Pakistan has taken steps to deliver social protection services, including unanimously passing the Benazir Income Support Programme Act in 2010, and setting up systems for targeted cash transfers to the poor. Such measures are critical in a country with endemic poverty, significant food insecurity, low education, and poor health outcomes. But more efforts are needed, including bringing the federal and provincial governments together as partners in social protection service delivery, especially in the new decentralized context since the 18th Amendment to the constitution was approved in 2010. A national social protection framework is to be established, and its overarching objective should be a technically sound and financially viable system that provides appropriate, adequate, and predictable benefits to the target population. To meet this objective, policy makers can ensure that the framework is coherent between federal and provincial authorities, harmonize systems for design and delivery of social protection within that framework, ensure financing for social protection based on affordability and efficiency principles, and enable effective postdisaster early recovery cash transfers as part of the future disaster-response action plan.

Poverty in Pakistan is endemic, alongside significant food insecurity, low education, and poor health outcomes. The economy has struggled in recent years during the global economic downturn, with difficulties exacerbated by internal security problems and natural disasters. Steep price inflation for basic commodities has sharply lifted the cost of living. The poor suffer most from these shocks, and many of the poorest cannot meet their immediate needs for food, basic education, or health. The 2011 National Nutrition Survey shows food insecurity to be a daily reality for millions: nearly 30 percent of households experience food insecurity with either moderate or severe hunger (Aga Khan University, Pakistan Medical Research Council, and Ministry of Health 2011). Moreover, any income shock further increases their poverty, undermining their human development. Most have no savings or back-up resources to stop them falling into destitution.

To address these challenges, the government has changed the profile of social protection markedly in the past five years. In June 2007, the Planning Commission launched a National Social Protection Strategy (NSPS), approved by the Federal Cabinet (Government of Pakistan 2007). The strategy reviewed social protection initiatives, concluding that Pakistan's safety net developed largely as a series of ad hoc responses to problems thrown up by particular circumstances, and thus it contains duplicating and overlapping programs (Government of Pakistan 2007). The strategy reviewed social protection initiatives, concluding that Pakistan’s safety net developed largely as a series of ad hoc responses to problems thrown up by particular circumstances, and thus it contains duplicating and overlapping programs (Government of Pakistan 2007). The NSPS identified gaps and shortcomings and set out a more comprehensive approach to social protection for the country, with particular focus on safety nets. In 2008, with the immediate objective to cushion the adverse impact of the food, fuel, and financial crises on the poor, the federal government launched the Benazir Income Support Programme (BISP), a national cash transfer program, by committing PRs 34 billion. The program was supported by legal, institutional, and administrative reforms to respond to the challenges identified by the NSPS.
This paradigm shift resulted in a large increase in pro-poor social protection spending. From 2006/07 to 2011/12, pro-poor social protection expenditure (excluding universal subsidies) rose almost fivefold from 0.16 percent of GDP to 0.79 percent, approaching the Poverty Reduction Strategy Paper II target of 0.9 percent (Government of Pakistan 2009). This increase included heavy spending on social assistance cash transfers targeted to the poorest and disaster relief. In 2011/12, BISP expenditures represented 0.25 percent of GDP, while expenditures for disaster relief were 0.40 percent of GDP. It represents strong evidence of government intention to mitigate risks of shocks to the poorest and support pro-poor social protection to reduce income inequality.

The country’s safety net has been modernized. The national cash transfer program under the BISP now serves as the country’s main safety net mechanism to provide minimum income support to female representatives of extremely poor families (Box 1). The program aimed to contribute to the redistributive goals of the federal government. It recognized that regular and predictable cash assistance for the poorest households would provide a reliable source of supplementary income, and it aimed to build the foundation for moving from the essential basic safety net to coherent social protection services that can help them to graduate out of poverty. The program contributed significantly to the country’s safety net modernization by introducing an objective targeting method and improving the administration and governance of cash transfer programs.

BISP beneficiaries are selected through an objective targeting mechanism. From 2009 to 2012, the BISP undertook a national household census to establish an objectively verifiable welfare ranking of households to target its safety nets and other pro-poor interventions. This independently administered census, using a poverty scorecard and supported by various control and accountability processes, covered more than 27 million households and created a socioeconomic national poverty registry. The program is better targeted than other social assistance programs in Pakistan, such as parliamentarian selection at the start of the BISP, Bait-ul-Mal, and Zakat (Figure 1).

The national cash transfer program under the BISP compares well with international best practice for design and administration of social assistance cash transfer programs. Alongside more transparent and efficient targeting, there were process improvements including a computerized management information and grievance redress system, an online complaints system, and other third-party mechanisms for spot checks, performance audits and a multiyear impact evaluation. New technology is used for payments to reduce the potential for fraud and corruption. Moreover, the BISP Act 2010 embraced a number of good principles of governance and accountability in delivering social protection. For instance, the members of the board are appointed from the government and nongovernmental organizations with equal representation (Government of Pakistan 2010a).

Coverage of the poor has increased. The families eligible for the safety net cash transfers under the BISP make up the poorest 21 percent of the country’s population. They receive a monthly cash transfer of PRs 1,000 (around $10), which

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**Box 1: Impact of paying cash to women**

Giving cash to women directly increases their bargaining power within the family, and when women have greater power to make decisions, the household increases its investment in human development.

Studies endorse this gender-differentiated impact in Pakistan. Data from the Pakistan Social and Living Standards Measurement survey show that when Pakistani women have more decision-making power, households spend significantly more on things that women value, including nutrition and child education (particularly for girls), and that women make greater use of reproductive health services.

In addition, when a woman acquires a Computerized National Identity Card, she gets other rights of a citizen (voting, the option to open a bank account, and the like). From 2009 to 2012, more than 15 million female citizens obtained a computerized identity card, largely due to collaboration with the Benazir Income Support Programme.

Source: World Bank 2011a,b; National Database and Registration Authority.
is paid quarterly. The benefit amount was set in 2008 to provide income support for basic needs (that is, consumption smoothing). This small benefit does not discourage family members from working. By the end of 2012, as the program rolled out across all provinces and regions, 4.3 million women of the poorest families were receiving such cash transfers. As eligible women obtain Computerized National Identity Cards (CNICs) and register for payments, the number of eligible beneficiaries is expected to rise to more than 7 million families (the most poor and vulnerable in the country—Figure 2). Detailed evidence of the overall impact of cash transfers will be available later in 2013 through the impact evaluation, although initial assessments suggest that the cash is spent on basic and pressing needs (World Bank 2010b). A recent study showed that 78 percent of the beneficiaries used their cash for food, while the next most common expenditure was on health (15 percent; ICF GHK 2012).

The government recently introduced measures on promoting better health and education for the poorest. Many children of the poorest families do not attend primary school (Figure 3). The BISP recently launched Waseela-e-Taleem to provide supplementary monthly cash payments of PRs 200 a month per child, over and above the PRs 1,000 received by BISP beneficiary families, but only if the primary school–age child enrolls and attends school (an example of a
coresponsibility cash transfer). This will help in further supporting household welfare and in addressing the intergenerational cycle of poverty. Waseela-e-Taleem is being piloted in five districts in collaboration with the provincial education authorities who will ensure the availability of schools and monitor student attendance. The federal government has publicly committed to scale up this program to reach 3 million children by 2015/16. At the same time, the BISP is trialing a health insurance initiative, Waseela-e-Sehat, in Faisalabad District and plans to expand it by adjusting the design and implementation arrangements after evaluation of the trial.

**Policy Challenges**

**Social protection system after the 18th Amendment**

The roles and responsibilities of the federal and provincial governments in social protection need to be clarified, reflecting the institutional and fiscal landscape after the 18th Amendment. The federal and provincial authorities share no understanding of their joint roles in policy, design, implementation, and financing of social protection. Steps in this direction are especially important as social protection is not explicitly addressed in the constitution. In particular, strategic federal responsibilities and functions need clarification, as does how they would be integrated with the provincial programs to achieve equity for the poor and vulnerable in provinces with very different capacities and financial resources. Provincial buy-in to a dynamic and diversified social protection system is essential. Provinces need to prioritize and invest in the various social protection interventions (social insurance, active labor market programs, social welfare services) if they are to achieve the desired sector outcomes.

**Fragmentation and inconsistent administration practices across social protection programs**

Social protection programs are still fragmented and uncoordinated. Since 2008, the federal government has taken some good steps to meet its constitutional responsibility to help the poorest with a redistribution mechanism. But there is currently no coherent social protection system, just numerous disparate and uncoordinated programs operated by different ministries and departments at the federal and provincial levels (Kardar 2013). Programs set up to address specific problems remain ad hoc, reactive, isolated, and fragmented. Such programs include the initiatives of Pakistan Bait-ul-Maal; Zakat; labor welfare programs; Rozgar initiatives in Khyber Pakhtunkhwa, Sindh, and Punjab; school stipends in some provinces as part of education reform programs; stipends for skills development programs; and special purpose technical and vocational training centers. There is a need to avoid program overlap and promote synergies between interventions.
Administration practices across social assistance programs are inconsistent. But many such programs suffer from lack of objective and transparent beneficiary targeting and have unreliable and irregular systems for delivering benefits (Kardar 2013). Weak administration wastes resources and generates a poor profile among the public, which has little appreciation of the benefits of social protection.

Financing social protection

The government still devotes much social protection spending on universal subsidies, which are regressive and thus inefficient as a social protection mechanism. In recent years, the federal government has tried to offset inflation with untargeted (universal) subsidies. Since 2006/07, untargeted subsidies have recorded inordinate increases relative to trend gains in health, education, and social protection programs other than subsidies (Figure 4). In the severely constrained fiscal environment, the “unproductive expenses” on such subsidies represent a direct cost to the country’s human development and a major constraint to poverty reduction (Government of Pakistan 2011c). In 2011/12, more than 70 percent of what are defined as social protection outlays were untargeted subsidies, and just 0.79 percent of GDP went to social assistance programs targeted to the poor.7 Untargeted subsidies were equivalent to almost 3 percent of GDP, despite the government’s stated policy to move from “hefty subsidies” such as those on electricity, petroleum products, fertilizers (agricultural input), wheat (agricultural output), and utility stores (especially for ghee and edible oil; Government of Pakistan 2011c,d).

Although inclusion of spending on universal subsidies in the Poverty Reduction Strategy Paper may suggest that they are “pro-poor,” in practice the poorest benefit the least from them. The main beneficiaries of electricity subsidies, which constitute about 80 percent of total subsidies in Pakistan, are in the richest quintile of the population, while the poorest quintile benefits from only about 10 percent of the subsidy (Figure 5).

Weak institutional capacity for early recovery disaster response

Institutional capacity is insufficient for effective social protection response to disasters. Pakistan is prone to disasters, such as earthquakes, floods, and conflict-related violence. Despite recent good experience in providing social protection through cash transfers to those hit by disasters, institutional capacity needs to be built to provide timely early recovery support in future disasters (Box 2).

After the response to the 2010 floods, the federal government prepared a National Future Disaster Response Action Plan (FDRAP) in consultation with provincial authorities to outline how cash transfers could be best operationalized in case of future disasters (Government of Pakistan 2011b). The plan consolidates international best practice and Pakistan’s own

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**Figure 4**

Human development and subsidies, 2006/07–2011/12

Source: Government of Pakistan various years; authors’ calculations.
experience, and has been approved by the government. Adequate capacity is lacking, however, and the FDRAP notes that the key to implementing effective cash transfers for early recovery is to ensure adequate capacities at all levels, from the federal government down to the districts. Although endorsed and published, the FDRAP has not yet been operationalized; in particular, the institutional capacity building is still pending.

**Policy Recommendations**

**Establish a national social protection framework that harmonizes federal and provincial policies and programs and clarifies the roles and responsibilities of federal and provincial governments**

Establishing a national social protection framework, agreed on between federal and provincial authorities, is essential for an effective and efficient social protection system. The framework would classify social protection interventions to distinguish the different types of interventions, objectives, and target groups. It would need to the approval of the competent authorities (the Council of Common Interest or the Executive Committee of the National Economic Council) when finalized. The Planning Commission can map federal, provincial, and regional interventions to aid discussions on the framework. Such a framework would help reduce fragmentation and program overlap. The following outline format could be considered, drawn from international practices (Table 1).

**Figure** Proportion of benefits received for electricity subsidy, March 2008 and March 2011

![Figure](image)


**Box** Citizens’ Damage Compensation Programme

The government’s flood-response program after the devastating 2010 floods provided immediate cash assistance of PRs 20,000 to around 1.7 million families with further support of PRs 40,000 to more than 1.2 million households for early recovery. The cash transfers were designed to expand choice and empower citizens to prioritize their own needs for relief and recovery.

With the federal and provincial governments, mult donor support provided the requisite funds for the second phase (PRs 40,000 per affected household) through improved targeting, third-party verification of targeting, beneficiary communication, and enhanced grievance redress. The program primarily targeted heads of households, with additional targeting of female- and disabled-headed families.

An initial assessment showed that the largest uses of the cash transfers were food, repair of housing, medicines, and debt repayment. An independent impact assessment is under way and will report with more evidence later in 2013.

1. In the recovery phase, enhanced targeting resulted in around 18 percent of beneficiaries being female, a significant increase compared with the 8 percent female beneficiaries of the emergency phase.

Under the framework, the provincial and regional governments may consider establishing their own social protection authorities, to liaise with a federal social protection authority. There are good international examples of how different levels of government can work effectively in a coordinated manner under a coherent social protection framework (Box 3).

To encourage a dynamic, diversified, sustainable, and equitable social protection system, the pragmatic way forward would be to establish cofinancing arrangements through federal–provincial dialogue with a partnership approach. For example, the federal government’s contribution to the basic national safety net could be a fixed percent of GDP, and the provincial governments could top up the contribution. Flexibility in selecting the program mix will enable provincial governments to adopt the programs best suited to their realities. Cofinancing will allow both levels of government to receive public acknowledgment for their efforts and will establish shared program ownership.

Encourage wider use of the national poverty registry

The national poverty registry could be used more often for targeting pro-poor social protection and disaster relief.

<table>
<thead>
<tr>
<th>Table 1 Outline format for a national social protection framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intervention type</strong></td>
</tr>
<tr>
<td>Social assistance (addressing poverty or vulnerability)</td>
</tr>
<tr>
<td>Social care services: Target particular groups such as disabled people and orphans. Usually poverty targeted</td>
</tr>
<tr>
<td>Disaster relief: Cash or in-kind transfers Target those affected by disaster Subsidies: Reduce costs of basic goods or services. Most efficient when targeted, usually the poorest 20–40 percent</td>
</tr>
<tr>
<td>Social security</td>
</tr>
<tr>
<td>Employment promotion and labor market programs</td>
</tr>
</tbody>
</table>

Note: Not an exhaustive list.

Source: Authors’ compilation.

Box 3 Decentralized operations in Brazil

Brazil’s Bolsa Familia Program is a health and education coresponsibility cash transfer program. It is the largest program of its type in a developing country, implemented in a decentralized manner. The Bolsa Familia Program covers more than 11.2 million households, with 94 percent of the transfers reaching the two poorest quintiles.

The program is managed at the federal level by the Ministry of Social Development and implemented by a number of different agencies at all levels of government. The 5,564 constitutionally independent municipalities play various roles in executing the program, including cofinancing, registering potential beneficiaries, monitoring education and health conditions, and prioritizing program beneficiaries for other complementary services.

In a highly fiscally decentralized state structure, a performance based management mechanism has been developed under the program to incentivize better quality program execution at the municipal level.

Source: Lindert and others 2007.
response, as well as programs in health, education, and other social sectors. The government needs to encourage the use of the national registry as the unified database for pro-poor programs and to ensure that household poverty data are freely available to provincial government departments and others. The Planning Commission could facilitate the dialogue between federal and provincial authorities on identifying the most appropriate institution to be the permanent custodian of the registry. The institution should be granted a mandate to manage development data. It should have the capacity to ensure the integrity of the database and to update it as necessary. And it should be tasked to help others use the database. To strengthen the analytical underpinning of the registry and recertification of existing beneficiaries, the government needs to encourage the Federal Bureau of Statistics to include a social protection module in the Pakistan Social and Living Standards Measurement (PSLM) survey.8

Strengthen administration and monitoring of social protection programs

Minimum standards need to be set for all social protection programs at the federal, provincial, and regional levels. Consensus needs to be built with provincial governments on program governance and on performance standards for all aspects of social protection based on good experience in Pakistan and elsewhere. Outcomes would encompass protocols for targeting, data management, beneficiary communication, grievance redress, and the like, using the experience of the national safety net program.

All social protection programs should be monitored regularly and evaluated. Within a shared national social protection framework, programs can be evaluated individually or as coordinated operations for their impact on poverty, human development, economic growth, and public welfare. Federal and provincial governments should disseminate evaluation findings to improve practice and inform policy, allowing programs from one part of the country to be properly understood, results shared, and scaled up by others where appropriate.

A coherent national CNIC-based management information system is one tool to improve coordination and governance of programs, including monitoring, tracking, and impact assessment. The national poverty registry is linked to the National Database and Registration Authority’s (NADRA) CNIC database and provides a good mechanism for monitoring beneficiaries to ensure essential synergies and avoid duplication among various programs. The Planning Commission and provincial planning and development departments should encourage all agencies to link social protection benefits to the beneficiary’s CNIC, and together they should maintain a national beneficiary database of social protection interventions. The programs, with support from NADRA, could use smart identity cards and a digital or e-platform to deliver social protection services or payments. The system, linked to the CNIC poverty registry, could swiftly identify eligible beneficiaries and on biometric verification could activate the service or payment.9 Potentially, any ministry or department, federal or provincial, could use the cards or platform for targeting and delivering their services (with control and accountability mechanisms).

Phase out universal subsidies to sustain financing of pro-poor social protection

Continuing to finance social protection programs is critical for sustaining the reform momentum and achieving the desired outcomes. Figure 6 attempts to estimate the expenditure required to meet even the minimum commitments of the planned poverty-targeted cash transfers under the BISP. (It presents estimates only and aims to give an idea of rough scale; it is based on the planned BISP rollout strategy, with estimates of administrative costs.) In addition to the costs implied by the full roll-out of the national safety net, the government needs to consider maintaining the purchasing power of benefits, which was seriously eroded by inflation over the last four years. Moreover, other programs would also need financing, requiring federal and provincial governments to commit fiscal resources to achieve the social protection objectives. Such a budgetary effort will be unsustainable if fiscal room is not created.
Cutting untargeted subsidies would be one option to arrange the necessary financing. By 2011/12, untargeted subsidies had risen to nearly PRs 600 billion, far in excess of current expenditure and predicted requirements of social protection (see Figure 5). Benefit incidence analysis of these untargeted subsidies could inform policy makers about the impact on different income groups; consequent losses to the different groups if subsidies were cut; and options for redirecting expenditure to improve impact. Similar analytical work has been carried out recently in Morocco and Tunisia as the first step to reducing untargeted subsidies. Subsidy reform was undertaken to finance social protection in Indonesia in 2005 (Box 4).

The government could also consider establishing and operationalizing the Income Support Fund as provided in the BISP Act 2010, to attract funds from local and international sources. This move would require rules and procedures to capitalize the fund, governance and accountability systems, identification of areas and definition of processes for investments from the fund, and definition of arrangements for monitoring and evaluating the results through the fund’s investments.

Improve postdisaster early recovery support mechanism

The FDRAP needs to be operationalized so that victims of future disasters receive rapid and appropriate cash transfers to support their early recovery. This would require financial and human resources from federal and provincial authorities. Provinces and regions should consider the FDRAP when preparing their disaster response action plans. All the key players—Cabinet Division, NADRA, National Disaster Management Authority, provincial disaster management authorities, and district authorities—need to maintain at least a skeleton capacity for postdisaster early recovery support to affected families in line with FDRAP.

Box

Indonesia switches finance from fuel subsidies to social protection

In 2005, Indonesia removed a regressive universal fuel subsidy and, with the savings, financed new targeted social safety net programs. An unconditional cash transfer of $10 a month, much more than the increase in energy costs, reached more than 19 million households. The cash transfer cost 0.8 percent of GDP versus the fuel subsidy’s cost of 3.5 percent.

Before the transfers were made, each household was given a proxy means test. Recipients were issued with smart cards, and transfers delivered through the post office system. By covering the poorest 40 percent of the population, the program also helped gain acquiescence to the fuel price rise from the less poor.

Source: Handayani and Buckley 2009; World Bank forthcoming.
Notes
This note benefited greatly from the inputs provided by Alison Barrett, Uzma Basin, Quanita Ali Khan, and Shirin Gul Sadozai.
1. The Pakistan Social and Living Standards Measurement Survey 2008–10 panel revealed that around 25 percent of households reported at least one idiosyncratic shock over the previous two years.
3. The poverty scorecard is a measure of household assets and composition. The score is correlated directly using PSLM data on household consumption. The use of such scorecards is globally accepted best practice, known as a proxy means test.
4. There will be no gender-based priority for inclusion of girls into the program. The requirement for families to enroll the youngest three children is intended to ensure the inclusion of girls just like boys.
5. The 18th Amendment has induced structural changes that guide and redefine the architecture of governance in the country through the devolution to the provinces of all shared and overlapping responsibilities, particularly those of economic and social services. See Kardar (2013) for more detailed discussion of how this could relate to social protection.
6. For more detailed information, see Government of Pakistan (2007), World Bank (2013), Kardar (2013), and work being carried out by the Planning Commission to map current social protection interventions.
7. This total includes disaster relief spending after the 2010 and 2011 floods (0.4 percent of GDP in 2011/12) and BISP spending (0.25 percent of GDP).
8. The inclusion of a social protection module in the PSLM survey is essential for monitoring social protection program performance regularly, including capturing the contribution to the well-being of the poor.
9. The platform would support online processing capability and real-time reconciliation of transactions linking the central processing unit to all partner agencies (franchises) and commercial banks. For cash disbursements, the smart cards would operate dial-up or GPRS-based POS machines and ATMs across the country.

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