

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Pakistan	Project Title:	Additional Financing of Social Protection Development Project
Lending/Financing Modality:	Project Loan	Department/Division:	Central and West Asia Department/ Public Management, Financial Sector, and Trade Division

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

#### A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

5. The Social Protection Development Project was approved on 22 October 2013 to help increase resilience of Benazir Income Support Program (BISP) female beneficiaries and mitigate the negative effects of rising food prices and inflation on the poor, particularly women. The proposed additional financing will scale up outputs 1 and 3 of the current project: cash transfer program coverage expanded (output 1) and financial management and control systems and policy research improved (output 3). The current project is aligned with pillar 2 (protecting the poor and vulnerable) of the Government of Pakistan's Poverty Reduction Strategy Paper II, which recognizes the need for expansion of social safety net programs to the extreme poor and vulnerable segments of the population.<sup>a</sup> Social protection and poverty reduction is one of the key priorities of the Government of Pakistan. The project will directly support the Ehsaas program, whose objective is to "reduce inequality, invest in people and lift lagging districts."<sup>b</sup>

Addressing remaining poverty and reducing inequalities is one of the key seven operational priorities of Strategy 2030 of the Asian Development Bank (ADB), with a focus on strengthening social protection systems and service delivery for those in need.<sup>c</sup> Support to the BISP is one of the key areas of the inclusive growth agenda of the forthcoming country partnership strategy, 2020–2024.<sup>d</sup> UCTs through the BISP have been effective in addressing the financial shocks of slowing economic growth, rapid inflation, and increasing food prices on the poor, particularly women. The additional financing will help create fiscal space for the government and help maintain the expenditures for UCT. The additional financing will also help set the direction of ADB's strategic engagement in social protection and poverty reduction while strengthening the BISP's institutional capacity and research for designing new poverty reduction modalities.

#### B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence

1. **Key poverty and social issues.** The poverty headcount in Pakistan declined from 64.3% in 2001 to 24.3% in 2015. The pace of poverty reduction has not been uniform throughout the country, with greater annual rates of decline in urban areas (9%) compared to rural areas (6%) over the same period. Rural poverty is more than twice as high as urban poverty, with rural areas still accounting for four out of five poor individuals, a share that is unchanged since 2001. In addition to the 24.3% of the population under the poverty line, a further 20 million are near-poor and highly vulnerable to shocks and stresses that can pull them below the poverty line. Accompanying low investment in human capital is a rapid population growth rate that largely counteracts any advances in macroeconomic recovery and poverty reduction. Pakistan's population is projected to increase to over 227 million by 2025. The population will also comprise a much larger proportion of younger people (63% below the age of 30). This demographic dividend could create an opportunity for the country if balanced by declining fertility rates and corresponding investment in human development, especially education, training, and health. To absorb the rapidly expanding labor force, the economy will have to grow at a rate of around 7% in the medium- to long-term. However, fiscal year (FY) 2019 (ended June 2019) growth was restricted to 3.3% and the outlook for FY2020 is also of a muted GDP growth rate.<sup>e</sup> Pakistan has a larger share of informal economy relative to other countries in South Asia, declining export growth, limited employment opportunities in formal labor markets, and inadequate insurance schemes, and an increasing trend of natural and manmade disasters, which makes the country's poor highly susceptible to falling below the poverty line. Additional support to the BISP will support the continuity of UCT and provide relief to the extreme poor.<sup>f</sup>

2. **Beneficiaries.** The project will directly benefit 855,000 BISP women beneficiaries enrolled under ADB's Social Protection and Development Project.

3. **Impact channels.** Impact channels will include (i) continuing UCT to women beneficiaries in the extreme poor households scoring less than 16.17 on the proxy means test-based poverty score cards, and (ii) strengthening the BISP's institutional capacity in policy research for designing new poverty reduction modalities.

4. **Other social and poverty issues.** Low literacy rates, rapid population growth, low investment in human capital, poor health outcomes, inadequate social protection programs, lack of economic opportunities, inequalities in land distribution and ownership, and gender disparities are some of the key social and poverty issues in Pakistan. Ehsaas is a holistic social protection program to assist the poorest of the poor and marginalized communities. Policy

actions under Ehsaas include easy access to credit, strengthened social safety nets, livelihood skills development program, nutrition, health insurance, and a labor welfare program for informal workers.

5. **Design features.** The additional financing will enable continuation of UCTs, support the implementation of high-priority reforms that help address error, fraud and corruption, and support the establishment of a policy research unit in BISP that will help it transition from its UCT-oriented approach to one that will have a greater impact on reducing intergenerational poverty in line with the Ehsaas program.

## II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** BISP beneficiaries are selected through an elaborate poverty scorecard survey that covers 90% of all households in the country. The BISP has established grievance redress mechanisms at district level to help beneficiaries register their complaints, in addition to a toll-free help line service for beneficiaries to voice their concerns. In about 50 districts, the BISP has established BISP beneficiaries committees to create awareness about the program and new initiatives, and to educate beneficiaries about their entitlements. The proposed additional financing will further explore mechanisms to improve the BISP's outreach to communities at the district level.

2. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

Information gathering and sharing (M) Consultation (M) Collaboration (H) Partnership (H)

3. Participation plan. ☐ Yes. ☒ No. No separate participation plan has been developed because the BISP engages with beneficiary communities through BISP beneficiary committees.

4. Civil society organizations. Explain how the project ensures adequate participation of civil society organizations in project implementation. Not applicable.

## III. GENDER AND DEVELOPMENT

Gender mainstreaming category: gender equity

**A. Key issues.** Sociocultural constraints on girls' and women's access to health, education, training, jobs, financing, and ease of mobility have led to high levels of gender inequality and poverty. The overall literacy rate for women in Pakistan is 51.8%, compared to an already low 72.5% for men. This is even lower in rural areas, with 40.5% for women compared to 66.3% for men. Female labor force participation is 25% for females compared to 82% for males (ages 15 and above). Pakistan's female labor force participation rate is among the lowest in the world and the South Asia region. Employment for women is mostly in the informal economy, which is estimated to be around 72.6% of the economy. Labor force surveys from 2013–2014 and 2014–2015 showed that the gender pay gap for the whole economy was 26%, indicating that overall, women's wages were 74% of men's wages.<sup>9</sup> Women's lack of access to formal labor markets, low literacy levels, limited mobility, lack of land ownership, and lack of assets make them more vulnerable to economic shocks.<sup>h</sup>

The BISP is the country's largest social safety net program. It has a strong focus on women's empowerment, and it transfers cash directly to women beneficiaries' bank accounts. However, there is still a need to improve women's awareness about their rights as BISP beneficiaries, new initiatives undertaken by the program, and increased access to program-related information. Currently, the research undertaken by the program is largely focused on monitoring and evaluating current programs followed by course correction and improvement. There is a need for more structured research to help the BISP evolve from a social safety net to a more holistic and improved social protection program.

**B. Key actions.** The current Social Protection and Development Project is classified with a *gender equity* theme. The original scope of the project comprised four outputs: (i) cash transfer program coverage expanded, (ii) health insurance program refined and rolled out, (iii) skill development program strengthened, and (iv) financial management and control systems and policy research improved. The project was restructured in 2017 to replace outputs 2 and 3 with the BISP graduation program, that is, three outputs: (i) cash transfer program coverage expanded (output 1), (ii) the BISP graduation program implemented (new output 2), and (iii) financial management and control systems and policy research improved (new output 3). Under the project, 855,052 new beneficiaries were enrolled. The BISP is a women-focused program that provides cash directly to women as the primary beneficiaries. The BISP has helped in increasing women's financial inclusion, with national identity cards and bank accounts being the prerequisites for beneficiaries to avail themselves of UCTs. Various external evaluations of BISP have noted a significant increase in the mobility of beneficiaries, with more women being allowed to freely travel to various locales within the community by themselves. Another effect of the BISP is an increased proportion of beneficiary women who vote.

With direct impacts on gender equality and women's empowerment, the proposed project will maintain the current gender classification. The following additional gender actions will be supported by the additional financing: (i) a study to assist in developing more effective community outreach mechanisms conducted by 2020; (ii) a policy research unit established and fully operational by the fourth quarter of 2020; (iii) a study for developing social protection schemes (such as covering disabilities, manmade or natural disasters, and marketable skills training programs) for women home-based workers by 2021; and (iv) monitoring and quarterly progress reports of the

project to include updates on gender action plan targets by the second quarter of 2020. <input checked="" type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure
<b>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</b>
<b>A. Involuntary Resettlement</b> <b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI 1. <b>Key impacts.</b> No involuntary resettlement impacts are expected from the project. 2. <b>Strategy to address the impacts.</b> Not applicable. 3. Plan or other Actions. <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input checked="" type="checkbox"/> No action
<b>B. Indigenous Peoples</b> <b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI 1. <b>Key impacts.</b> No impacts on indigenous peoples are expected from the project. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 2. <b>Strategy to address the impacts.</b> Not applicable. 3. Plan or other actions. <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> No action
<b>V. ADDRESSING OTHER SOCIAL RISKS</b>
<b>A. Risks in the Labor Market</b> 1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input checked="" type="checkbox"/> unemployment (L) <input checked="" type="checkbox"/> underemployment (L) <input checked="" type="checkbox"/> retrenchment (L) <input checked="" type="checkbox"/> core labor standards (L) 2. <b>Labor market impact.</b> Not applicable.
<b>B. Affordability</b> Not applicable.
<b>C. Communicable Diseases and Other Social Risks</b> 1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases: NA <input type="checkbox"/> Human trafficking: NA <input type="checkbox"/> Others (please specify) _____ 2. <b>Risks to people in project area.</b> Not applicable.
<b>VI. MONITORING AND EVALUATION</b>
1. <b>Targets and indicators.</b> These include the following: (i) beneficiaries with health insurance using health services for catastrophic health event increased to 1.37 (2012 baseline: 0.39% in 2012, midterm: 0.97%); (ii) skilled employment rate of trained beneficiaries in pilot districts within 3 months of training increased to 42%, of which at least 35% are women (2012 baseline: 34% in 2012, midterm: 37%); (iii) 100% of eligible female heads of families with computerized national identity cards enrolled in the BISP (2018 baseline: 95%); and (iv) regular cash transfers received on time by 5 million newly registered women (2018 baseline: 2.4 million newly registered women). 2. <b>Required human resources.</b> Not applicable. 3. <b>Information in the project administration manual.</b> A project monitoring and evaluation system is outlined in the project administration manual, as well as the gender action plan. 4. <b>Monitoring tools.</b> The monitoring tools for poverty and social dimensions include internal and external monitoring reports and periodic reports (quarterly and every 6 months) of the BISP.

<sup>a</sup> Government of Pakistan, Planning Commission. 2007. *A Social Protection Strategy to Reach the Poor and the Vulnerable*. Islamabad (<http://www.finance.gov.pk/poverty/PRSP-II.pdf>).

<sup>b</sup> Government of Pakistan, Prime Minister's Office. 2019. *Ehsaas: Prime Minister's Policy Statement*. Islamabad. p. 2.

<sup>c</sup> Asian Development Bank. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>d</sup> ADB. Forthcoming. *Country Operations Business Plan: Pakistan, 2020–2022*. Manila.

<sup>e</sup> Asian Development Bank (ADB). 2019. *Asian Development Outlook 2019: Strengthening Disaster Resilience*. Manila.

<sup>f</sup> ADB. Forthcoming. *Islamic Republic of Pakistan: Country Diagnostic Study*. Manila.

<sup>g</sup> Government of Pakistan, Ministry of Statistics, Pakistan Bureau of Statistics. 2018. *Labour Force Survey, 2017–18*. Islamabad.

<sup>h</sup> World Economic Forum. 2018. *The Global Gender Gap Report 2018*. Geneva.

Source: Asian Development Bank.