

Social Protection in Pakistan: In the Midst of a Paradigm Shift?

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There was a severalfold increase in fiscal allocations for social protection in Pakistan in 2008. This coincided with a change of government and heightened public concerns about the adverse impact on poverty of the economic crisis. Federal as well as provincial governments demonstrated an unprecedented level of commitment to cash transfers and other programmes aimed specifically at the poor and vulnerable. The federal government's Benazir Income Support Programme was protected by law, and became the first targeted cash transfer programme to reach up to 7% of all households. It is too soon to say that social protection in Pakistan has finally turned a corner since the future course of public policy is vulnerable to political turbulence. This paper argues for measures that will signal that there has indeed been an irreversible paradigm shift.

Social protection emerged as a central political and policy concern, virtually out of nowhere, in 2008 in Pakistan. New governments elected in that year to the federal and provincial levels led this change through the adoption of large-scale cash transfer programmes to the poor. The fiscal allocation for cash transfer programmes increased nearly sixfold in financial year 2008-09 despite, or perhaps because, it was confirmed that a much anticipated economic downturn had begun. The Benazir Income Support Programme (BISP) aimed primarily at poor women became a centrepiece social intervention of the federal government, while the Punjab provincial government, led by a party which sat on the opposition benches at the federal level, initiated its own cash transfer scheme known as the Food Support Programme (FSP).

This paper traces the trajectory of the new political and policy interest in social protection in general, and cash transfers in particular, and identifies key issues emerging in the future. Section 1 provides a brief review of the situation up to 2008. The antecedents of the change of direction in 2008 are discussed in Section 2. Section 3 outlines the key characteristics and problems thus far with the new cash transfer programmes. Finally, in Section 4, a broader overview is taken on the direction of the social protection system in Pakistan in the light of economic, social and political currents and change.

1 Situation Up to 2008

The period up to 2008 saw a number of efforts at defining the parameters of social protection in Pakistan. The most important among these was a review undertaken by a task force on social protection working with the Planning Commission, which was mandated to draft a social protection strategy for the country. The task force completed its work in 2006, and its report was published by the Planning Commission in June 2007. The National Social Protection Strategy (NSPS) of 2007 was formally adopted by the government, but there was little or no progress towards its implementation.

The NSPS 2007 can be taken as a useful starting point as it is the first comprehensive official statement with regard to social protection which was based on a detailed review of existing programmes and interventions. The strategy defined social protection as:

...a set of policies and programme interventions that address poverty and vulnerability by contributing to raising the incomes of poor households, controlling the variance of income of all households, and ensuring equitable access to basic services. Social safety nets, social

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insurance (including pensions), community programmes (social funds) and labour market interventions form part of social protection. (Government of Pakistan 2007a: 14)

Moreover, the document lays out in broad terms the framework for the goals of social protection policies. The first of these is close to the original provenance of social protection as mitigation for risk and uncertainty: the government needs to address market failures in risk pooling and insurance. The second relates to a direct role of government in reducing social inequity through income transfers, asset build-ups and other redistributive interventions. Finally, the NSPS 2007 argues that the government might be interested in countering social exclusion and marginalisation through the promotion of social mobilisation of the poor. These three rationales read together provide a very broad and comprehensive approach to social protection which encompasses conventional social insurance as well as the more ambitious goal of social transformation (Devereux and Sabates-Wheeler 2004).

References to redistribution and social exclusion notwithstanding, the NSPS 2007 for the most part remained firmly embedded in the “risk mitigation” paradigm. The review of social protection programmes, for example, is focused mainly on social assistance and social insurance interventions, respectively. The main programmes under social assistance were Zakat, or cash transfer funded from a religious levy, Pakistan Bait-ul-Maal (PBM), tax funded cash transfer, Tawana Pakistan, or healthy Pakistan, a school-feeding programme for girl students, and an untargeted wheat price subsidy. Under social insurance, the main programmes were the Employees Old-age Benefit Institution (EOBI), the Workers’ Welfare Fund (WWF), and the Employees’ Social Security Institution (ESSI), all of which were funded using payroll levies on employers. In addition to these, the review of schemes in NSPS 2007 included microfinance and public works programmes.

As the NSPS 2007 (Government of Pakistan 2008b) was a landmark document for defining the parameters of social protection in Pakistan for the first time, it is useful to identify what was missing. Most of the programmes included in the NSPS 2007 review were federal government programmes. The document made approving mention of informal social safety nets and private philanthropy, but these could not clearly be included under the rubric of social protection. What was missing from the list were provincial government interventions, asset transfer schemes such as those for the allotment of state land, land redistribution, or regularisation of housing rights, and the considerable social protection measures enjoyed by segments of state employees, particularly those with service in the defence sector (Sayeed 2004; Siddiq 2003).

The NSPS 2007 selection of social protection interventions also contrasted with the claims of the Poverty Reduction Strategy Paper (PRSP) which counted a range of budgetary expenditures as “poverty-reducing” (Government of Pakistan 2009b). The PRSP assigned a wide range of sectors as representing poverty-reducing expenditures without any analysis of the poverty impact of expenditures on these diverse sectors such as infrastructure construction, education including higher education, and law and order. The PRSP met its targets of taking poverty-focused

expenditures to above 4% of gross domestic product (GDP) by 2005-06, much of this increase occurred in sectors where the poor or the vulnerable were not direct beneficiaries.¹

The budgetary calculations of the NSPS 2007 took the more realistic route of counting only direct social assistance – cash transfers, school feeding, social care services and workfare – as part of the social protection outlay. It was found that the federal government spent around Rs 11 billion for social assistance in 2006-07. The bulk of this spending was in the form of Zakat (Rs 5.9 billion) and the FSP which was in fact a cash transfer under PBM (Rs 4 billion). Expenditure, specifically ear-marked for social security, welfare and social safety nets was projected to decline from 0.3% of GDP, or around 7% of PRSP spending in 2002-03 to 0.15% of GDP and 3% of PRSP spending in 2007-08 (Government of Pakistan 2008a).

The NSPS 2007 also reported on studies of existing cash transfer programmes which found serious gaps in targeting mechanisms and flaws in design and implementation. It was recommended that cash transfers programmes ought to be consolidated into a unique social protection database from which beneficiaries should be selected. The NSPS 2007 further recommended a transition to conditional cash transfers and the use of methods such as proxy means test-based surveys, geographical and community-based targeting for beneficiary identification. It failed to specify in detail the organisational mechanisms that were necessary to affect these changes, and left its recommendations at a generic level. It was strongly recommended that provincial governments be involved as stakeholders.

Reforms

The NSPS called for a gradual implementation of reforms spanning five years during which it was envisaged that the expenditure on social assistance will go up from Rs 11 billion to Rs 36 billion. The bulk of the recommended change was to come in the form of an increase in conditional cash transfers, and a relatively large allocation (of Rs 15 billion) for employment schemes under the public works. It was recommended that cash transfers needed to be consolidated into one streamlined scheme under a unified ministry for social protection. For public works some existing allocations could be used, but with organisational changes which would allow more direct stress on and accountability of actual person days of employment made available and utilised by the poor. The total number of beneficiaries of social assistance programmes was to rise from 2.6 million households to over six million.

The NSPS 2007 noted the limited reach of existing social insurance schemes in an economy dominated by informal employment. It called for streamlining of existing social insurance programmes, a switchover to employee contribution-based programmes, and the expansion of coverage.

Summing up, the NSPS 2007 represented a major advance in Pakistan in policy thinking about social protection. The strategy proposed an encompassing vision for social protection for the first time. By framing a number of apparently disparate schemes and programmes under the rubric of social protection, the NSPS 2007 was able to offer post hoc coherence to existing outlays and interventions. Although its conceptual framework included

dimensions of social protection other than risk mitigation, in fact, the specific recommendations were highly geared towards the conventional risk mitigation role of social protection. Policy goals such as income redistribution and asset transfer, or actively countering social exclusion and marginalisation were not addressed in specific terms. The NSPS 2007 was also focused virtually exclusively on federal government programmes and interventions – and this limitation might have been due to a restricted mandate from the start, or due to the complexity of the task of reviewing in detail all the various interventions which might go under the social protection umbrella. Despite these limitations, the NSPS 2007 was a significant point of departure in policy discussion about social protection in Pakistan.

2 The Change and Its Antecedents

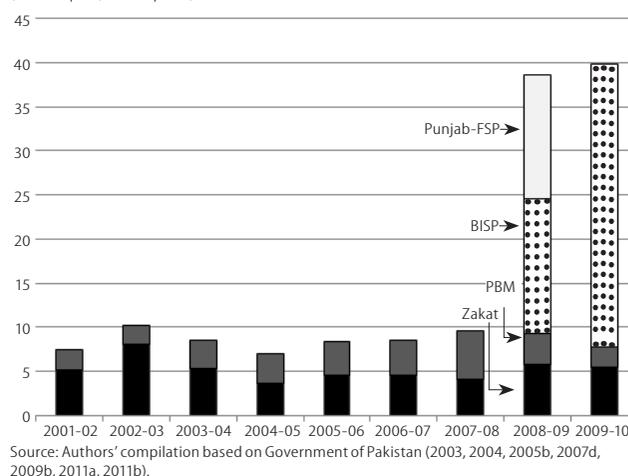
Although the NSPS process had been completed by around 2006 there was a delay on the part of the government in endorsing the strategy and officially publishing it until mid-2007. The cabinet endorsement of the NSPS 2007 was accompanied by an instruction to the Planning Commission to “catalyse the implementation process”. This was one way of shelving the recommendations, since it was the cabinet itself which would have to make the relevant decisions regarding resource allocations and programme streamlining as virtually all of these decisions required cross-departmental coordination. The NSPS 2007 recommendation of creating a new integrated ministry for social protection too was not a task which could conceivably be initiated by the Planning Commission.

The political and economic turmoil in Pakistan from around 2007 onwards, which culminated in the election of a new government and the exit of direct military rule, however, proved to be a powerful catalyst for change. Soon after assuming office, the federal government announced the launch of the BISP, and in its very first budget which was presented to parliament barely 10 weeks after government formation, an amount of Rs 34 billion was allocated for this programme (BISP 2010). At around the same time the Punjab provincial government announced its FSP and a subsidised bread scheme with a total outlay of Rs 22 billion. There was an element of political competition between the federal and the Punjab provincial governments in the launching of these programmes. Although nominally in alliance, the parties leading the two governments Pakistan Peoples Party (PPP) at the federal level, and the Pakistan Muslim League-Nawaz (PML-N) in the Punjab province also eyed each other as rivals.

Whatever the immediate political motivations, it was clear that something quite dramatic was underway. The NSPS 2007 recommendations of raising fiscal allocations to social assistance programmes to Rs 36 billion over the course of five years seemed meek compared with the bold increase in the first year amounting to a total of Rs 51 billion. This promised fiscal allocation was in addition to the existing programmes, since there was no discussion as yet about reducing or streamlining existing programmes. In nominal terms the total outlay for social assistance was going to rise from Rs 11 billion to around Rs 62 billion – or a nearly sixfold rise. Moreover, the BISP went beyond any other previous social protection intervention in Pakistan and identified women as its primary beneficiaries.

In the event the increased fiscal allocation was not as large as promised. Out of the Rs 34 billion set aside for the BISP the programme was able to utilise around Rs 14 billion by the end of the financial year (Government of Pakistan 2009b)². This was mostly as a result of delays in setting up acceptable implementation mechanisms. The Punjab FSP – not to be confused with the cash transfer programme with the same name run by the Punjab Baitul Maal – utilised around Rs 14 billion. The pre-existing cash transfer programmes, in the meanwhile had remained steady at Rs 9 billion. The total cash transfer outlay, therefore, was Rs 39 billion compared with historical amounts of Rs 9 billion. Taking the high rate of inflation (around 25% annually) into account the fiscal year 2008-09 represented not a sixfold, but a threefold increase in cash transfer outlays (Figure 1). While not quite as ambitious as claimed in the first instance, the change was nevertheless quite dramatic.

Figure 1: Federal and Punjab Provincial Cash Transfer Disbursements
(billion rupees, current prices)



What is remarkable is that unlike the period leading up to the drafting of the NSPS 2007, economic conditions considerably worsened from the fiscal year 2007-08 onwards. There was a macroeconomic crisis culminating in rapid price increases, falling exchange rates and increasing unemployment. The roots of the economic problems faced by Pakistan from 2007-08 onwards were broadly similar to those encountered by many countries suffering from the financial crisis. In Pakistan too, the financial sector had absorbed and then created high levels of liquidity, leading to inflationary bubbles in asset prices. There were domestic price rises some of which corresponded with international price movements in basic commodities and fuels, while others were caused by local shortages and regulatory failures. In August-September 2008 the Pakistani currency came under a great deal of pressure and depreciated by a third against the dollar. Soon after negotiations were concluded with the International Monetary Fund (IMF) and Pakistan entered a stabilisation agreement.

The political parties that came into office in 2008 had already been critical of economic management under the previous government, and particularly of the perception of increases in income inequality. There was strong political will at that moment, therefore, to combine stabilisation with measures for

protecting the consumption levels of the poor and the vulnerable. The argument was made that painful price rises had to be ameliorated for the poorest.

By default, then, Pakistan began its first foray into what was effectively a counter-cyclical social protection policy. Direct transfers to the poorest had to increase at a time of economic downturn and stabilisation. The position taken by the Pakistan government in its negotiations with the IMF was based on recommendations of various working groups, all of whom had argued for enhanced social protection spending as an essential compensatory feature of cutting subsidies elsewhere in the economy. A panel of economists convened by the Planning Commission, for example, argued for not only a continuation but an expansion of the BISP (Government of Pakistan 2010b). The IMF for its part not only accepted these positions of the Pakistan government, but made its first tranche conditional on agreement between the government and the World Bank over the enhancement and streamlining of the cash transfer programme.

Two factors were important in the unprecedented policy interest and political will for social protection in Pakistan in 2008. The political mobilisation for change of government, and election campaigns of political parties raised the salience of economic inequality under conditions of growth and then vulnerability under conditions of crisis. Political leaders were already familiar with the arguments for social protection, and some of them had understood and accepted the fiscal implications of any policies or programmes that might have had an impact on significant numbers of people. This prior policy thinking, even if it was sketchy and fragmented in the minds of some political leaders and more developed in the engagements of others, already reflected a paradigm shift. Until now social protection had been seen as a minor and relatively unimportant "giveaway". The acceptance of the idea that anything worthwhile needed to be at a large scale had the potential for far-reaching consequences.

The second factor was the acuteness with which the economic crisis affected the Pakistani economy, and the widely held view that inflationary spirals in essential commodities had badly hit the poorest. The need to "do something" was difficult to argue against. These two factors propelled the policy shift with respect to large-scale direct social assistance. The prior work done by NSPS 2007 allowed these political impulses to be retrospectively framed as part of a social protection strategy. The fact that the NSPS 2007 had already laid down some of the broad parameters of international current practice, meant that the ideas of Pakistani political leaders and their advisers found a ready-made frame of reference which could be used to convert political impulse into concrete policy actions.

3.1 Benazir Income Support Programme

Although BISP was allocated funds in the fiscal year starting in July 2008, the first disbursements did not begin until October. The main cause of delay was the absence of effective implementation mechanisms on the ground. The core of the BISP was a monthly cash transfer of Rs 1,000 (\$12) to 3.4 million beneficiaries. Ever-married women were identified as the primary beneficiaries,

and ever-married men could apply for inclusion in cases where no ever-married woman was a family member. Families were defined as nuclear units consisting of parents and children. The decision to identify women as primary beneficiaries represented a break from past practice and institutional habit of constructing the relationship between the state and individuals through the male heads of family. The fact that other interventions such as a land grant programme were also targeted specifically at women for the first time signalled that the initiative had been taken or supported at the highest level in the top political leadership.

Table 1: Comparison of BISP with Income Support Components of Zakat and Baitul Maal

| | Zakat | Baitul Maal | BISP | Total |
|-------------------------------|-------|-------------|--------|--------|
| 2007-08 Beneficiaries (000) | 607 | 1,457 | 0 | 2,064 |
| Disbursement (million rupees) | 1,141 | 4,371 | 0 | 5,512 |
| Mean payout (rupees) | 1,880 | 3,000 | | 2,671 |
| 2008-09 Beneficiaries (000) | 241 | 754 | 1,756 | 2,751 |
| Disbursement (million rupees) | 882 | 2,263 | 14,003 | 17,148 |
| Mean payout (rupees) | 3,660 | 3,001 | 7,974 | 6,233 |

Source: Author's compilation from Government of Pakistan (2009b).

Political attention to BISP coincided with the decline in existing federal government cash transfers (Table 1). In fact, while BISP led to a major increase in federal spending on cash transfers the total number of beneficiaries of federal cash transfer programmes increased by only a third in the first year. The main quantitative change due to the BISP in its first year was in the size of the cash benefit paid out per beneficiary, which more than doubled. As the programme consolidated, however, its fiscal impact and outreach clearly began to dominate previous programmes (Tables 2 and 3). An analysis of federal government spending on untargeted food subsidies (Table 2) shows that even in 2009-10 the latter continued to command fiscal resources which were comparable to the BISP.

Table 2: Federal Government Spending on Cash Transfers and Untargeted Food Price Subsidies as Proportion of Total Government Spending (%)

| | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|---------------------------------|---------|---------|---------|---------|
| Zakat | 0.3 | 0.2 | 0.2 | na |
| Baitul Maal | 0.2 | 0.2 | 0.1 | na |
| Targeted cash transfer (BISP) | | | 0.9 | 1.8 |
| Untargeted food price subsidies | 0.6 | 2.2 | 1.2 | 1.4 |

Source: Author's calculations based on *Federal Budgets and Economic Survey* (various years).

By 2009-10, fiscal allocations to BISP reached Rs 50 billion (\$590 million).³ The programme was reported to have reached some 1.8 million women beneficiaries in 2008-09, and estimated to have included another million women in its second year of operation. If the average beneficiary had four dependents, the reach of the programme would have extended to over a tenth of the national population (Table 3).

Table 3: BISP Allocations and Beneficiaries

| | Disbursement (billion rupees) | Beneficiary Families (millions) | Proportion of Population (%) |
|---------|-------------------------------|---------------------------------|------------------------------|
| 2008-09 | 14 | 1.76 | 5.2 |
| 2009-10 | 28 | 2.75 | 6.9 |

Source: Author's calculations based on Government of Pakistan (2010c), BISP (2010).

The initiation of the BISP posed a major challenge to the government implementation machinery. While until 2008 the main constraint to the expansion of social protection had been the absence of political will and policy commitment to effect

significant resource allocations, once resources were made available organisational gaps became conspicuous. The BISP was initially set up as a special project under the annual development plan. This was, clearly, a provisional measure. Within the course of a year the BISP had been brought under its own law and set up as a programme with funding from the cabinet division. This new legal and institutional cover for the BISP signalled not only political ownership and policy commitment, but also an acknowledgement that the existing organisational arrangements for delivering cash transfers, Zakat and Baitul Maal, were not to be utilised.

Zakat is not tax financed, but funded through the collection of a religious levy on bank accounts held by Muslims. Beneficiaries too must be Muslim. While the religious levy was mandatory at the outset, account holders can now opt out. This has resulted in a secular decline in Zakat collections and disbursements. Zakat beneficiaries are selected by local mosque-based committees. Their coverage across the country is neither systematic nor uniform. Baitul Maal is a tax-financed transfer which is administered through district level government-nominated committees. Committees decide on applicants' eligibility against loosely defined criteria. Independent assessments of Zakat and Baitul Maal, statistical as well as qualitative, have raised serious concerns about inclusiveness, efficiency and fairness (Kabeer et al 2010). Besides these technical and organisational concerns, there were practical political considerations at work. The committees for Zakat and Baitul Maal beneficiary selections were thought to have been stacked by nominees of the previous regime.

Initially it was thought that BISP could be implemented quite largely using organisational structures already present elsewhere in government. It was considered, for instance, if it might be possible to use records on adult citizens available with the National Database Registration Agency (NADRA), which is an agency of the federal interior ministry charged with registering citizens for national identity cards. Some of the information held in NADRA, such as education level, could conceivably be used as a proxy. A list of filters was developed with the cooperation of NADRA to identify potential beneficiaries through proxy means such as education, age and reported occupation. It was further presumed that NADRA will be able to obtain information on bank accounts. These filters were mostly of a "negative" type – that people with a certain level of education, or bank accounts in foreign banks, were to be excluded from the beneficiaries. In some cases it might have been possible to make possible identification based on information provided by individuals to NADRA at the time of registration. It was considered, for example, that people who had reported their occupation as "labour" should be included. The reporting of occupations in NADRA was, nevertheless, considered to be less robust than schooling or education.

In the event the exclusive reliance on NADRA had to be abandoned when it was pointed out that as many as a quarter of eligible adults did not possess NADRA identity cards, and therefore, were entirely excluded from the database. Any system of beneficiary identification that required NADRA registration as a precondition was likely to exclude the poorest since there were precisely the population segments where NADRA registration was relatively weak. An alternative measure which was eventually

used was to refer to elected representatives to carry out the initial identification of potential beneficiaries. These beneficiaries were to be identified by parliamentarians in their respective constituencies using the same criteria which could be then verified through NADRA records. The big difference from the earlier proposal was that now a person could be recommended for BISP by a parliamentarian even if he or she did not have NADRA identity cards.

Nuanced Design

The shift away from an exclusive focus on NADRA also meant a more nuanced design of the programme which corresponded with policy objectives rather than merely data availability. One problem with the exclusive use of NADRA was the fact that women are disproportionately represented among the non-registered population. The political leadership was eager to promote BISP as a women-focused programme. Now women could be primary beneficiaries even if they did not have NADRA identity cards to begin with. Their registration for BISP, in fact, could coincide with their registration with NADRA. It was reported that there was a big rise in NADRA applications as a result of the BISP, particularly among poor women in relatively underdeveloped rural areas.

The parliamentarian-based targeting allocated equal numbers of application forms for BISP to each Member of the National Assembly (MNA) and senator. Every parliamentarian (whose total number was 442) was given 8,000 applications and supplied with selection criteria. The parliamentarians were then supposed to identify beneficiaries in their constituencies whose eligibility would then be assessed by NADRA using the prescribed criteria. Although the selection criteria included reference to income – that the family's monthly income must be less than Rs 6,000 – it was assumed that income could not be measured reliably. The proxy means used as filters were also not easily verifiable since the information supplied by an applicant in the BISP form was only being matched against information supplied by the same person to NADRA.

Parliamentarians also found it difficult to manage the selection process, given the difficulty actually establishing physical contact with 8,000 constituents, and verifying their personal information. In most cases the parliamentarians used their existing party workers to identify beneficiaries. While a statistical audit and impact evaluation of BISP beneficiaries is pending, rapid assessments in five villages in Punjab and Sindh suggest that the programme does have a visible presence on the ground (Gazdar and Mallah 2010). This is in contrast with previous cash transfers which, due to their smaller scale, were relatively less well known in poor communities.

BISP was present in four out of five villages where the rapid assessment was conducted. In the one village where no BISP beneficiaries were found it was reported that the residents were political factional rivals of the local parliamentarian who had distributed BISP application forms. Neighbouring villages received the benefit, and there was a strong demand from potential women beneficiaries of this omitted village for inclusion. Some of the women had even registered for the NADRA identity card in anticipation of a BISP application. In the other four villages there were

beneficiaries ranged from a quarter to a third of all households. These ratios cannot be read as representative, but illustrative of the villages in question. Patterns of inclusion and exclusion showed that while nearly all of the beneficiaries belonged to poorer households within the village, some of the poorest were excluded due to their weak political connections.

The problems with the parliamentarian-based identification of beneficiaries were acknowledged by the government from the very outset. In fact, it was announced that the parliamentarian-based system was only a stop-gap until a more institutionalised arrangement was in place. Besides the somewhat subjective nature of beneficiary selection – even if it did not entail serious inclusion errors – there was the obvious issue of political bias. Since most parliamentarians have stable support bases in their constituency, it was expected that the beneficiaries will be mostly selected from among their own supporters. The government rightly claimed that this did not amount to party-political bias at the national level – in constituencies where opposition candidates had been elected the bias was in favour of opposition supporters. The systematic exclusion of people on grounds of political affiliation even if this was happening only at the local level, was not a sustainable strategy from a social protection point of view.

The government reached an agreement with the World Bank to change the basis for beneficiary identification from the parliamentarians to a poverty census in which basic information would be collected from all households in order to generate a “poverty score”. The proxy variables and the scorecard designed for this purpose was based on household survey data from 2005-06. In May 2009 a pilot poverty census was initiated in 15 out of the 132 districts of the country. The process of designing the poverty census revealed even more acutely the organisational gaps in social policy implementation in Pakistan. The poverty census was subcontracted to three different organisations – the Population Census Organisation (PCO), the Rural Support Programme Network (RSPN) and the Pakistan Poverty Alleviation Fund (PPAF) – as it was clear from the outset that no single organisation within or outside government had the requisite capacity. A fourth organisation – viz, NADRA – was entrusted with the task of data entry and analysis. The nascent BISP organisation, as yet with a relatively thin presence on the ground, was expected to play a coordination role.

The poverty census was based on a complete enumeration of all households and individuals within the pilot districts. The forms were returned to NADRA which then generated poverty scores for all households. Beneficiaries were to be selected using these scores. The poverty census has been completed in the 15 districts, and its results have started to be analysed. There is a commitment on the part of the BISP that once these data are compiled and analysed, there will be a switchover to new beneficiary lists which will replace the lists generated through the parliamentarians. A national roll-out of the poverty census has been announced. The switchover to new lists will further test the political resolve of the government to the institutionalisation of the BISP.

There are clear signs that the federal government is interested in using the BISP as a platform for the introduction of other dimensions of social protection. The law establishing BISP which was enacted with cross-party support in parliament sees the programme

as an “autonomous social safety net authority to coordinate the design and implementation of targeted programmes for the poor”. The BISP was used as a vehicle for the provision of emergency assistance to internally displaced people in the conflict-affected regions in the north-west of the country. A one-off lump sum transfer – framed as start-up capital for poor families – has also been introduced as part of the BISP. Finally, the government has announced its interest in linking health insurance with the BISP.

3.2 Food Support in Punjab

The Punjab provincial government was the initiator of the other major social protection interventions in 2008. The Punjab FSP and the *Sasti Roti* (literally, cheap bread) interventions received fiscal allocations that were of comparable scale to the BISP.

At the outset the FSP and the BISP appeared to be very similar programmes in terms of design, scale and intent. Both were meant to respond to the immediate economic crisis and price increases. They represented a stepping up of cash transfers to large numbers of beneficiaries, and provided the same amount of money to beneficiaries. In fact, the Punjab FSP utilised Rs 14 billion out of the Rs 17 billion allocated to it in the 2008-09 budget. The first apparent difference between the two programmes was the intention in FSP to use the existing mechanisms of provincial Baitul Maal lists and committees led by district level administrative officers to identify beneficiaries. Applications could be made to these district level committees which were supposed to use a number of criteria for beneficiary selection. There was no interface in the design with a permanent database such as NADRA.

As the two programmes evolved other differences became conspicuous. Besides targeting – BISP relied on parliamentarians and NADRA while the FSP relied on the administrative officials – it was clear that final objectives were also distinct. The BISP firmly went in the direction of reaching out to women beneficiaries. The FSP model remained quite similar to pre-existing Baitul Maal focus on households rather than individual women. The FSP did not develop a dedicated permanent or semi-permanent organisational structure and was implemented under the chief minister’s direction by the ministry of industries as a one-off intervention. Unlike the BISP there was no legal or institutional cover. By financial year 2009-10 FSP had been wound up.

The Punjab provincial government focused its efforts, instead, on consumer subsidies in the shape of *Sasti Roti* (worth Rs 3.3 billion in 2008-09) and special food packages for the Muslim fasting month of Ramzan (Rs 8 billion).

Under the scheme cheap bread priced at Rs 2 a unit is provided across Punjab at over 12,000 licensed bakeries. In 2008, flour was supplied to these bakeries at Rs 250 per 20 kg bag – or at around half of the market price. The price of bread too was estimated to be around half of the market price of bread of similar weight. The total daily consumption of these bakeries was estimated at around 70,000 40 kg bags in 2008 (Government of Pakistan 2007c). The Punjab provincial government allocated Rs 4 billion for this intervention in 2008-09.

The main lever for targeting is the location of the bakery, which could be placed in relatively poor communities. The cheap bread scheme is almost exclusively urban, and is based on the

availability of wheat flour surpluses with the Punjab provincial government. Any consumer who turns up at a licensed bakery can buy the subsidised bread if this is available. There is, therefore, no record of the number of beneficiaries. There are, as yet, no available impact assessments. In effect the Sasti Roti scheme is similar to existing untargeted consumer price subsidies provided by federal and provincial governments to urban consumers. Its value addition is in directly subsidising food – since cooked bread unlike flour, sugar or cooking oil, is not likely to have a secondary market.

4 Conclusions

After decades of neglect social protection emerged as a major concern for political stakeholders and policymakers in Pakistan. Pakistan which had among the lowest fiscal allocations for social protection programmes in the region trebled, in real terms, these allocations in 2008. Increases continued in the subsequent year despite, or perhaps due to, economic slowdown and the initiation of a stabilisation programme with the IMF. A range of factors, most of them related to political change, were behind this paradigm shift.

Existing policy thinking on social protection was summed up competently by the NSPS 2007. This document provided a useful review of social protection programmes, and also framed social protection mostly in terms of risk mitigation. The work done for the NSPS 2007 played an important part not in effecting policy change, but in its post hoc framing once the political stakeholders had already pushed the boundaries. The recommendations of the NSPS 2007, which were largely ignored by government at the time the strategy was published, appeared to be relatively modest in comparison with actual budget outlays and even more limited subsequent utilisation by incoming governments. The NSPS did provide policymakers with a readily available language and framework for dealing with politically-propelled policy shifts.

The increase in fiscal allocations quickly exposed the major gaps in Pakistan's social policy infrastructure. Existing organisational structures, within and outside government, were not capable of handling the increased political commitment to social protection. The delivery of targeted but unconditional cash transfers on a major scale was a challenge to the existing administrative machinery which has become accustomed to handling only marginal flows badly. The absence of a credible state presence on the ground proved to be limitation not only in beneficiary identification, but even in the process of carrying out basic data collection for a poverty scorecard.

The apparent divergence in the paths taken by the federal government's BISP and the Punjab government's FSP was instructive of the issues involved in addressing social policy in general, and social protection in particular. While the federal government chose institutionalisation and the bypassing of existing mechanisms, leading to a delayed start, the Punjab government chose to reduce start-up time by relying on existing mechanisms. Ultimately, it was clear that greater political and policy attention to social protection will require a much more robust organisational presence on the ground at the community and district levels. The absence of such organisational structure currently is a legacy of decades of neglect of social protection.

It is premature yet to predict that the BISP will evolve from an apparently short-term response to crisis, into a full-blown social protection institution with multiple dimensions including exit programmes, emergency relief, and health insurance. There are certainly indications of this direction being taken. The fiscal sustainability of such a move is dependent, among other things to a switch away from untargeted consumer price subsidies which disproportionately benefit the non-poor. What is not clear, however, is if the BISP will or should encompass social protection or be one component of a broader social protection strategy.

If existing and planned initiatives – such as poverty scorecard based beneficiary identification nationwide – continue, they will have fulfilled a large part of the NSPS 2007. The other recommendations with regard to social assistance in the NSPS 2007 also appear intuitive follow-ups: transition towards conditional cash transfers, complementary programmes such as employment guarantees and directly targeted health and nutrition interventions. In addition the NSPS 2007 recommended the streamlining of existing social insurance schemes as well as their significant expansion to cover workers outside the formal sector.

Besides the issue of administrative machinery and government organisation, the main future constraints can come in a variety of ways. The present government's high level of political investment into the BISP might work against the programme in case of political change. The experience of large-scale social cash transfer programmes such as Progresá in Mexico suggests that incoming governments find it difficult to significantly curtail fiscal allocations even if they come up with different design and programme priorities. In the case of Pakistan the Punjab provincial government's commitment to social protection will provide a good indicator of the current opposition's intentions towards large-scale cash transfer programmes. Although the BISP law passed unopposed in parliament, the continued preference of some political stakeholders for untargeted consumer subsidies, as evidenced by the divergent trajectories of the federal and Punjab provincial programmes, implies that consensus is still elusive.

To know if Pakistan has undergone a paradigm shift with respect to social protection which will endure political change will require observing fiscal commitment to targeted cash transfers, particularly in place of untargeted subsidies. But there are two further important design issues which will signal whether a transition to an inclusive and institutionalised social protection system has been made. The first of these relates to the nature of interaction between state and citizen. The BISP is one of the first programmes in Pakistan which, in its approach, is based on the idea of targeting from a well-defined universe. Its linkage with the NADRA system and the incentives that the programme itself provides for the registration of the poor and marginalised with NADRA can have long-lasting implications for the implementation of social policy and the state's interaction with citizens. The stark contrast in this regard is with untargeted consumer subsidies which might command more fiscal resources but fail, by their very definition, to establish a durable relationship between state and citizen. The second major departure is the primacy given to women as programme beneficiaries. The significance of this change can hardly be overstated in a highly patriarchal society such as Pakistan.

NOTES

- 1 PRSP aggregations are not reliable for consistent time series on poverty or social protection related spending. In 2007-08 the category "safety nets" showed a 24 times increase due to the inclusion of a range of consumer subsidies. Social security spending also recorded a major increase in this year, possibly due to the inclusion of microfinance disbursements. Since a number of government departments that are connected with social protection report their data to the PRSP secretariat, this paper makes use of PRSP reports for specific line items but not for aggregations.
- 2 There is a discrepancy in the reported utilisation of BISP funds between the PRSP source and the federal government's revised budget statement for fiscal year 2008-09 (Government of Pakistan 2010c). The budget claims that Rs 22 billion were actually utilised for disbursement. The lower figure of Rs 14 billion is used here for comparison over time.
- 3 These figures need to be contrasted with the amounts spent on wheat imports in order to stabilise domestic prices (Rs 40 billion in 2007-08, Rs 20 billion in 2008-09, and Rs 26 billion in 2009-10). Furthermore, in 2009-2010 the federal government spent Rs 180 billion in subsidies to public sector power companies.

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