

Strengthening Social Protection in Pakistan: Challenges and Opportunities

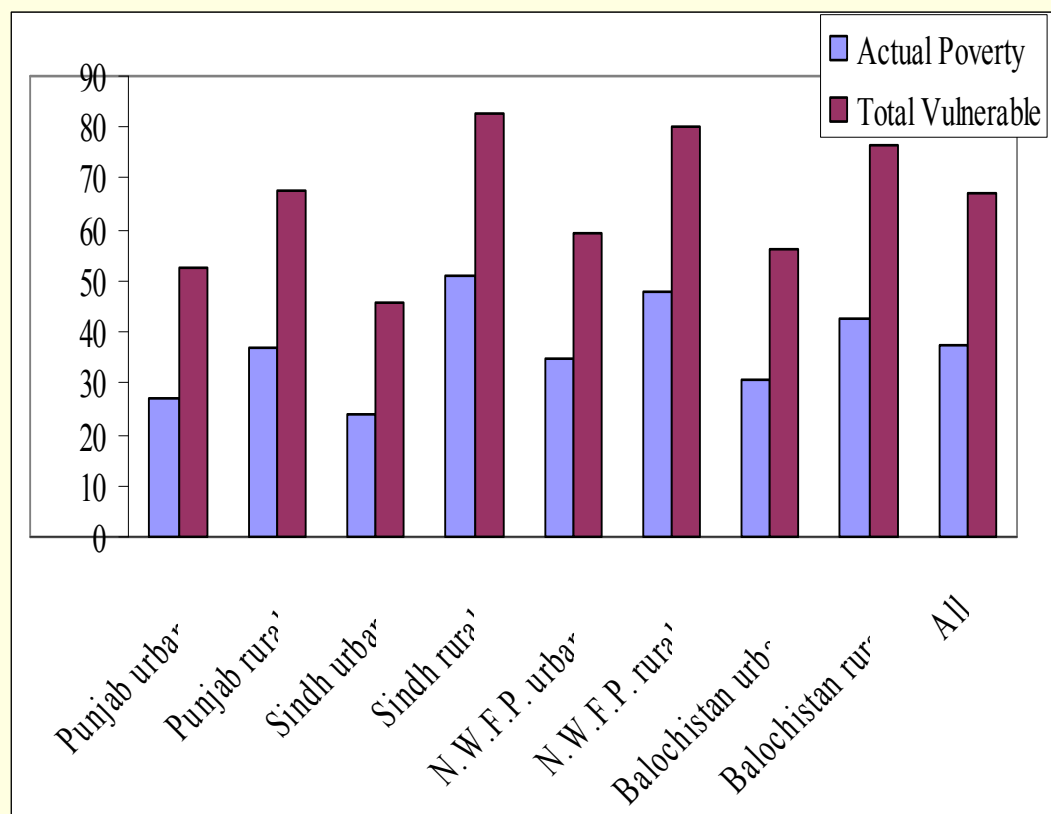
Presentation to the PDF, May 2006



Outline of the presentation

1. Poverty and Vulnerability in Pakistan
2. Main safety net programs in Pakistan
3. Key Issues
4. International experience
5. Challenges and opportunities for Pakistan

Poverty and Vulnerability in Pakistan



A large percentage of the population is vulnerable to poverty – i.e. likely to remain chronic poor or to become poor in the future - in the absence of effective social protection

(Note: estimates based on a three years horizon using PIHS 2001/02).

- Sustained economic growth will help reduce poverty in Pakistan—and evidence that is happening already
- But, as in most countries, not all poor will benefit from growth..
- ..and life cycle and aggregate shocks can make poor and non-poor vulnerable to poverty.....

Main Social Protection Programs in Pakistan



Safety Net: Key Programs

Assure Equity (Basic Needs)

- **Cash transfers** to help survival of the poor (Zakat, Bait-ul-Mal)
- **Wheat subsidy...**
- **Social welfare and care services** (institutional care..) (public but mainly NGO provision)
- **Disaster relief programs** (ex post cash transfers..+ new services for disabled, instituted)

Safety Nets: Key programs

Provide Opportunities: → Safety Ropes

- **Human Development programs**
 - Some conditional in kind benefits (stipends, mid-day school meals)
- **Income generation programs:**
 - Public works programs for employment and infrastructure (Tameer-e-Pakistan, Khushal Pakistan, PPAF)
 - Skill development/vocational training (MOL,)
 - Micro credit programs (PPAF, Khushali Bank, RSPs)

Social Security: Key Programs

Ensure security..

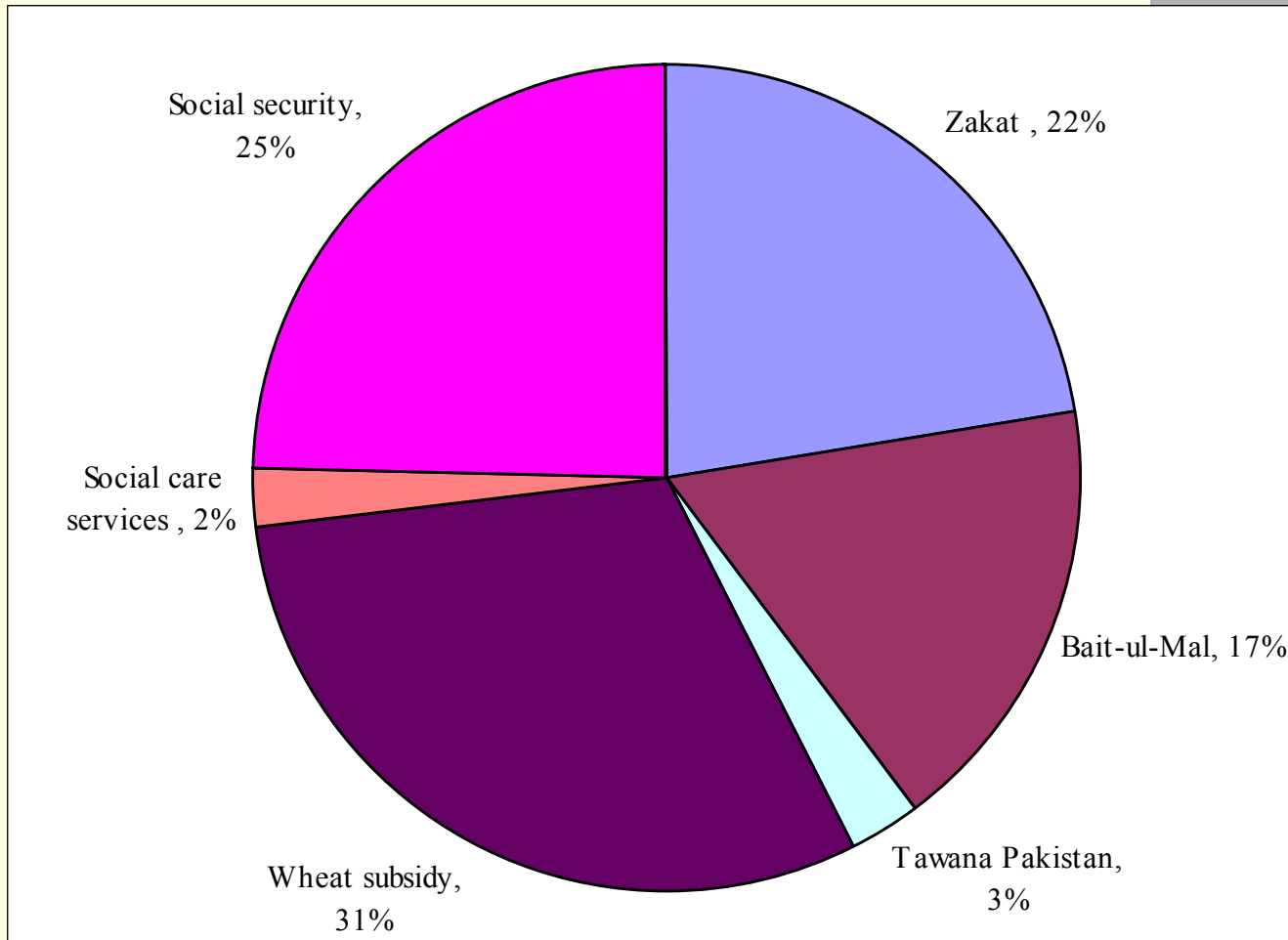
Pensions (and health) for Govt/ private sector employees.

- Civil Service Pensions, EOBI, Workers Welfare Fund

Workers social security (rights to severance, basic rights of workers, and other protection against termination, etc.)

Composition of SP Spending

(select programs, 2002-03 or latest)



Pakistan's Social Protection: Key Issues



Safety net programs: Key Issues

Limited protection of basic needs

- Geographical and individual targeting can be improved; gaps in administration capacity need to be addressed and inadequate and volatile funding remedied
- Limited social welfare and care services for vulnerable
- Safety nets unable to expand for natural disasters

Safety nets not linked to ‘escaping poverty’

- Poor/vulnerable not included into human development programs and income generation activities
- Weak integration of income generation activities e.g. micro credit not linked with training/ skill development

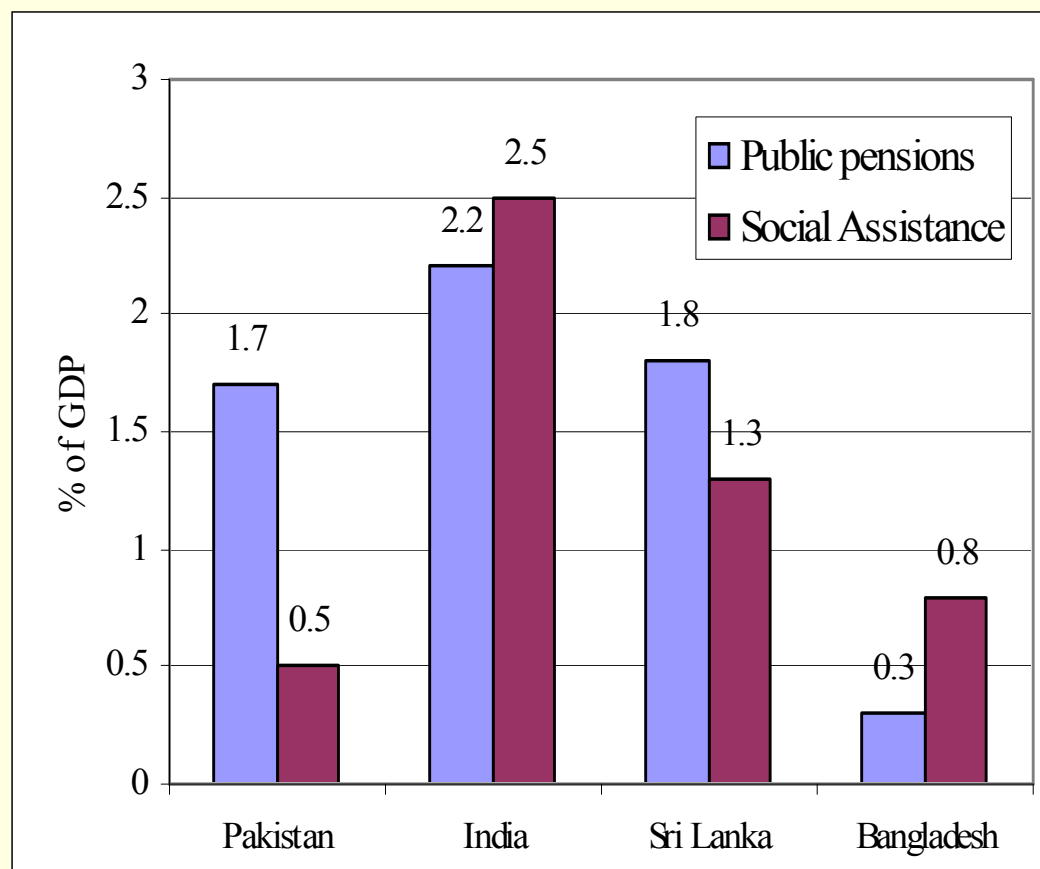
Safety net programs: Key Issues

Gaps in programs for addressing aggregate vulnerabilities:

- Addressing poverty in natural disasters (combination of transfers, welfare and care services, and workfare)
- Addressing seasonal or drought based unemployment (workfare)

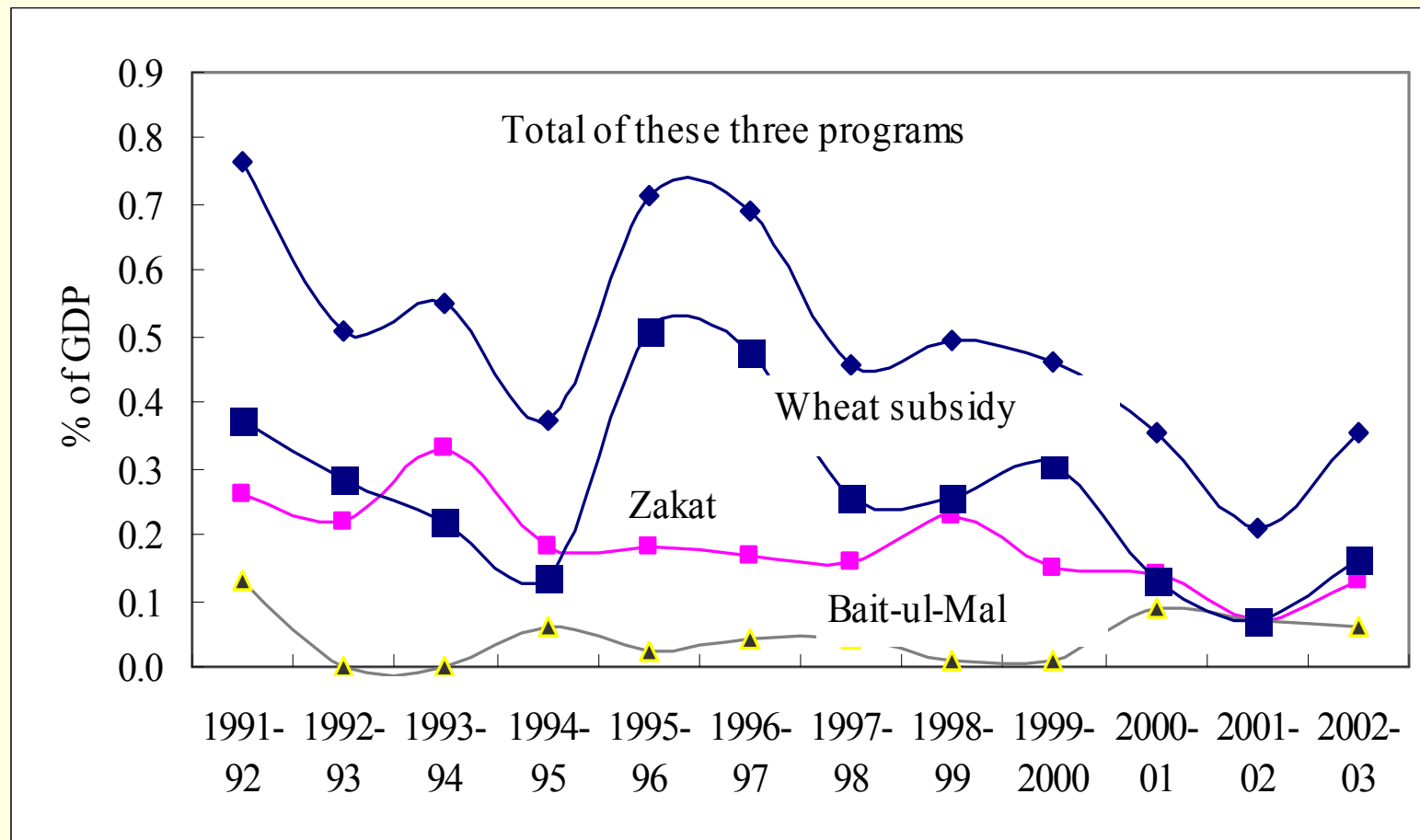
Spending on Social Protection Programs

Low Safety Net Spending relative to SAR



- South Asia spending on SP is low relative to higher income regions
- Pakistan safety net spending low relative to other S. Asian countries
- Pension/social security spending (not targeted to the poor) is comparable (or higher) than other SAR countries

Trends in safety Net spending: volatile and declining



Social Security in Pakistan: Key Issues

- **Better off formal sector workers covered** (civil servants, state enterprise workers) given low tax base.
- **Large implicit debt and weak fund management**
- Workers Welfare system: expensive for employers, little value for money for employees
- **Excessive employment security** for formal sector workers, induces informality and reduces employment prospects of poor and marginalized groups
- **Overlapping mandates, weak focus**
 - Workers Welfare Fund constructs and operates schools and hospitals, duplicating line ministry work.
- **Limited insurance against health/sickness for most of the population** (a function of income/admin capacity)

Safety Nets: International Evidence



1. Addressing Basic Needs: by moving away from subsidized to targeted cash transfers (global)

- A survey of 122 safety net programs in 47 countries shows that:
 - Cash transfers are the safety net instrument of choice as countries move from low income to middle income.
 - In terms of targeting outcomes, programs using cash, near-cash and conditional cash transfers had better targeting outcomes than programs using subsidized food.
 - Geographical targeting, means testing, and proxy means testing tend to perform better than other targeting methods, but....
 - Implementation capacity matters! A strong administration and monitoring and evaluation is essential for getting programs to the poor

2. Safety Net for Addressing Under/unemployment: Workfare (India, Argentina, Korea..)

- **India (a)**: Maharashtra Employment Guarantee Scheme (MEGS) – one of the world’s best known guaranteed, self-targeted (at low-wages) workfare program that nearly halved the severity of poverty in Maharashtra state
- **India (b)** MEGS model has just been extended nation-wide – guaranteed employment for 100 days (**though problem exists -- not at low wages, so may not target well!**)
- Other recent successful examples of workfare programs: **Argentina, Korea, South Africa**

3. Safety Nets for Natural Disasters...A well-designed safety net package helps countries to scale up to respond to major natural disasters

- **India:** the drought of the century in 1987 was managed with minimal mortality of humans and animals thanks to scaling up of workfare and other safety nets.
- **Bangladesh:** Existing safety nets expand in times of floods
- **Korea:** pre-existing unemployment insurance and livelihood protection quickly expanded when country was hit by financial/macro crisis in 1997-98
- **Argentina:** Pre-existing workfare helped to quickly expand during macro-economic crisis

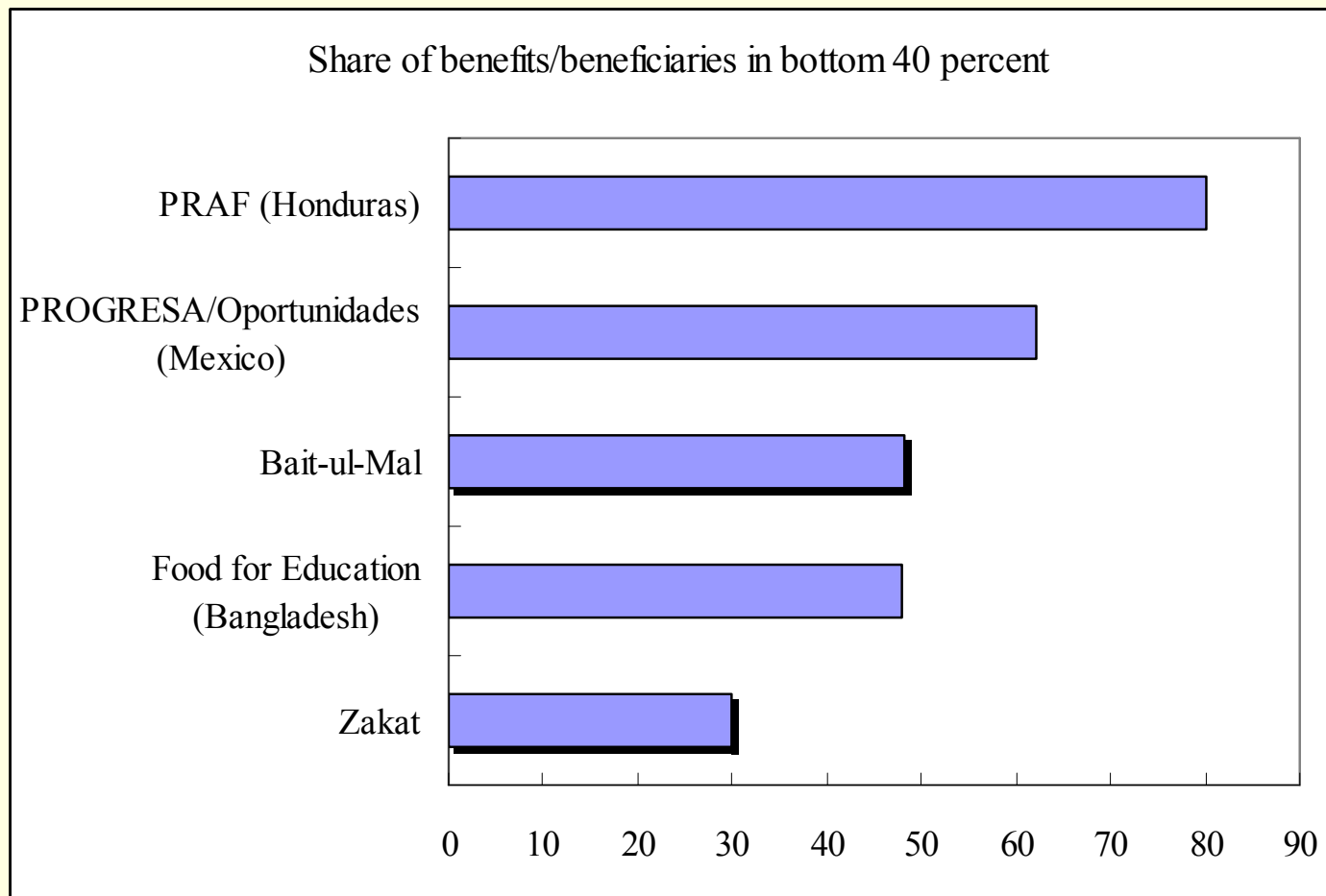
4. Providing Opportunities: Linking cash transfers to building human capital (Mexico)

- PROGRESA in Mexico (now Opportunities)
Transfers of cash to poor households conditional upon their children attending school and health clinic visits
- Federally designed and implemented in 1997
- Cash transfers conditioned on:
 - Enrollment of 6-17 year olds in grades 3-9; 85% attendance
 - Health visits and information sessions
- Transfer levels (1999, inflation indexed)
 - Education: \$8 per child per month + supplies
 - Health: \$12.5 per hold per month + food supplement
- Excellent targeting outcomes: →

Linking transfers to human capital: (Bangladesh)

- Launched Food for Education in July 1993, replacing poorly targeted rural food rationing
- Households received 15kg wheat per child per month if all children enroll in primary school, max 20 kg per family.
- By 2000, covered 2.1 million students
- Switched from food to cash for education program because of difficult food logistics
- Average transfer of US\$2.4 per household per month or 4% of poor's total consumption
- Budget US\$77 million in 2000;
- Impacts: Excellent targeting outcomes And..
 - Sharp increase in enrolment, especially for girls
 - Reduced child labor

Targeting Performance of Conditional Cash Transfers internationally compared to Pakistan's cash transfers



Pakistan Social Protection: Opportunities and Challenges



Given current programs, and in the light of international experience, what are key SP challenges for Pakistan....

- **Foremost challenge:** development of a comprehensive Social Protection Strategy/completion of review of existing programs. This is already underway and near completion
- **With Goals:**
 1. Address **chronic poverty**
 2. Address **transitory poverty** and vulnerability
- **Challenge is also an opportunity to strengthen programs and address gaps:**

Safety Nets for Basic Needs...

Improve targeting, delivery of cash transfers for basic needs

- Focus Zakat and Bait-ul Maal on on core mandates, reaching the very poorest with cash transfers.
- Improve targeting efficiency (including geographic targeting), provide regular and timely benefits, improving governance and administrative capacity.

Pilot and slowly expand cost effective social welfare and care services through private/public partnerships (based on recent earthquake pilot)

- Community based care for disabled, orphans, other vulnerable
- Psycho-social and legal counseling for abuse, legal rights, family issues..

Safety Nets, cont'd

Develop Safety Nets to address poverty in Disasters...

- **Safety Nets to address seasonal unemployment/droughts..**
 - Pilot and expand workfare programs in selected areas
- **Expand safety nets to address natural disasters**
 - Combination of cash, services, workfare....in readiness of expansion in times of disasters

Safety Nets: Opportunities to escape poverty..

- Link poor cash transfer recipients to human development of poor children
 - Cash transfer programs made conditional on participation in health and education programs (Child Support pilot underway)
- Link poor with training/skills to access micro finance
 - consider piloting training/micro-finance access for poor...

Insurance/consumption smoothing

- Ensure financial sustainability and adequacy of formal sector schemes for old age, disability and survivors pensions
- Rationalize administration of various social security schemes (welfare funds) at provincial and federal level

Investments in safety nets, both short term and long term, pay off

Returns/Benefits: Achieve a more equitable, just, and prosperous Pakistan

- Raise and smooth incomes of the very poor
- Enhance social inclusion and economic contribution of neglected groups such as the disabled via social care services
- Help moderately (not poor but likely to become poor) cope with risks and shocks so they don't slip into deeper poverty
- Reduce human capital gap of poor children and provide a way out for future generations

What does it take to succeed?

- A good strategy and action plan
- More consistent policy making across agencies..
- Investment in implementation
- Fiscal resources (adequate and sustainable)
- Champions!

➤ **Pakistan's commitment and International Experience means that It can be done!**