

Household risk management and social safety nets in Pakistan—or how we engaged the Pakistanis on social protection

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This presentation...

- ..is about findings and highlight of our (draft final) report on social protection in Pakistan
- ..and about the process used to engage counterparts and put SP on the map

Risk, vulnerability and social protection in Pakistan in a nutshell

- ❑ High poverty (29% in 2004/05, down from 34% in 2001/02) and even higher vulnerability to poverty
- ❑ Compounded with underinvestment in health and education, especially of children
- ❑ Low income levels of the poor and near-poor face very high risks (particular health and economic/employment risks)
- ❑ Existing risk management structures are insufficient..
 - Informal safety nets exist, but are insufficient, don't always benefit the people most in need, at the time of need
 - Formal safety nets—declining funding and problems of targeting and implementation
- ❑ ..resulting in child & bonded labor, food insecurity, indebtedness, distress asset sales, human capital depletion, etc....



Background

- Social Protection is the Fourth Pillar of Pakistan's PRSP
- To follow through on PRSP, GOP requested Bank support for strengthening social protection programs
 - Increase knowledge on program effectiveness,
 - Improve program delivery, and reduce coverage gaps
- Economic growth in Pakistan makes it important and possible to address poverty, as many vulnerabilities persist..
 - Growth is not benefiting everyone, and signs of increasing inequality=> political pressure for redistribution.
 - Growth provides opportunity and fiscal space=> assist poor and marginalized.

The process – getting started

- ❑ Institutional process: collaboration with government, civil society, and donors
- ❑ Steering committee with representatives of many government agencies and donors (ADB and DFID) (June 2004), led by chief economist, Planning
- ❑ Working group – Smaller with support of a poverty research center within Planning
- ❑ Financial support from DFID promised, and later materialized

Filling the knowledge gap: What is SP?

International and national experience

- ❑ Arranged workshops and policy seminars (with support of WBI)
- ❑ Interaction between key technical people and policymakers (often as chairs)
- ❑ Training of Pakistanis in SP – DC and local

- ❑ Commissioned administrative review of programs
- ❑ Started vulnerability analysis
Commissioned Safety Net survey

Key findings from **administrative review**: existing programs

- ❑ Mix of programs is fragmented (many small programs), duplicative, and sometimes ceremonial.
- ❑ Spending: low and fluctuating..

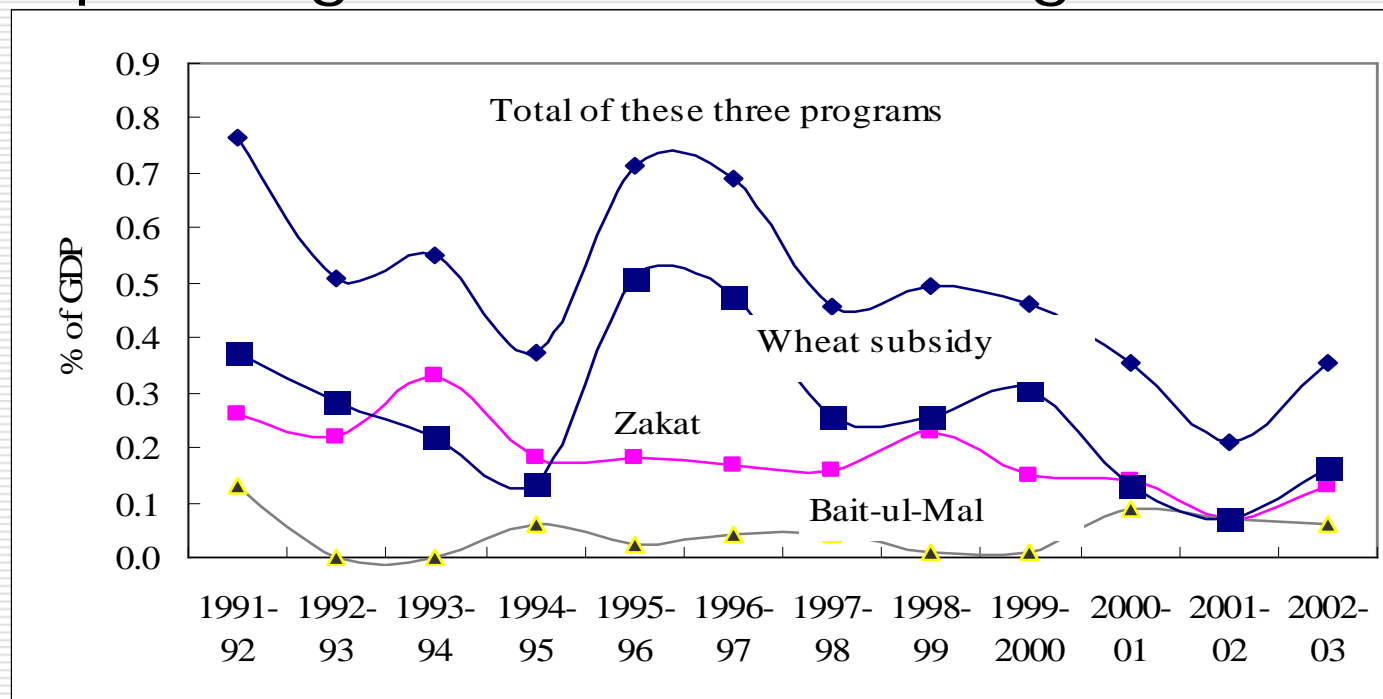


Table 1: Spending and beneficiaries of main social protection programs (2003/04)

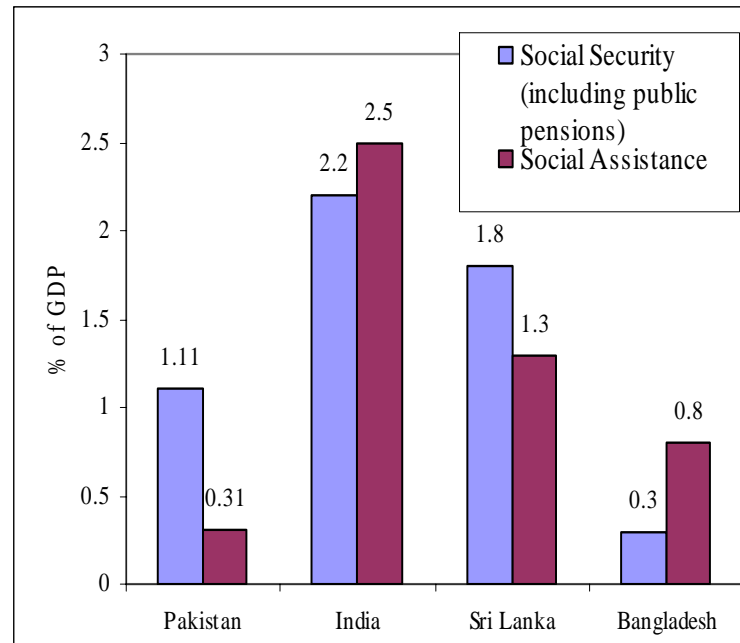
	Expenditures	Share of GDP^D	Share of total SP budget	Source of funding	Number of beneficiaries
	(Rs. billion)	(%)	(%)		
SAFETY NETS					
Income support and basic services					
Zakat (guzara and other)	5.9	0.10	11.3	Private (Zakat levy)	1.6 mn ^A (guzara: 0.8 mn)
Bait-ul-Mal ^C	2.5	0.05	4.9	Federal budget	1.25 mn ^A
Social welfare services	0.5	0.009	1.0	Federal budget	N.A.
Exit Policies					
Human capital accumulation--Tawana	0.7	0.012	1.3	Federal budget	530,000 ^A
Coping with Aggregate Risks					
Wheat subsidy	8	0.14	15.4	Federal and provincial budgets	N.A.
TOTAL safety nets	17.6	0.31	33.9		
SOCIAL SECURITY					
Public sector					
Civil service pension schemes (excl. military pensions) ^E	28.0	0.50	53.8	Federal and provincial budgets	0.8 mn retirees / 1.96 mn active workers
Private sector					
Workers Welfare Fund (WWF)	2.6	0.046	5.0	Private sector employers	N.A.
Employees' Social Security Institutions (ESSI)	2.1	0.037	4.0	Private sector employers	850,000 ^B
TOTAL social security	34.4	0.61	66.1		
TOTAL	52.0	0.92	100.0		

Sources: Issues and Policies Consultants (2004); World Bank (2006a); and information from program managers.

N.A. Not available

SP (esp. social assistance) spending low compared to elsewhere

Figure 1: Spending on social protection in South Asia
(% of GDP)



Source: Staff estimates

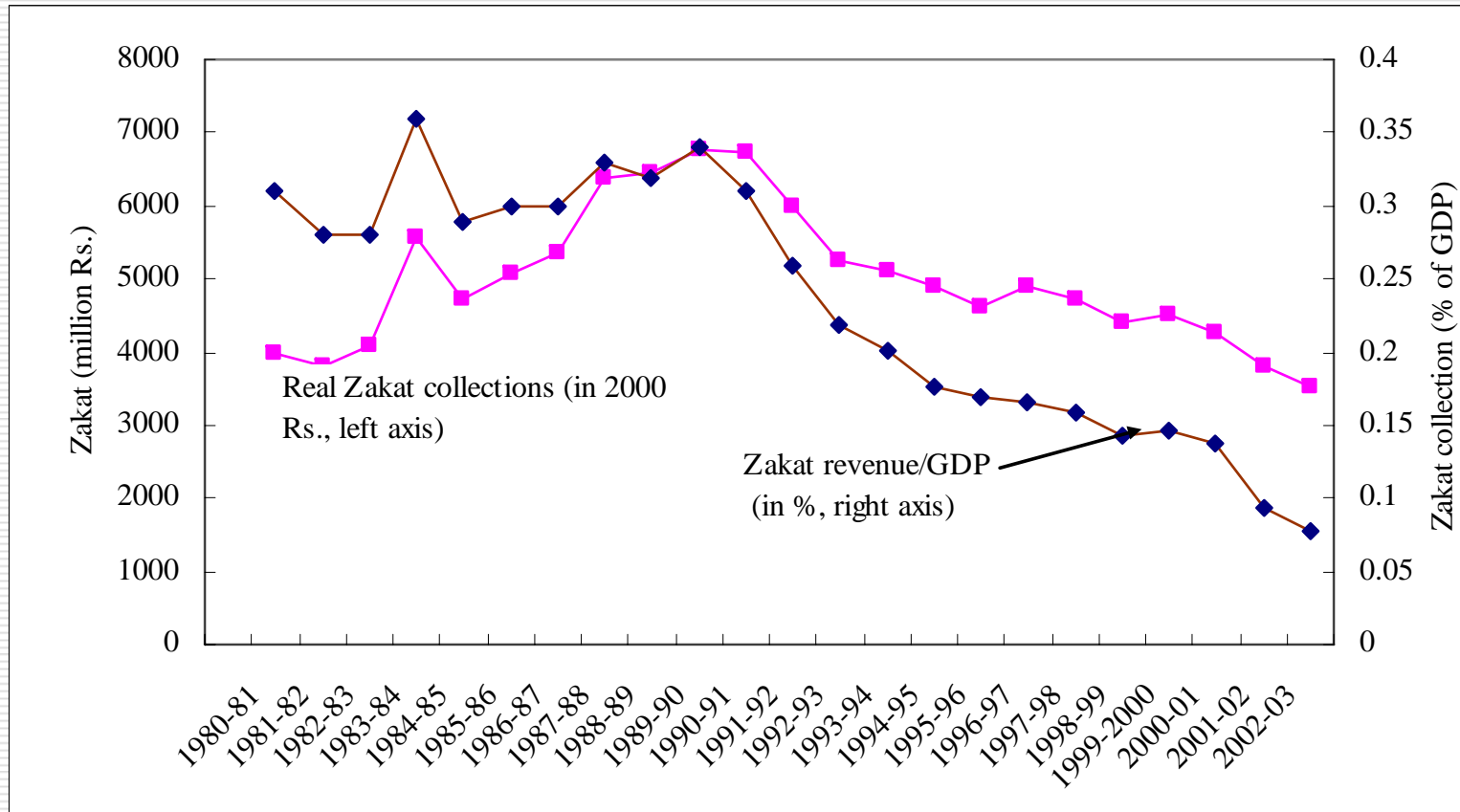
Data refer to 2003 or latest available and are not fully comparable across countries, for example due to differences in the way that military and private pensions are included. The figures for Pakistan include spending on military pensions for comparative purposes, whereas the discussion in the remainder of this report does not include military pensions.

Cash transfers

- ❑ Zakat – financed from (voluntary?) contributions
- ❑ Bait-ul-Mal (PBM) – general revenue
- ❑ Coverage – 2 million HHs
- ❑ Benefits are small, infrequent, irregular
- ❑ Weak delivery systems

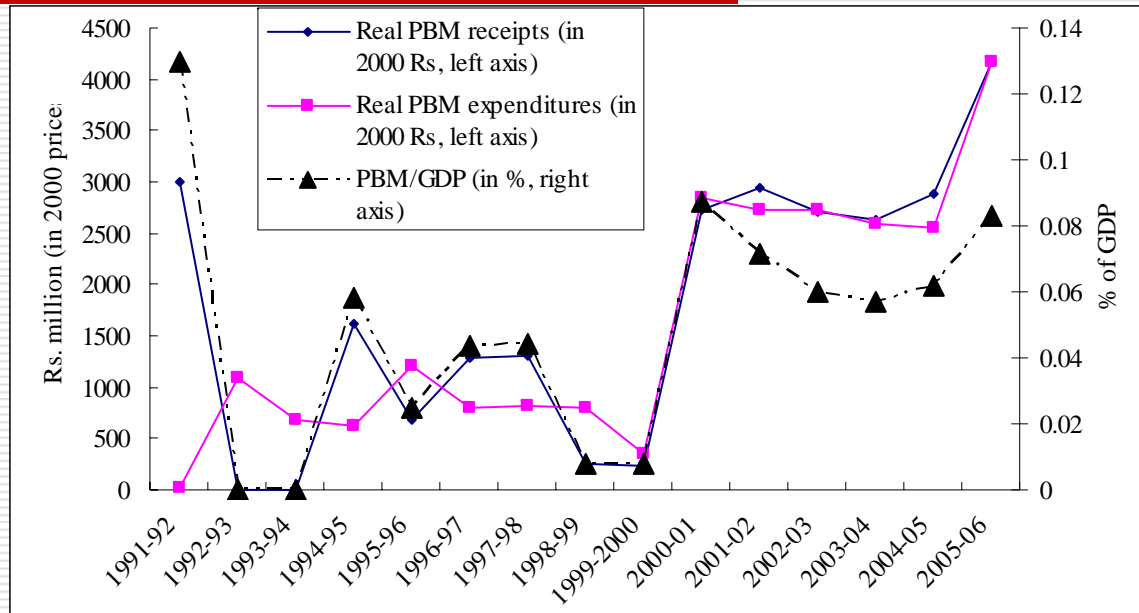
Zakat collections declining

Figure 1: Zakat revenue, in real and relative terms, 1980-2003

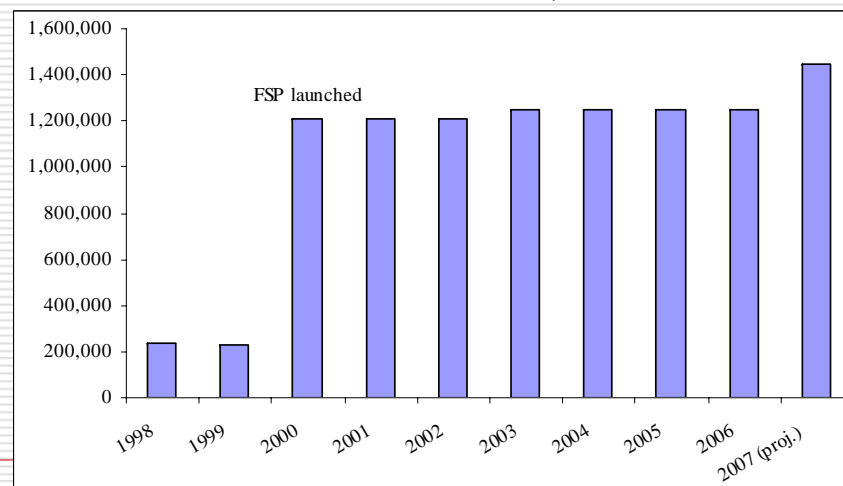


Source: Derived from information provided by Issues and Policies Consultants (2004) and by program administrators.

PBM: growing spending and coverage



Number of Bait-ul-Mal beneficiaries, 1997/98-2006/07



Wheat subsidy

- ❑ Government procures wheat at harvest and sells it later to the millers at a cost that does not cover its cost of buying and storing the wheat
- ❑ Seems that subsidy does not influence consumer prices – most likely benefits millers and government staff
- ❑ But hard to get traction on pro-poor reform of wheat subsidy

Gaps in existing programs

- No safety net provision for natural disaster
- No safety net for rural transitory poor/underemployed
- No exit or graduation mechanism from safety nets
- Underdeveloped and under funded social care services
- Fragmented and overlapping social security / labor welfare services
- No nutrition program
 - Very limited school meals

Social security

- Civil service pensions – deferred payments; unfunded liability perhaps 25% of GDP
- Pension and other social security to formal private sector workers

Key findings: existing programs

- Result in a mix of safety net programs that falls far short:
 - Short of needs
 - Short of people's and policymakers expectations to it
 - Short of its own potential.

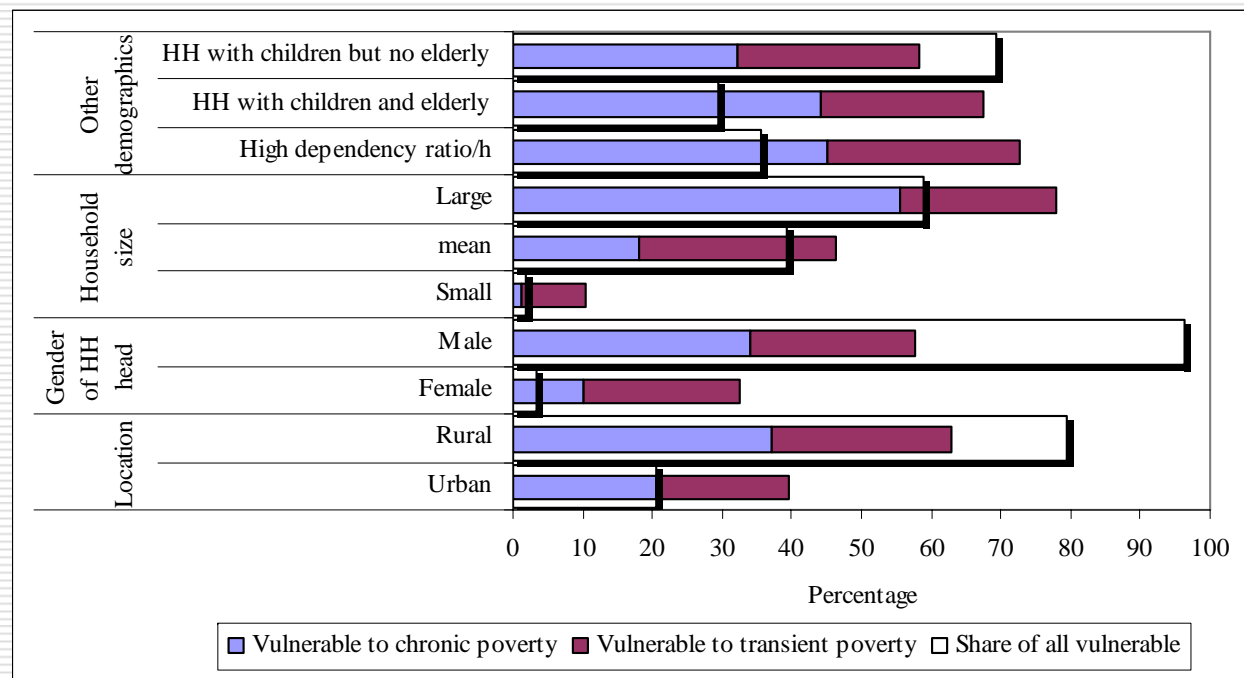
Vulnerability Analysis

- ❑ Expand the debate past the observed poverty
- ❑ Combine the local knowledge of perceived vulnerable groups with statistical analysis using the national household survey

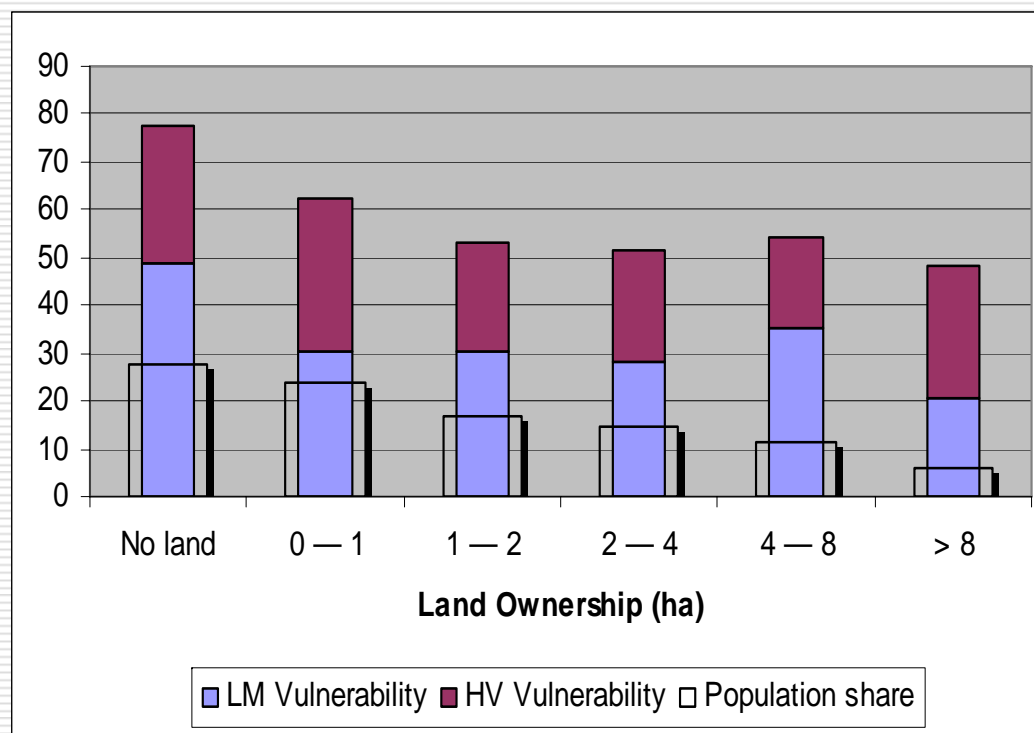
Low incomes and high exposure to shocks translate into high vulnerability

□ Vulnerability analysis based on PIHS data show that 56-67% vulnerable

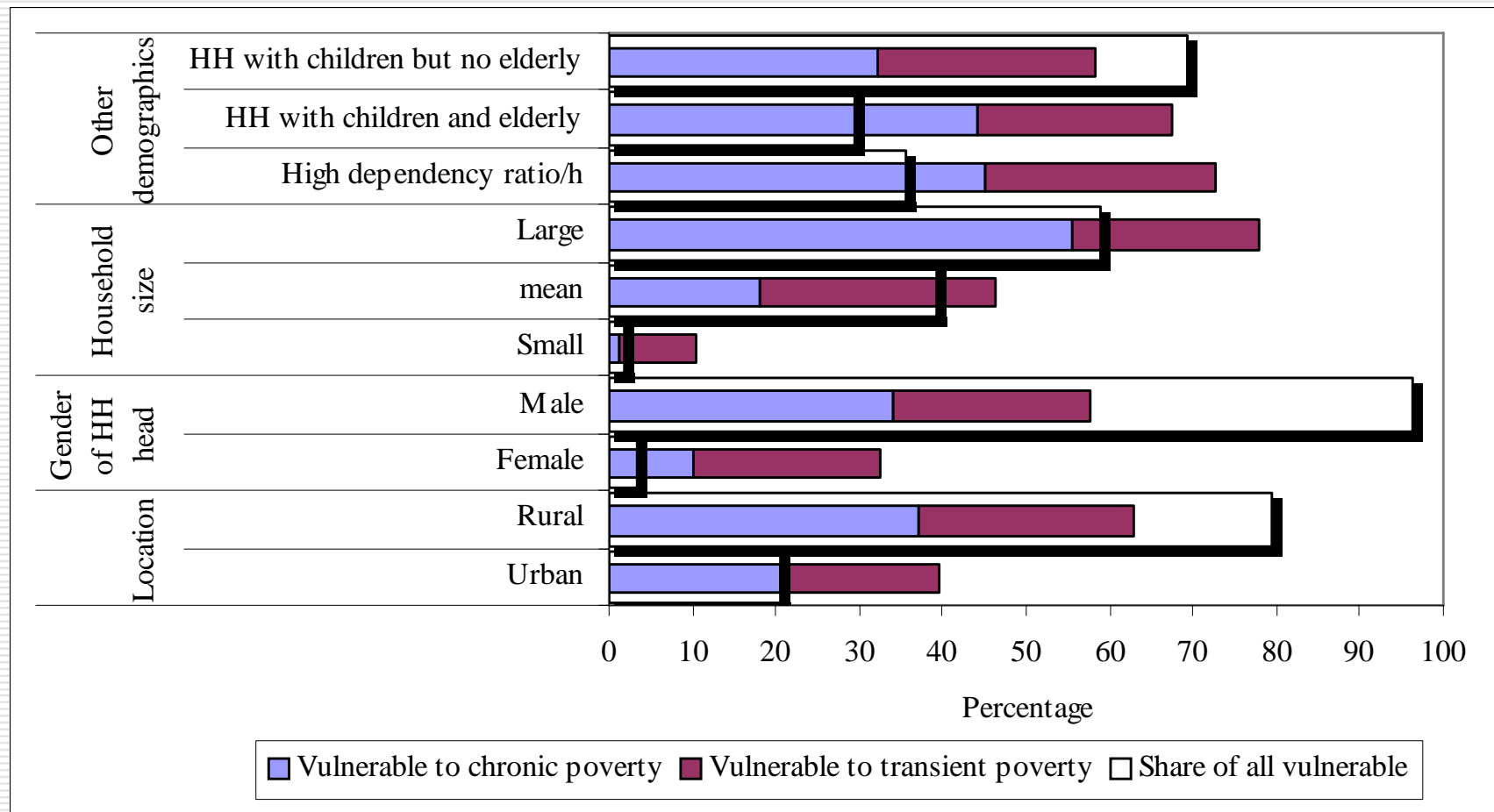
- Of which half is vulnerability to chronic poverty, and other half vulnerability to transitory poverty



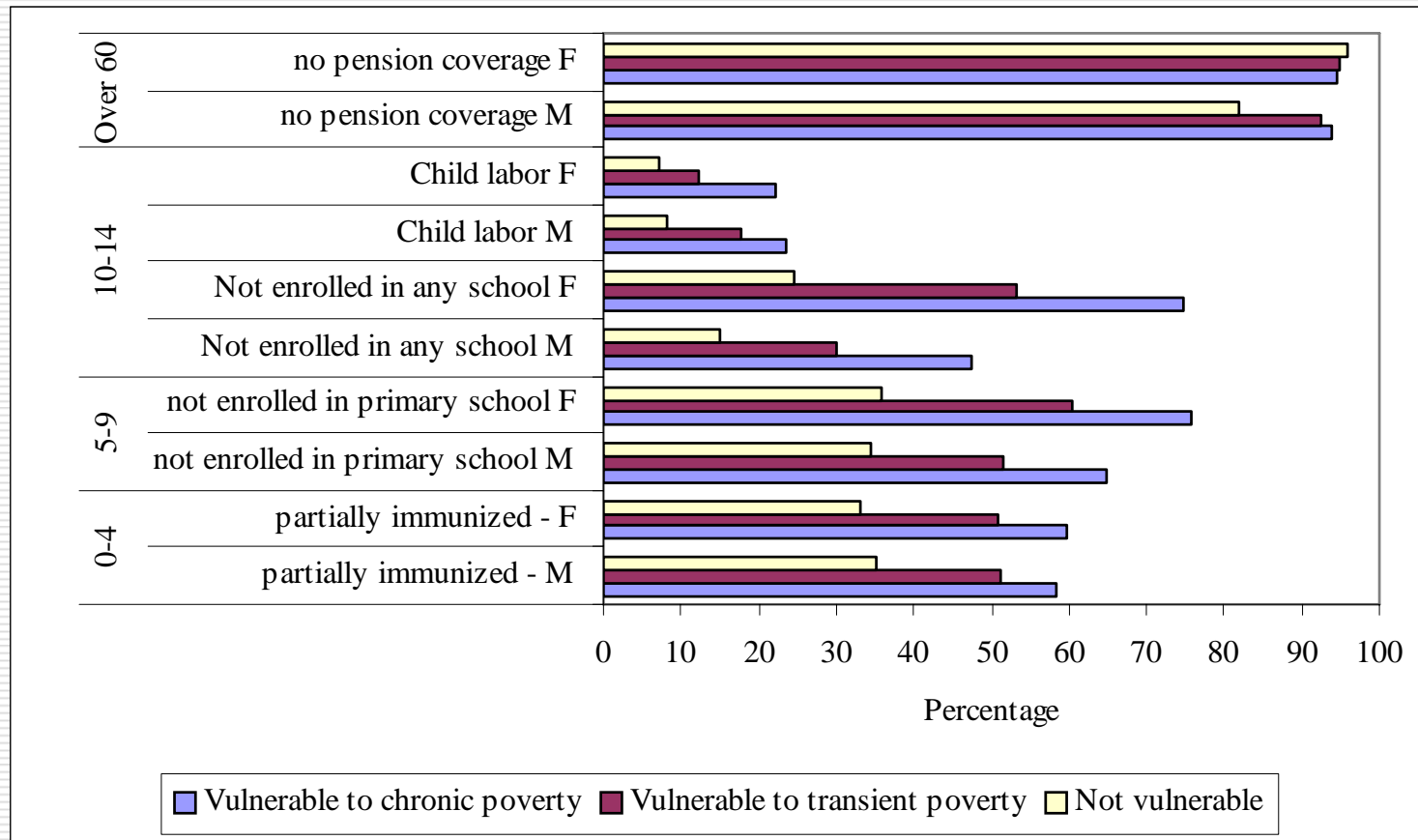
Land correlates with vulnerability



Demographics and vulnerability



Lifecycle risks



Safety net survey

- ❑ Limited information on safety nets in general and in the national household surveys
- ❑ When programs have low coverage, random surveys don't pick up enough beneficiaries
- ❑ Team designed and commissioned a special-purpose safety net survey to learn more about cash transfers:
 - Phase I – short instrument, nationally representative covering 30,005 randomly selected HHs in 300 communities
 - Phase II – in depth instrument covering 2,500 households (from the 30,000):
 - ❑ All the beneficiaries (N=XXX)
 - ❑ Comparison groups of similar and random households (N=XXX)
 - Phase III – tracing/tracking 527 beneficiaries reported in the admin records.







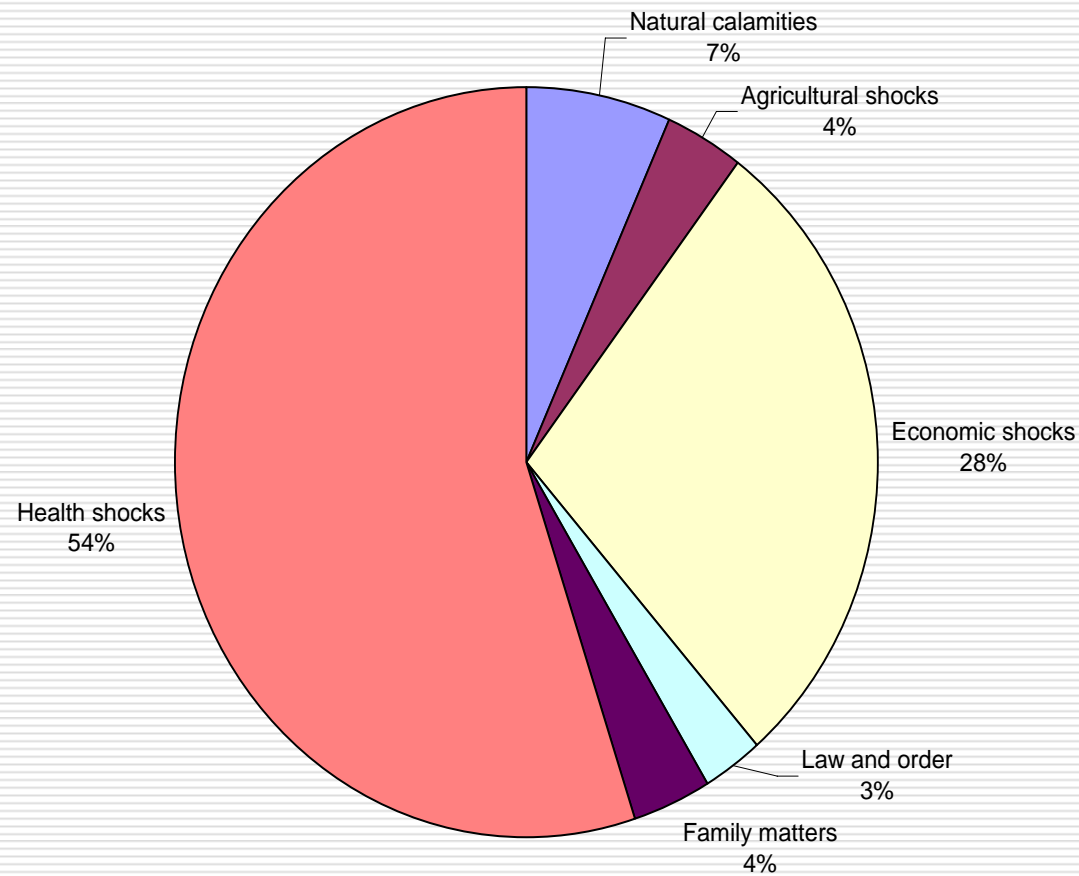
Results of Phase I data

Targeting performance of cash transfers in Pakistan and internationally
(Cumulative share of benefits, by quintile, in percent)

Quintile	Zakat				Bait- ul- Mal	PRAF (Honduras)	PROGRESA (Mexico) ^{b/}	Food for Education (Bangladesh)
	Guzara	Rehabilitation	Other Zakat ^{a/}	All Zakat				
Lowest	16	16	42	21	29	43	40	-
2	33	47	55	43	46	80	62	48
3	52	73	77	64	67	94	81	-
4	71	89	91	82	83	98	93	-
Highest	100	100	100	100	100	100	100	100

Risk profile (Phase II of survey)

Most serious crises and shocks over past three years



Incidence and Nature of Shocks

	Incidence of shocks	Health	Economic	Natural and agricultural	Family matters	Law and order
	% of all reported shocks					
All	64.8	54.6	29.2	10.0	3.5	2.6
Ultra-poor	62.3	62.3	22.5	10.4	2.8	2.1
Poor	65.3	55.3	29.8	8.6	3.6	2.7
Non-poor	68.1	43.4	37.7	11.1	4.5	3.3
Urban	71.5	58.9	32.9	3.6	3.2	1.4
Rural	61.3	51.9	27.0	14.0	3.7	3.4

Source: Staff estimates based on data from Phase II of Pakistan Safety Net Survey.

Note: ultra-poor households are here defined as those with consumption below the food poverty line, poor households as those with consumption below the poverty line but above the food poverty line, and non-poor households as those who consume above the poverty line.

Shocks impose major costs

- ❑ Shock related losses in % of annual consumption (conditional on shock) 54% for ultra poor, 27% for poor, and 18% for nonpoor
- ❑ Ultra-poor and poor households are more likely to use behavior-based strategies, such as increasing labor supply or reducing consumption, while non-poor households are more likely to use asset-based strategies, such as using existing savings or requesting a new loan or credit.
- ❑ Risk coping—not very effective: Poor risk losing assets or undermining human capital
- ❑ Conditional on shock, 10% put a child to work and 8% pulled a child out of school

Private assistance

- ❑ quite widespread, often generous
- ❑ often reciprocal—who can return favors later,
- ❑ giving to friends, family, community members
- ❑ Concentrated during festivals
- Can exclude the unconnected and emergency needs arising at non-festival times

Targeting has some pro-poor elements, but could do better..

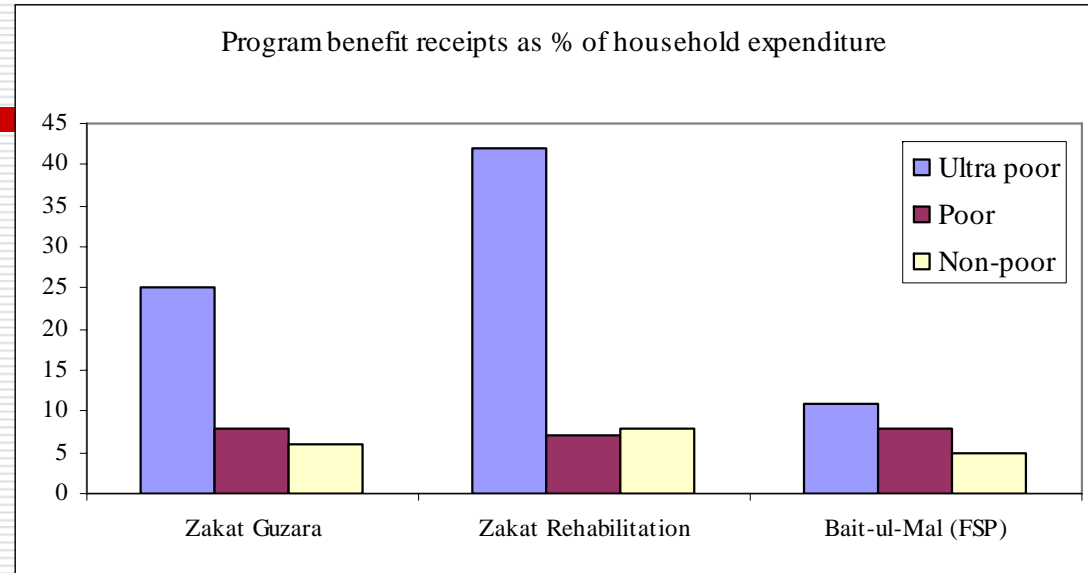
: Distribution of households by program, income level and share of total program receipts

	Ultra-poor		Poor		Non-poor		Total
	% of beneficiary households	% of program funds	% of beneficiary households	% of program funds	% of beneficiary households	% of program funds	
Guzara	39	33	33	35	27	32	100
Rehabilitation	44	23	19	32	37	45	100
Bait-ul-Mal	46	45	30	32	23	23	100
All sample households	38		35		27		100

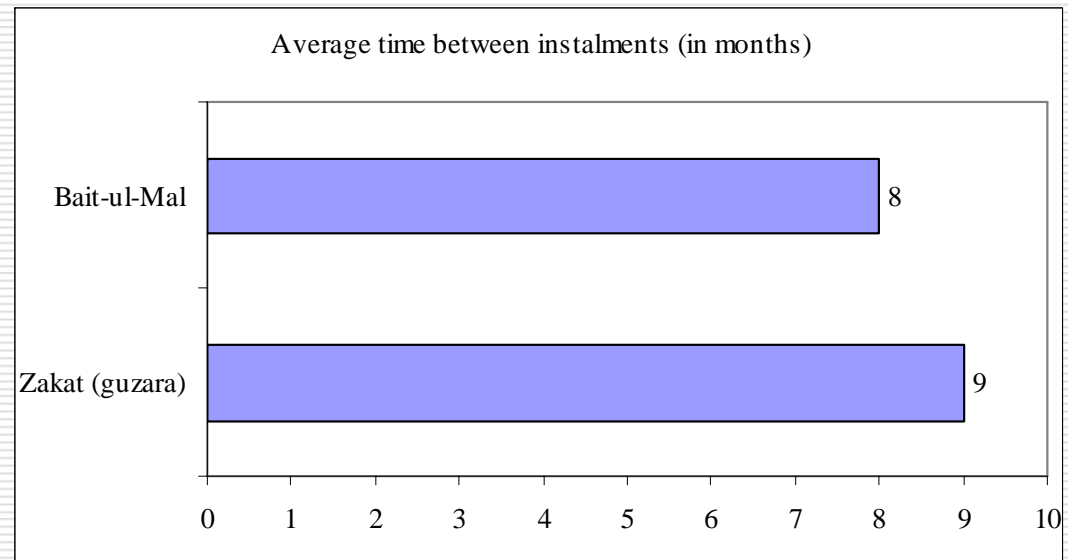
Also large exclusion errors

- Many of the rejected applicants are very poor, and omitted from programs because of lack of funds
- Reasons for targeting problems
 - No objective targeting tool used
 - Lack of operational definition of poverty
 - Eligibility decision at discretion of local officials
 - Lack of geographical targeting

□ ..benefits are low..

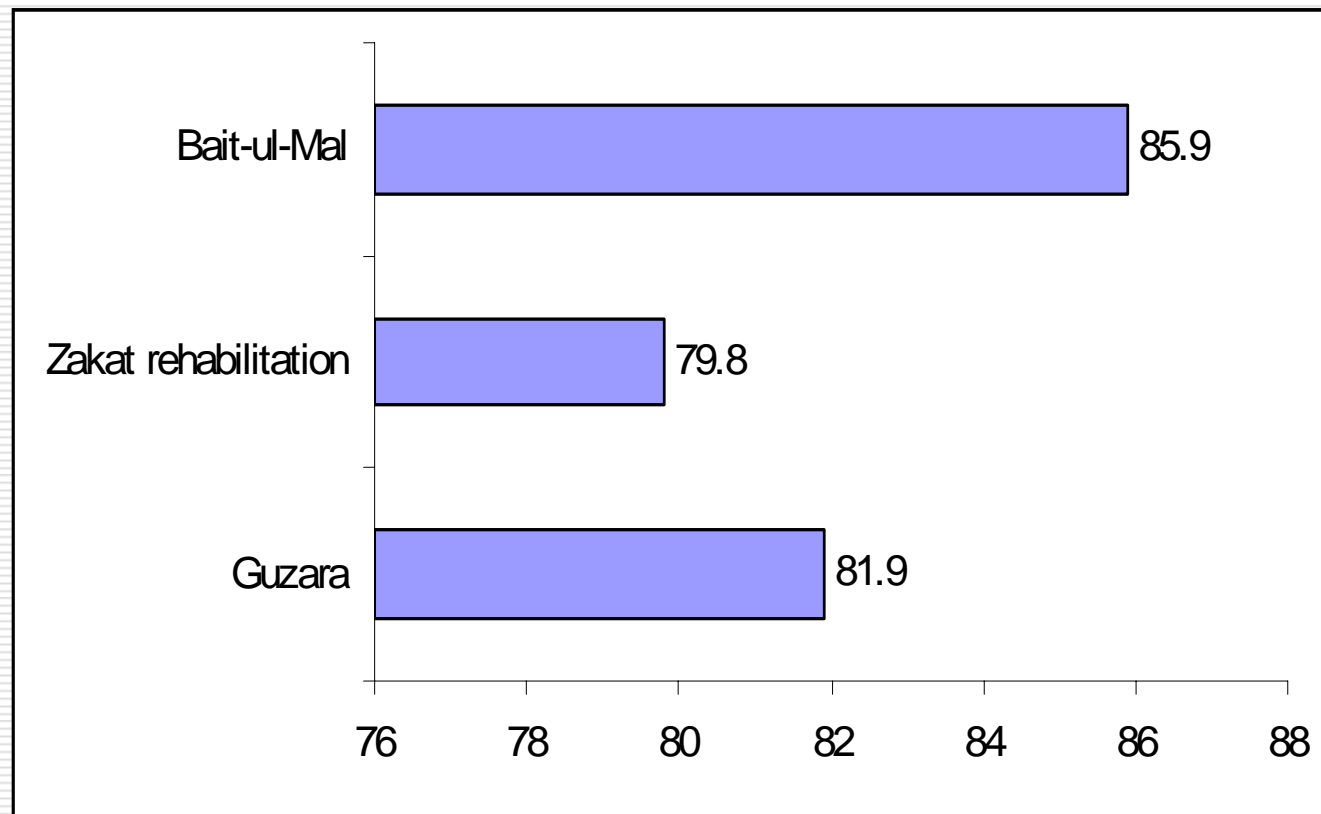


□ ..and infrequent



Tracing study (Phase III of survey)

□ % of beneficiaries traced



October 8, 2005 – The earthquake



Government response to earthquake: transfers

- ❑ Compensation for lost life or injury (GoP)
- ❑ Housing transfer (if reconstruction is seismic resistant)
- ❑ Livelihoods cash transfers
- ❑ SP: disability projects
 - Figuring out how to deliver services in remote areas, working with NGOs

Scope for developing a strategy to cover shocks and risks

- Continuing discussion for the triggers for the PRC – together with PREM
 - SN study and then the development of CT pilots
- Government decided to develop a national SP strategy – Collaborative effort
 - Still, this is GoP's product, not the same as the WB report
 - DFID provided financial support to the strategy and funded consultations
- Background papers, interim findings and seminars helped

Draft of national SP strategy completed

- ***The Vision*** of the National Social Protection Strategy is to develop an integrated and comprehensive social protection system, covering all the population, but especially the poorest and the most vulnerable.
- ***The Goals*** of the Strategy are:
 - (i) to support chronically poor households and protect them against destitution, food insecurity, exploitation, and social exclusion;
 - (ii) to protect poor and vulnerable households from the impacts of adverse shocks to their consumption and wellbeing that, if not mitigated, would push non-poor households into poverty, and poor households into deeper poverty; and
 - (iii) to promote investment in human and physical assets, including health, nutrition, and education, by poor households capable of ensuring their resilience in the medium run and of interrupting the intergenerational cycle of poverty.
- ***Priority areas of intervention***
 - (i) reaching the poorest;
 - (ii) addressing the needs of vulnerable children;
 - (iii) addressing the needs of vulnerable and poor women;
 - (iv) providing employment and income earning opportunities;
 - (v) protection against environmental and natural disaster;
 - (vi) improving access to social care services and shelter;
 - (vii) protection against health shocks;
 - (viii) protection for workers in the formal and informal labour markets.

What should be the directions for Pakistan's social protection (in our view)?

Two pillars:

1. Productive safety nets to help cope with poverty, incorporating risk management and exit strategies
 - Scaling up cash transfers and make them more efficient and effective
 - Make them conditional on schooling for those with children (5-12)
 - Workfare (for risk coping)

2. Social security for risk management
 - Stronger systems for formal sector workers
 - Experiment with new ways to reach informal workers

Instruments to achieve these goals

Target group	Urban/formal sector	Rural/informal sector
Chronic poor (with children)	Conditional cash transfers*	Conditional cash transfers*
Chronic poor (no children)	Cash transfers	Cash transfers, Public works
Vulnerable/transitory poor	Social security, micro finance	Workfare, micro finance
Special vulnerable groups**	Services (social care, schools)	Services (social care, schools)

* With conditions linked to education and possibly health

**Special vulnerable groups would need to be defined, and could include persons with disabilities (especially moderate to severe), child laborers (especially in hazardous occupations), orphans, street children, and bonded laborers.

For the chronic poor, cash transfers can be used as primary instrument

- improve the existing Zakat and Bait-ul-Mal, by
 - Better targeting and administration
 - More frequent delivery of benefits
 - Pilots to graduate and exit beneficiaries
- Scale up—to cover more of the poor
- Make transfers conditional on school enrollment as in the pilot Child Support Program.. [International evidence..]
- ..to enhance education (and possibly health/nutrition) outcomes for the poor

For the rural transitory poor, consider workfare

- ❑ Help poor cope with employment shocks.
- ❑ ..and natural disasters
- ❑ Through low wage self-targeted labor-intensive employment in rural communities
- ❑ Benefits poor with able bodied members

For the urban formal sector vulnerable, reform social security/worker welfare schemes

- Improve governance
- Unified / simplified social security system
- Offer services of better quality and relevance
- Other countries – key focus is on pensions for old-age, disability, and survivors
- What to do about urban informal workers?

Other safety net instruments are also needed

- ❑ While (mostly conditional) cash transfers and workfare would be the main pillars for the informal sector's safety nets, other interventions are also required:
- ❑ Social care services for disabled and vulnerable children
- ❑ School meals and free textbooks
- ❑ Infant nutrition
- ❑ Micro finance designed to better reach and serve the poor
- ❑ Wheat subsidy no longer needed

What will it cost?

- Cash transfers: Rs. 18-28 billion
 - expand from 2 to 3.2-5.6 million recipients and add CCTs
- Workfare: Rs. 21-37 billion
 - 50 days per year to 4-7 million workers
- Social care services, school meals etc: Rs. 3-12 billion
- Total: 0.8-1.4 % of GNI per year

Child Support Program (CCT) pilot

- Started with support of PRSC (safety net trigger) with Bait-ul-Mal, based on survey findings
- Combination of analytical results, financial leverage, and access to M of Finance helpful in launching pilot
- The design:
 - a conditional cash transfer for education targeted to existing beneficiaries of the Food Support Program (FSP).
 - additional benefit, over and above the regular FSP benefit, provided all children of school-going age regularly attend school.
 - a family with one child aged 5-12 will receive additional Rs. 200 per month, while a family with two or more children between 5 and 12 years will receive additional Rs. 350 for as long as they keep all their children 5-12 enrolled in school and attending at least 85 percent of the time. F
 - Families with no children of school going age or whose children do not attend school will continue to receive the regular FSP benefits and will therefore not lose out as a result of this new program.
 - CSP pilot in five districts during 2006.
 - Impact evaluation, with two control groups, is planned
- Issue - how to finance TA/supervision in budget support?







How to take engagement forward?

- Role of WB: SP project under identification, with proposed focus on
 - SP administration and policy coordination
 - CCT expansion and improvement
 - Workfare
 - Social care services

- Larger funding envelopes, even before project comes on stream to continue TA support for CSP and other Pilots
 - PHRD preparation grant
 - DFID PRSC Trust Fund
 - DFID funding for Mof Social Welfare capacity building

- Continue with knowledge transfers, through seminars, workshops, and study tours