted subsidies for power, wheat, and other items. For the moment, the BISP is the only program providing the very poor with some support toward basic living standards.

6. **Impact beyond basic household spending.** Cash transfer programs are sometimes criticized as being unsustainable payments. However, international experience suggests that such programs are actually used by the poor as investments in human capital, and that the consumptive use has major spillover effects on the local economy. Various studies of the BISP confirm this international finding. BISP beneficiaries—all poor women—use the money for better food (32%), better child and maternal health (23%), better clothing (7%), and more education for their children (5%), in addition to debt payments (10%), savings (3%), and other investment uses such as housing improvements.⁴

2. Government's Sector Strategy

7. **Social protection an integral part of the government's poverty reduction strategy.** The government's National Social Protection Strategy defines social protection as policies and program interventions that "address poverty and vulnerability by contributing to raising the incomes of poor households." The BISP is headed by an external chairperson and supervised by an external high-level management board, with members from the government, academia, and development practitioners. It has local offices in all 130 districts and more than 400 subdistricts (*tehsils*) of the country.⁵ It is financed through the federal budget. Since 2008 allocations for BISP payments, pilots, and administration have continuously increased to about 2% of federal government expenditures.

8. **Women-focused social protection.** Cash transfers of PRs1,000 per month per family are given directly to the female head of the family to address poverty reduction. The female head needs to possess a computerized national identity card. The combination of both features proves to strengthen the woman's role in the family considerably.

9. **Inflation and urbanization major risks to cash transfer system sustainability.** With high inflation of 12%–13% annually over the last 3 years, cash benefits to the poor quickly erode. The new government has decided to increase the payment to PRs1,200 by September 2013 and is contemplating expanding the program to cover 2.5 million additional poor people.

10. **Strong government commitment for social protection.** Budget commitments to the BISP have nearly doubled from \$425 million in 2008 to \$730 million in fiscal year 2013—about 0.4% of the yearly gross domestic product (GDP) and 2% of the annual budget.⁶ Most of this (89%) is financed through the government's own revenues, with 11% currently contributed by the

⁴ BISP. 2009. *Rapid Assessment*. Islamabad.

⁵ Government of Pakistan. www.na.gov.pk/uploads/documents/1300401344_847.pdf

⁶ A 2% budget allocation for the poor is still low by international comparison. The International Labour Organization, for example, suggests a basic social protection floor of 5% of GDP (about 10% of the budget) for developing Asian countries. While this covers social protection for all, the poor's share of such a budget allocation is normally 60%.

World Bank and the Department for International Development (DFID) of the United Kingdom. A recent study on the political economy of the BISP showed that all major political forces in the country confirm a strong commitment to continue the cash transfer program for women or even to expand it.⁷ The social impact of low GDP growth rates since 2006, rising and high inflation with particularly negative effects on the poor, and the floods of 2010 and 2011 have been devastating. These challenges have broadened support for social protection programs in Pakistan, and led to additional financing to the BISP through budget and development partner funding, especially by ADB, DFID, and the World Bank.

11. **Excellent targeting through poverty scorecards.** Since 2009, the BISP has identified the poor through a proxy means-tested comprehensive household survey involving about 90% of all 25 million households in the country.⁸ An additional 5% were covered through later grievance processes and follow-up data. A wealth ranking was established under which all families with a poverty score below 16.17 would be eligible for BISP benefits given to the female head of the family with computerized national identity cards, issued by the National Database and Registration Authority of Pakistan. By June 2013, about 4.8 million women had computerized national identity cards and were receiving BISP cash. The targeting system was validated through external evaluation; the very few systemic exclusion errors (maximum 2%–5%) found are being addressed through the internal grievance process and administrative improvements.

12. **Results well documented.** The BISP, the most extensively documented and evaluated program in the public sector in Pakistan, is subject to regular process evaluations and data spot checks. It has pioneered the use of targeting techniques, introduced electronic case management and grievance redress systems, and mainstreamed the use of virtual banking techniques. It is a very effective way of universally targeting the poor with low leakages, large coverage, and strong gender orientation. The BISP cash transfer provides a means to effectively help reduce the depth of poverty.⁹ With 7.2 million intended households (46 million very poor people), it is the largest cash transfer program in Asia. BISP impact evaluations compare favorably with the successful principal poverty reduction programs in Brazil (Bolsa Familia program covers 11 million families), Mexico (the Oportunidades program covers 4 million families), and the Philippines (4P program covers 3 million households).¹⁰

13. **Comprehensive social protection beyond cash transfer.** The BISP is now evolving into an umbrella social safety net organization. Its subprograms include, in addition to the cash transfers to poor women, (i) the Waseela e Haq, which provides interest free loans to promote entrepreneurship; (ii) the Waseela e Rozgar (WER), which provides skills training to one member of a BISP beneficiary household; (iii) the Waseela e Taleem, which is a co-responsibility cash transfer program predicated on beneficiary households enrolling children aged 5 to 12 years in school; and (iv) the Waseela e Sehet (WES), which is a group life insurance and health insurance program. The proposed ADB project will support the cash transfer program, the health insurance program (WES), and the skills development program (WER).

14. **Skills training for the poor.** As of May 2013, the WER had contracted 46 training providers in the provinces of Punjab and Sindh, and training had started in 17 institutes. An

⁷ DFID. 2012. *Political Economy Analysis of Social Protection and BISP*. Islamabad.

⁸ The poverty survey was based on households, while the BISP beneficiary survey is based on families. Some households have more than one family. The survey estimates that poverty households receive average benefits of PRs1,400 per month, as about 35% of the households surveyed comprise more than 1 family.

⁹ A recent World Bank evaluation of the Philippines Conditional Cash Transfer Program, for example, showed that more than 25% of possible eligible beneficiaries are not covered.

¹⁰ World Bank. 2013. *Philippines Conditional Cash Transfer Impact Evaluation 2012*. Washington, DC.

estimated 56,600 poor persons have been or are currently being trained at an average cost of PRs53,000 per student. To broaden outreach and deepen effectiveness of skills training, institution-based training will be complemented. Additional methods will include training through apprenticeships cost-shared with enterprises, and community-based courses implemented through nongovernment organizations with much lower costs per trainee. The gradual reallocation of resources will allow the training of a significantly higher number of beneficiaries within the existing WER budget.

15. **Protecting the poor against catastrophic health risks.** The BISP's micro health insurance program is currently being implemented as a pilot in Faisalabad district and is due to be broadened to five other districts. The WES protects the poor against health-related shocks and catastrophic health spending equal to more than 50% of annual consumption expenditures of affected ultra-poor households.¹¹ The WES provides coverage for the entire family, of which 40% of the hospitalization cases are related to mother and child health.

3. ADB Sector Experience and Assistance Program

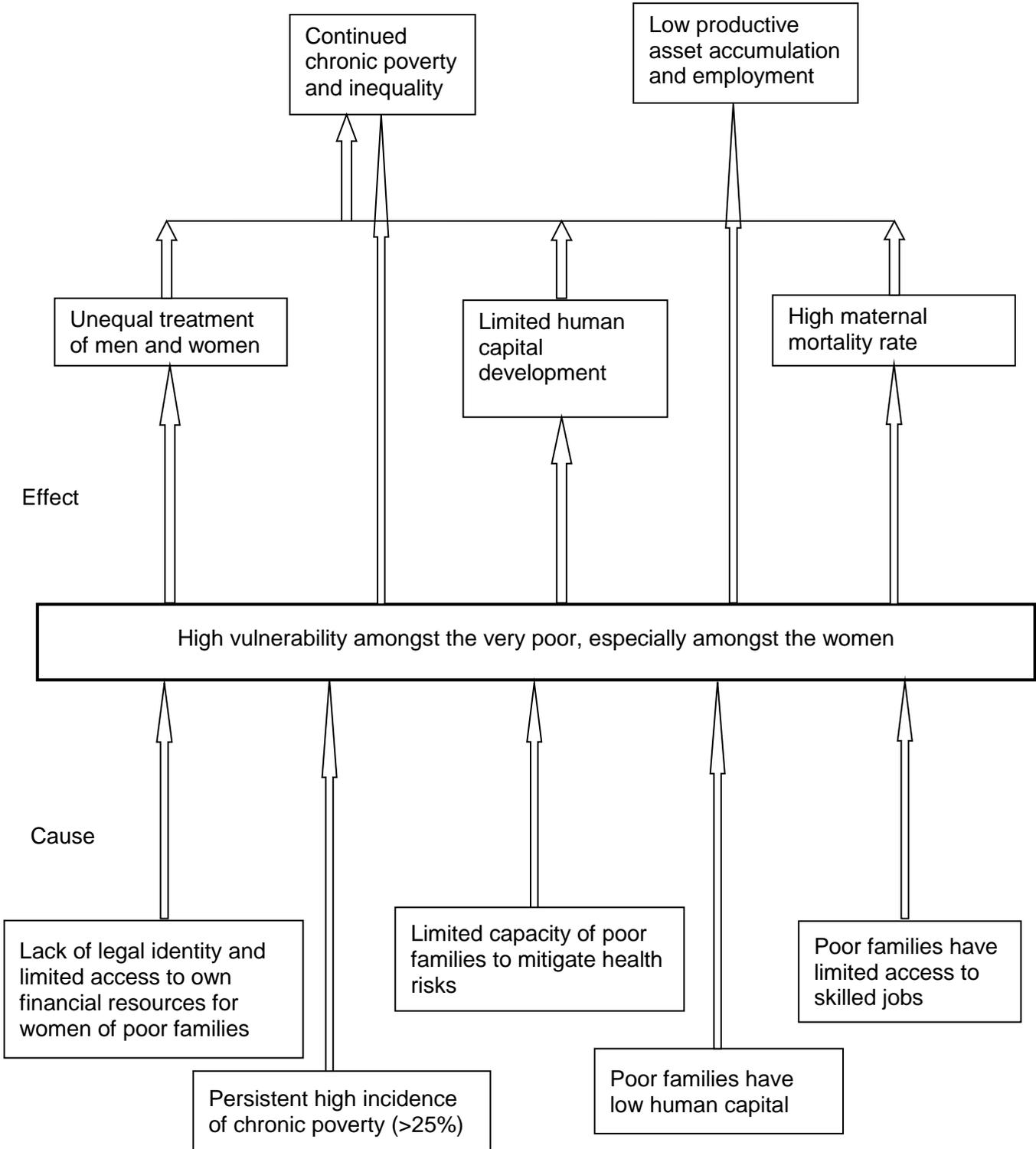
16. **Emphasis on inclusive growth and poverty reduction.** While ADB's Country Partnership Strategy, 2009–2013 emphasizes inclusive growth and poverty reduction, ADB is not currently directly engaged in the health and education sectors in Pakistan through sector or program investments.¹² The proposed investment in the BISP will instead support broad financial inclusion of very poor and hard to reach women and men, finance health risk coverage, and support skills training. This investment marks a transition from ADB's provision of budgetary support to support beyond finance: a direct, long-term and innovative commitment to poverty reduction and inclusive growth.

17. **Increasing interest in financing social protection.** A large and convincing body of international evidence shows that well-designed and targeted social protection programs, and particularly social safety nets, can deliver high returns in poverty reduction, human capital development, and inclusive growth. A recent evaluation of ADB's operations and knowledge work on social protection (including operations support to co-responsibility cash transfers in the Philippines; unconditional cash transfers in Indonesia; social protection in the People's Republic of China, India, and Mongolia) recommended increasing lending for the sector. With the review of Strategy 2020 and the new emphasis on making growth in Asia and the Pacific more inclusive, the demand for support for social protection financing is increasing.

¹¹ World Bank. 2010. *Delivering Better Health Services to Pakistan's Poor*. Washington, DC. p. 70.

¹² ADB. 2009. *Country Partnership Strategy: Pakistan, 2009–2013*. Manila.

Problem Tree for the Pakistan Social Protection Project



Sector Results Framework (Social Protection, 2013–2018)

Country Sector Outcomes		Country Sector Outputs		ADB Sector Operations	
Outcomes with ADB Contribution	Indicators with Targets and Baselines	Outputs with ADB Contribution	Indicators with Incremental Targets	Planned and Ongoing ADB Interventions	Main Outputs Expected from ADB Interventions
Increased resilience of female BISP beneficiaries and their families	<p>Average per capita consumption expenditure of beneficiaries increased by 5%</p> <p>Beneficiaries with health insurance using health services for catastrophic health event increased from 0.39% in 2012 to 1.37% in 2018</p> <p>Skilled employment rate of trained beneficiaries in pilot districts within 3 months of training increased from 34% in 2012 to 42% in 2018, of which at least 35% are women</p>	<p>All chronic poor families (7.2 million) protected against major life risks through meaningful cash transfers (currently 4.8 million)</p> <p>A health insurance program covering all poor women household heads and their families established, piloted, and expanded to 16 districts</p> <p>A flexible program for covering poor households through skills development established, pilot tested in 13 districts, and ready for expansion</p>	<p>Enrollment of cash transfers to women as household leader of chronic poor families increased from current 4.8 million to 7.2 million households by 2018</p> <p>Cash transfers to poor households provide regular and timely income to chronic poor families</p> <p>Health insurance coverage increased from current 37,525 to 786,423 by 2018</p> <p>Provision of skills development to poor people in BISP families increased from current 56,600 to 577,294 by 2018</p>	<p>Planned key activity areas Investing in the cash transfer component of the BISP to enhance program reach to poor women and their households (\$333 million of ADB's investment contribution)</p> <p>Preparing and investing in expanding the program to address catastrophic health risks, especially for mothers and children (\$8 million of ADB funding)</p> <p>Preparing and investing in providing new labor market opportunities through skills development (\$7 million of ADB funding)</p> <p>Pipeline projects with estimated amounts Improved Environment for Private Sector and Job Creation / Financial Inclusion (\$30 million)</p>	<p>Planned key activity areas Coverage of 95% of the hard to reach remaining 2.4 million eligible very poor BISP families 786,423 poor women enrolled in health insurance and mother and child vouchers 577,294 poor enrolled in skills training, of which 50% are women</p> <p>Pipeline projects Follow-up investment</p>

BISP = Benazir Income Support Program.
Source: Asian Development Bank staff estimates.