

## SECTOR ASSESSMENT (SUMMARY): MULTISECTOR<sup>1</sup>

### Sector Road Map

#### 1. Sector Performance, Problems, and Opportunities

1. **Population below the poverty line.** Pakistan showed a substantial decline in the poverty headcount from 64.3% in 2001 to 24.3% in 2015.<sup>2</sup> 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 2001 to 2015.<sup>2</sup> 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 could pull them below the poverty line.<sup>3</sup> The growth forecast for 2019 has been restricted to 3.3%, and is further clouded by a large budget deficit, deteriorating current account deficit, and failing foreign exchange reserves.<sup>4</sup>

2. **Low human capital investment.** Despite its lower-middle-income status, Pakistan remains one of the lowest performers in human capital development in South Asia having missed both its health and education Millennium Development Goals targets. It ranks the highest in South Asia and the third highest globally in stunting and wasting rates, with almost half of under-5 children being stunted. Almost 23 million children are out of school overall, with 4.9 million children of primary age out of school (8% of the global total), of which 62% are girls.<sup>5</sup>

3. **Rapid population growth.** Accompanying low investment in human capital is a rapid population growth rate that counteracts, to a large extent, any advances in macroeconomic recovery and poverty reduction. Pakistan's population is projected to increase to over 227 million by 2025, with the population expected to comprise a much larger proportion of younger people (63% below the age of 30).<sup>6</sup> 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. However, Pakistan's situation today suggests that it will not be able to generate a demographic dividend. To absorb the rapidly expanding labor force, the economy will have to grow at a rate of around 7%.<sup>7</sup> However, the fiscal year (FY) 2019 (ended June 2019) growth rate was restricted to 3.3% and the outlook for FY2020 is also of a muted gross domestic product growth rate (footnote 4).

4. **Gender inequality a major cause of poverty.** Pakistan is ranked second from last in the 2018 Global Gender Gap Index, surpassing only Yemen.<sup>8</sup> Sociocultural constraints on girls' and women's access to health, education, training, jobs, financing, and ease of mobility have led to

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<sup>1</sup> This summary is based on various sources, including interviews with multiple relevant government sources and development partners; the Country Diagnostic Study 2019 of the Asian Development Bank (ADB); and ADB's 2018 stocktaking report on the current status, impact, and options for development of Pakistan's Benazir Income Support Program (BISP).

<sup>2</sup> World Bank. 2019. *Pakistan at 100: From Poverty to Equity*. Washington, DC.

<sup>3</sup> ADB. 2018. *Asian Development Outlook: How Technology Affects Jobs*. Manila.

<sup>4</sup> State Bank of Pakistan. 2019. *The State of Pakistan's Economy, Third Quarterly Report for the Year 2018–19 of the Board of Directors of State Bank of Pakistan*. Islamabad.

<sup>5</sup> ADB. Forthcoming. *Country Diagnostic Study: Pakistan*. Manila.

<sup>6</sup> Government of Pakistan; Ministry of Planning, Development and Reform. 2019. *Pakistan 2025: One Nation – One Vision*. Islamabad.

<sup>7</sup> Government of Pakistan, Planning Commission. 2011. *Pakistan: Framework for Economic Growth*. Islamabad.

<sup>8</sup> World Economic Forum. 2018. *The Global Gender Gap Report 2018*. Geneva.

high levels of gender inequality and poverty. The overall literacy rate for women in Pakistan is 45%, compared to an already low 68% for men. This is even lower in rural areas, with 33% for women compared to 60% for men.<sup>9</sup> Labor force statistics show that 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 in the South Asia region.<sup>10</sup> Employment for women is mostly in the informal economy, estimated to be about 72.6% of the economy.

**5. Critical need for vocational skills, especially among women.** Pakistan has the 10th largest workforce in the world and yet there are few skilled jobs. Most of the employment is in the informal economy, which is estimated to be about 72.6% of the economy. Employment in the informal economy provides no social welfare or protection for employees, provides little to no upward social mobility, and leaves women vulnerable to exploitation. However, Pakistan's weak education system and lack of vocational skills leave workers with few options but to work in the informal economy. Sociocultural barriers to education and vocational training put women at an even further disadvantage, continuing the cycle of poverty.

**6. Health issues remain a major factor for continuing poverty.** Pakistan has one of the highest maternal mortality ratios in the region at 178 per 100,000 live births. The neonatal mortality rate is 57 per 1,000 live births and the under-5 mortality rate is 81 per 1,000 live births.<sup>11</sup> While communicable diseases continue to be a concern (Pakistan has the sixth highest global burden of tuberculosis, and has 12 million people suffering from hepatitis B or C), noncommunicable chronic diseases now account for over half of all deaths (led by cardiovascular diseases, 29%, and cancers, 8%).<sup>12</sup> Health care expenditure remains a critical risk factor for keeping people in poverty or pulling people into poverty. Out-of-pocket health care expenditure increased from 61.5% in 2000 to 65.2% in 2016.<sup>13</sup>

**7. Social support for the chronic poor has been a priority.** The Benazir Income Support Program (BISP) was established in 2008 and its immediate objective was to cushion the negative effects of slow economic growth, rising food prices, and inflation on the poor, especially women. Major reforms were introduced in 2011 to improve targeting, financing, and governance of the program. The Social Protection Development Project of the Asian Development Bank (ADB) supported the expansion of the BISP's cash transfer program to eligible families.<sup>14</sup> The BISP now supports approximately 17% of the population and its platform has now evolved into a social platform to promote income support, access to social services, and poverty graduation.

**8. Cash transfers have an impact beyond increasing household consumption.** Reviews have shown that the unconditional cash transfers have had positive effects beyond just increasing household consumption. The focus of the cash transfer programs on women have led to increased women's empowerment: women have become more economically and politically empowered, and over three-quarters of the beneficiary women have reported retaining control over how the cash transfers were spent, even though only one-third of them collected the

<sup>9</sup> Government of Pakistan, Ministry of Federal Education and Professional Training, National Education Management Information System. 2017. [Pakistan Education Statistics 2015–16](#). Islamabad.

<sup>10</sup> Government of Pakistan, Ministry of Statistics, Pakistan Bureau of Statistics. 2018. [Labour Force Survey, 2017–18](#). Islamabad.

<sup>11</sup> United Nations Children's Fund (UNICEF). 2015. [Maternal and Newborn Health Disparities: Pakistan](#).

<sup>12</sup> World Health Organization. 2018. [Noncommunicable Diseases Country Profiles 2018](#). Geneva. p. 157.

<sup>13</sup> World Bank. [World Health Organization Global Health Expenditure database, Out-of-pocket expenditure](#) (accessed 29 July 2019).

<sup>14</sup> ADB. [Pakistan: Social Protection Development Project](#).

stipends themselves. Increased household consumption has also led to increased and higher-quality nutrition.<sup>15</sup>

## 2. Government's Sector Strategy

9. **Social protection remains high priority for the new government.** The government established the Poverty Alleviation Council in January 2019 under the Prime Minister's Office and headed by the chairperson of the BISP. The purpose of this council is to align and coordinate the various social protection institutions to increase their efficiency and impact. In April 2019, the Prime Minister launched the Ehsaas program, the objective of which is to "reduce inequality, invest in people, and lift lagging districts."<sup>16</sup> In April 2019, the government announced the establishment of the Division of Poverty Alleviation and Social Safety. The establishment of this division was one of the policy actions of the Ehsaas program. This division is responsible for (i) developing policies for and mainstreaming social protection and poverty alleviation, and designing innovative initiatives for poverty alleviation; (ii) coordinating with relevant stakeholders across sectors at the federal and provincial levels, including other ministries as well as nongovernment actors; (iii) administering six poverty reduction and social safety initiatives (the BISP, *Bait-ul-Mal*, the Trust for Voluntary Organizations, the Pakistan Poverty Alleviation Fund, the Center for Social Entrepreneurship, and the Center for Rural Economy); and (iv) collecting and disbursing *zakat* and *ushr* (two forms of social support) to provinces.

10. **Providing a social network to the poor.** The BISP remains the largest modality of providing a social network to the poor, offering basic income support for 17% of the poorest of the country's population. As of January 2019, the BISP had disbursed a cumulative total of PRs563.57 billion through unconditional cash transfers to over 5.6 million families, approximately 17% of the country's population.<sup>17</sup> The BISP aims to expand this coverage to 7 million households (the poorest 20% of the population). It is mainly financed by the government, which has increased the budget allocated to BISP to around \$1.1 billion in FY2020 (about 0.4% of gross domestic product and half of the total social service protection expenditure).

11. **Strong women-oriented focus.** BISP transfers are distributed solely to women, with the broad goal of improving women's status within the household. Empowering poor women thus remains a central pillar of the BISP and entails aspects of the role cash transfers play in intra- and inter-household dynamics, leading to social inclusion and impacting on the drivers of intergenerational poverty.

12. **Successes and opportunities.** The BISP is the most extensively documented and evaluated program in the public sector in Pakistan and is subject to regular process evaluations and data spot checks. Its expansion has been accompanied by key developments, including (i) switching from community-based targeting to a proxy means test-based poverty scorecard, (ii) developing one of the largest databases of poor households (the National Socio-Economic Registry), (iii) instituting automated payment generation, (iv) providing cash transfers through innovative technology, (v) establishing an automated case management system that interfaces with beneficiaries at the district level, and (vi) using third-party evaluations to assess its efficiency and improve the quality of services. Further work is needed in specific areas, including the following: (i) need for a strategic policy framework; (ii) better integration of cash transfer programs with other social services; (iii) improved synergies between federal and provincial

<sup>15</sup> ADB. A Stocktaking Report of Pakistan's Benazir Income Support Program. Unpublished.

<sup>16</sup> Government of Pakistan, Prime Minister's Office. 2019. [Ehsaas: Prime Minister's Policy Statement](#). Islamabad. p. 2.

<sup>17</sup> ADB Aide-Mémoire March 2019

governments on policy and design, division of responsibility, and efficient allocation of resources; (iv) improved use of the National Socio-Economic Registry to capture transitory nature of poverty; and (v) improvements in the governance of the BISP and its use of transparent operational processes.

13. **Exploring new poverty reduction modalities.** The BISP has been operational since 2008 and has been well documented. Reviews and assessments have highlighted the successes and the opportunities to modify and grow. The government is exploring mechanisms of incorporating poverty graduation programs and conditional cash transfers linked to health and education into the BISP modality. Until such modalities are developed and implemented in a sustainable manner, the BISP will continue to provide unconditional cash transfers, which are critical in providing a shock-absorbing cushion for the poorest in the country, especially given the current weaker economic outlook.

14. **Protecting the poor against catastrophic health expenditure.** The government has identified catastrophic health expenditure as a key driver of poverty. In response, the federal and provincial governments in Pakistan have established the National Health Insurance Program (NHIP), a public-financed health insurance program for the most vulnerable populations. The NHIP is being implemented in all provinces of Pakistan except Khyber Pakhtunkhwa, which has its own social insurance program, and Sindh. The NHIP is being targeted at the most vulnerable and should, along with the BISP, assist in preventing catastrophic health expenditure-related poverty.

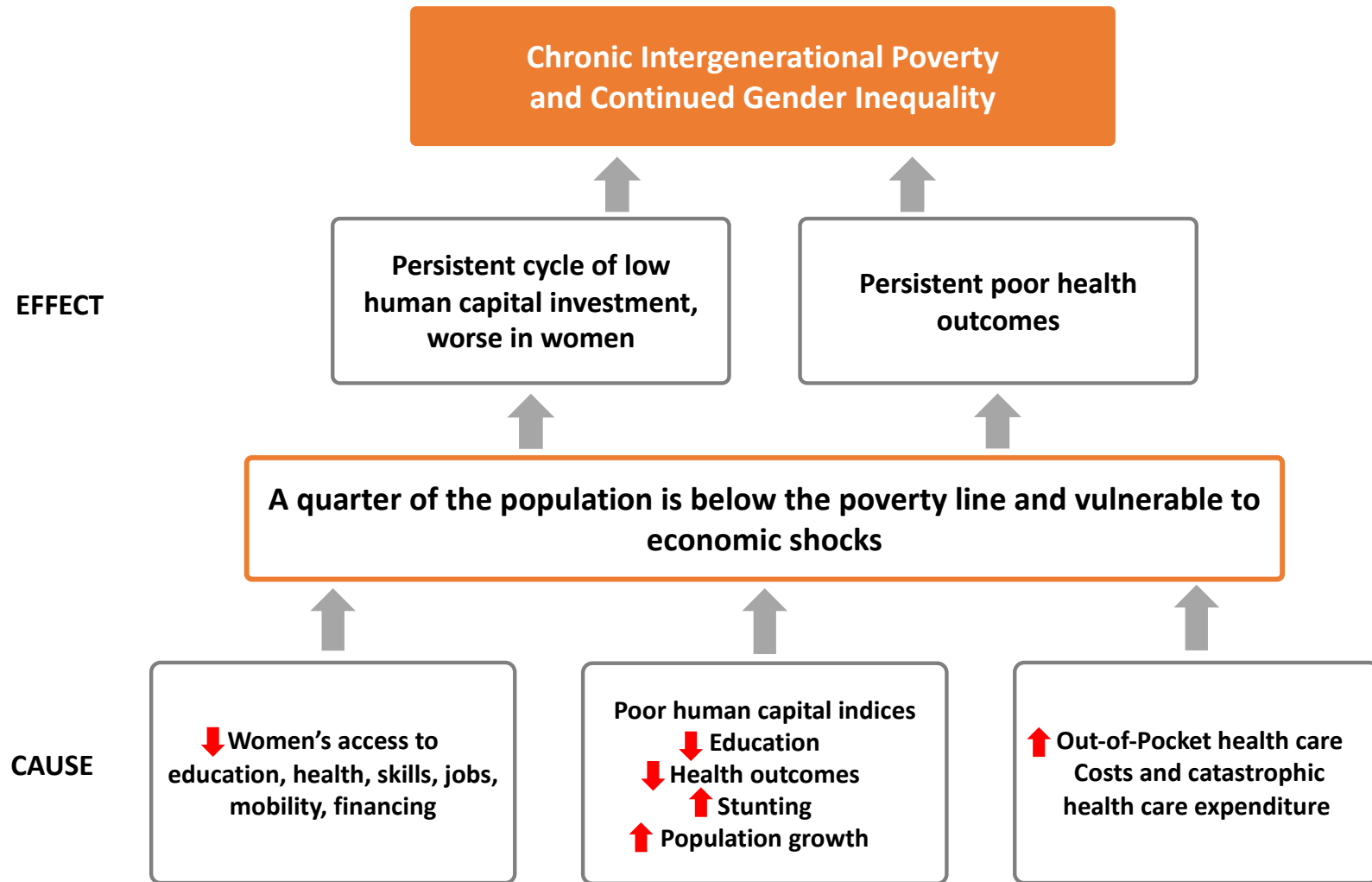
### 3. ADB Sector Experience and Assistance Program

15. **Emphasis on inclusive growth and poverty reduction.** ADB's country partnership strategy for Pakistan, 2015–2019 promotes inclusive growth and engagement in the health and education sectors, and this focus continues in the new country partnership strategy, 2020–2024, currently under development.<sup>18</sup> ADB has been supporting the Government of Pakistan in its objectives of reducing poverty, raising living standards, and supporting women through the support of the BISP. In addition to supporting the current iteration of the BISP through its Social Protection Development Project, ADB is also engaging with the government on enhancing specific aspects of the BISP, including (i) improving targeting mechanisms for more effective social protection, (ii) strengthening institutional and organization capacity, (iii) developing well-targeted conditional cash transfer programs, and (iv) expanding poverty graduation programs and their roll-out.

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<sup>18</sup> ADB. 2015. [Country Partnership Strategy: Pakistan, 2015–2019](#). Manila.

### Problem Tree for Multisector



Source: Asian Development Bank.