

**A PROFILE OF SOCIAL PROTECTION  
IN PAKISTAN:  
AN APPRAISAL OF  
EMPIRICAL LITERATURE**

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## **A Profile of Social Protection in Pakistan: An Appraisal of Empirical Literature**

The consensus developed in various studies on social protection is that there is no clearly articulated government social protection framework. Various social security schemes and cash assistance programs are developed largely as a series of ad-hoc responses to problems raised by particular circumstances or recommended by international donor agencies. The Poverty Reduction Strategy Paper (PRSP) also highlights the fact that the social protection framework contains duplication and overlapping programs and recommends working towards an overall integrated and efficient social protection strategy.

This paper presents a review of studies conducted in recent years to describe the structure of social protection in Pakistan. The definition of social protection, an inventory of existing instruments of social protection, identification of gaps and flaws in the existing programs and proposed recommendations for future strategies are summarized in the paper.

## 1. THE CONTEXT

Social protection initiatives, which generally transfer income or assets to the poor, are designed to protect vulnerable people against livelihood risks, and seek to enhance the social status and rights of the marginalized. Effectively administered and carefully targeted social protection policies and measures increase employment, reduce loss of human capital, and prevent people from falling into poverty as a result of financial or economic shocks. Proficient protection measures form a key component of social policy and promote social cohesion.

During the last six years (2004-2009), various consultative assignments were sponsored by international donor agencies to describe the existing situation and to conceptualize a future strategy for social protection (SP) in Pakistan. These studies encompass all aspects of social protection including vulnerability profiling, inventory of measures, problems in targeting and flaws in existing programs.

The first initiative was taken by the Asian Development Bank (ADB). In two extensive reports, ADB (2004) analyzed the current economic situation and state of poverty and vulnerability in Pakistan. After describing the existing framework of social protection and its limitations, the report suggests various recommendations to improve the structure and to prioritize various instruments of social protection. An exclusive volume is dedicated to describe the nature of existing health services and to assess the feasibility of implementing Social Health Insurance in Pakistan.

A joint effort by the United Nations Development Programme (UNDP), International Labour Organization (ILO) and Centre for Research on Poverty Reduction and Income Distribution (CRPRID, Islamabad) was made in the same year and the consultancy was awarded to "Collective to Social Science Research". Sayeed (2004) analyzed the existing situation of social security and social protection in Pakistan and provided some policy recommendations with reference to formal sector social security schemes.

In addition, ADB for its publication "Pakistan Poverty Assessment Update" commissioned a study to conceptualize a social protection framework for Pakistan. Bari et al (2005) prepared a background paper which covered the analysis of existing provisions of social protection and identified gaps in current social protection schemes.

The UK Department for International Development (DFID) facilitated the Planning Commission of Pakistan in designing a National Social Protection Strategy. The assignment was awarded to the Institute of Development Studies (UK). Barrientos (2006) critically evaluated existing schemes and presented various options for program design. He also discussed institutional support, financing and implementation mechanisms for a range of instruments of social protection.

The World Bank (2007) published a country report exclusively on Social Protection in Pakistan. The report not only discussed existing programs but also presented an agenda for more effective social protection. An outline of a comprehensive social protection system is provided in the report with the recommendations for specific options for program design, financing and implementation.

The structure of all the above reports is more or less similar. Broadly, the discussion in these reports encompasses the following themes:

- Defining social protection
- Inventory of existing social protection instruments
- Evaluation of existing schemes in terms of gaps, deficiency and imperfection
- Recommendations for future strategy and for alternative options

Subsequent sections are therefore arranged to give a thematic summary of the above topics.

## 2. DEFINITIONAL ARGUMENT

The set of policies and programs that protect people against risk and vulnerability is usually referred to as social protection. However, the approach or strategy which defines policies and prioritizes programs may vary. ILO has placed Labor Market Policies (LMPs) at the core of their social protection strategies. ADB has expanded its scope of social protection intervention and LMPs to areas such as child labor, strengthening employment statistics, labor retrenchments and legislation, while the World Bank strategy for social protection evolves around its concept of Social Risk Management.

Within the social protection framework<sup>1</sup>, ILO has developed an “In-Focus Programme on Socio-Economic Security”. The program is based on the concept of basic security for all. Its main objective is “... to work towards developing a sound knowledge base and policy framework, contributing to the founding of a just society that provides work-based security to all”. The strategy is based on seven pillars:

- a) *Labor market security*—Adequate employment and work opportunities, through high levels of employment ensured by macro-economic policy;
- b) *Employment security*—Protection against arbitrary dismissal, and employment stability compatible with economic dynamism;

<sup>1</sup> For detail discussion, see ADB (2001).

- c) *Occupational security*—A niche designated as an occupation or “career”, the opportunity to develop a sense of occupation through refining competences;
- d) *Work security*—Protection against accidents and illness at work, through safety and health regulations, regulated limits on working time, unsociable hours, and a reduction in stress at work;
- e) *Skill reproduction security*—Widespread opportunities to gain and retain skills, through innovative means as well as apprenticeships and employment training;
- f) *Income security*—Provision of adequate incomes;
- g) *Representation security*—Protection of a collective voice in the labor market, through independent trade unions and employer associations and other bodies able to represent the interests of workers and working communities.

The World Bank has been working intensively since 2000 to support social protection projects. Its strategy of social protection has been influenced by the concept of Social Risk Management. According to the World Bank (Holzmann and Jørgensen. 2000) “The concept of social risk management asserts that all individuals, households and communities are vulnerable to multiple risks from different sources whether they are natural ones (such as earthquakes, floods and illness) or man-made ones (such as unemployment, environmental degradation, and war)”. As a consequence of this new approach in the area of labor markets, this implies risk reduction and risk mitigation strategies such as assisting governments to make labor markets more equitable and inclusive, enhance pre- and in-service skills building, eliminate harmful child labor, improve income security and provide for appropriate unemployment benefits”.

In the context of Pakistan, World Bank (2007) defines social protection as “The broad objective of social protection policies and programs is to guarantee a minimum and stable level of income for those most in need, while providing them with the necessary means to ensure income over time and eventually exit poverty. Basic income support and essential services ensures that the living conditions of the chronic poor and those who fall into poverty (as a result of a shock) do not deteriorate beyond a minimum acceptable level, while increasing access of the poor to employment opportunities and through investments in human capital among the poor to open new avenues for them to exit poverty. Similarly, putting mechanisms in place for risk mitigation helps (vulnerable) households maintain more stable consumption levels and potentially prevents them from falling into poverty”.

Based on the assessment of the nature of vulnerability, Bari et al (2005) proposes the following definition of social protection for Pakistan: “The provision of support to individuals and households through public and collective measures, to guarantee a socially acceptable standard of living; and to protect them against low or declining living standards caused by exposure to structural vulnerabilities and/or market-related or contingent risks”.

ADB defines social protection as the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing peoples’ exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income (ADB, 2001). The programs<sup>2</sup> covered in the ADB social protection strategy are listed under five headings:

- a) *Social Security/Insurance* – including insurance for age, health, disability, death of breadwinner, unemployment and maternity.
- b) *Social Assistance* - including welfare services, cash or in-kind transfer payments and short-term assistance.
- c) *Labor market programs* – including training, public works, regulation of working conditions and provision of labor market information
- d) *Micro and area-based safeguards for the informal sector* – including micro-insurance, disaster management, social funds and agricultural insurance.
- e) *Child protection* – including early childhood development programs, programs to encourage school attendance (such as feeding or scholarships) , waiving of health fees for mothers and children, programs for street children and to prevent abuse of children, youth programs and cash and in kind transfers for children.

Before concluding this overview of the definitions for social protection, it is worth to describe Government of Pakistan’s version in terms of a social protection strategy for Pakistan. The Poverty Reduction Strategy Paper (PRSP–II)<sup>3</sup> delineates “Within the overall strategy, efforts to provide special protection to the vulnerable are directed to five key elements: (1) income support; (2) nutrition support; (3) human resource development; (4) natural disaster management; and (5) facilitating the role of the non-government and private sector”.

<sup>2</sup> ADB (2004) largely followed the list of programs that are defined in the ADB social protection strategy.

<sup>3</sup> See Government of Pakistan (2009).

In terms of conceptual clarity, applicability and coverage, the ADB definition of social protection with respect to both as an approach and as a set of policies is relatively more appropriate in the context of Pakistan. However, it is not possible to develop an indisputable definition of social protection. There is always a possibility to argue whether certain programs should be included or not.<sup>4</sup>

The diverse terminology is also present in the literature of social protection. Prominently in popular discourse, the term ‘social protection’ is used interchangeably with ‘social security’ and more recently with the neo-liberal coinage of ‘social safety nets’ (Sayeed 2004). Social protection approach to risk and vulnerability goes well beyond safety nets and social security. It is, therefore important to analytically distinguish between the three concepts.

Social security is ‘the protection which society provides for its members through a series of public measures: to offset the absence or substantial reduction of income from work resulting from various contingencies (notably sickness, maternity, employment injury, unemployment, invalidity, old age and death of the breadwinner); to provide people with healthcare; and to provide benefits for families with children’ (Shepherd et al, 2004). Social security systems are generally based around formal employment, and include social insurance and social assistance measures. Thus, social security is a subset of social protection.

Shepherd et al (2004) also highlighted the differences in approach and coverage between safety nets and social protection. Safety nets are put in place to prevent individuals from falling below a given standard of living, and are usually short-term emergency measures. Social protection supports households in reducing, preventing and overcoming shocks which adversely affect wellbeing, consumption and investments. Safety nets were advocated as responses to financial crises and structural adjustment. The debate around social protection is developed as a result of the failure of safety nets – because they are not as effective as expected, they did not reach intended target groups, and were not positioned in time. Social protection is, by contrast, in place before the crisis arrives. Well designed safety nets can, however, be an important part of a social protection approach, if their existence is well known before the crisis occurs.

### **3. SOCIAL PROTECTION INSTRUMENTS IN PAKISTAN**

The consensus reached in all the studies, mentioned above is that there is no clear articulated government social protection framework (SPF). Schemes in Pakistan’s SPF developed largely as a series of ad-hoc responses to problems which arose through particular circumstances (PRSP-II GoP, 2009) or were recommended by international donor agencies. It is, therefore, not surprising that the framework contains duplicating and overlapping programs. Moreover, these programs have

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<sup>4</sup> Microfinance, for example, is not currently included in the ADB definition but it is discussed in ADB (2004).

been developed over a number of years and combine the interests of many different constituencies<sup>5</sup> and incorporate several institutions.

In the situation analysis these studies described existing schemes/instruments of social protection (SP) with slight differences in the organization or the format of presentation. Following ADB (2004) categorization or grouping, the inventory of SP schemes<sup>6</sup> in Pakistan is summarized below.

### 3.1 Social Security/Social Insurance

All existing social security schemes are in the formal<sup>7</sup> sector of the economy and designed for employed labor force and retirees. These schemes generally provide benefits regarding contingencies of sickness, invalidity, maternity, old age, and work related injury. A brief overview<sup>8</sup> of these schemes is presented below in a chronological order.

**Government Servants Pension Fund:** The scheme began in 1954. It is a compulsory scheme and covers all government employees after retirement of at least 25 years of service. Pension and provident fund are two benefits granted to government employees. The old age pension is financed through government expenditure, while provident fund is deducted at source from the monthly salary of employees.

**Provincial Employees Social Security Scheme or Employees Social Security Institutions:** The scheme was initiated in 1967. Initially, this scheme specifically covered workers in the textile industry with the objective of providing protection against contingencies of sickness, maternity, work-related injury, invalidity and death. In 1969, the scheme was broadened with the inclusion of workers from commercial and other industrial establishments having ten or more employees; and later in July 1970, it was reorganized on a provincial basis. It is also termed as the Employees Social Security Institutions (ESSI).

ESSIs are provincially administered and provide a range of health services and cash benefits. In terms of health services they provide facilities at different levels from first

<sup>5</sup> Benazir Income Support Program (BISP) is the new addition in the unconditional cash transfer scheme.

<sup>6</sup> Ad-hoc, pilot programs in few areas and programs that are managed by community or local governments are not discussed. Only Government (federal or provincial) sponsored and institutionalized program are included in this section.

<sup>7</sup> The principal debate in developing countries has been; how to extend coverage of formal social security to the large numbers of self-employed outside the formal sector? Social insurance and social assistance against unemployment represent traditional security mechanisms that are not applicable to the majority of the poor in developing countries who work in the informal sector.

<sup>8</sup> The summary is based on information provided in Table-1 of Sayeed, 2004

aid posts to hospitals where workers who are covered by their schemes receive free treatment and free medicines. These schemes also provide some cash benefits, e.g. sickness benefit, maternity benefit, iddat benefit (for widows), death grants, injury benefit, disablement gratuity, disablement pension, rehabilitation benefit etc.

**Public Sector Benevolent Funds and Group Insurance:** The scheme was started in 1969 exclusively for public sector employees. Group insurance and benevolent funds are financed through the contribution of employees.

**Workers Welfare Funds (WWF):** The Fund was established in 1971 for workers of those establishments that are registered with the Fund. Under the Workers Welfare Fund Ordinance 1971, industrial establishments in the private sector must contribute two per cent of assessable income exceeding hundred thousand rupees in any year. The Fund also gets amounts left over after distribution of the workers' share in the Workers Participation Fund (equivalent to 5 per cent of the profit of a company) established under the Companies Profits (Workers Participation) Act 1968. This Act applies to all companies which have 50 or more workers, or a paid-up capital of Rs2 million or more or have fixed assets valued at Rupees.4 million or more. The Workers Welfare Fund has a number of functions. It funds development programs, which include building houses for purchase by workers at concessional prices and development of medical facilities. It also funds other welfare services including grants for marriage of daughters, tricycles for disabled workers, grants to families of deceased workers and funds for income generation.

**Workers' Children Education Ordinance:** The ordinance was promulgated in 1972 and covers workers in all establishments which employ 10 or more employees. Provincially administered Boards run schools constructed through the Workers' Welfare Fund. These Boards also receive funding from an Education Cess – a levy on employers of Rs. 100 per worker per year. This Cess has been abolished in Punjab.

**Employees Old Age Benefits Institutions (EOBI):** This is a federal scheme and was initiated in 1976. It covers workers in formal sector establishments that employ 10 or more workers. The scheme provides benefits of old age, invalidity and survivors pension as well as an old age grant. The employers contribute 5 percent of wages of insured workers with a matching contribution of 5 percent from the federal government. Employees also contribute Rs. 20 per month. EOBI is an autonomous institution under the Ministry of Labour, Manpower and Overseas Pakistanis. It has autonomy for its administration but the Ministry is responsible for policy development. It is governed by a Board of 19 Trustees consisting of nominees of government, unions and employers.

### 3.2 Social Assistance

Social assistance schemes of cash or in-kind transfers are especially aimed at those who are outside the ambit of the labor market and are considered poor or destitute. *Zakat* and Pakistan *Bait-ul-Mall* (PBM) are two important institutions which provide unconditional financial cash or in-kind assistance to the poor and also assist in rehabilitation of needy and destitute individuals. The Benazir Income Support Program (BISP) is a new program launched by the present Government which also intends to provide cash grants to poor families. Although the *Zakat*, PBM and BISP share a similar objective of providing basic support (unconditional cash transfer) to the poorest households, they have different histories, target groups and financing mechanisms. A brief introduction of these programs is given below.

***Zakat:*** The institution of *Zakat* is a well established form of cash transfer in Pakistan. The program which was introduced in 1980 is entirely based on private contributions and administered by the government. Under the Central *Zakat* Council, there are provincial councils and further councils at each level of government. The lowest level, which also decides eligibility, is the Local *Zakat* Committee (LZSc). About 25 percent of the *Zakat* budget is distributed through institutions<sup>9</sup> while the remaining 75 percent is disbursed to individuals through LZCs. *Zakat* is disbursed under different programs, such as: financial assistance (*Guzara Allowance*), educational stipends, healthcare, *Eid* grants, assistance to leprosy patients, national level health institutions, and marriage assistance.

***Pakistan Bait-ul-Mall:*** PBM was established as an autonomous body in 1992 with the objective of providing assistance to those groups of people that for certain reasons have been excluded or are not eligible to receive *Zakat*. This includes the minorities and certain sects of Muslims (Sayeed, 2004). The program is financed from the grants of the federal government. However, it also receives small grants from the central *Zakat* fund, provincial government, national organizations, NGOs, international agencies and voluntary private donations. The PBM disburses to the poor under a wide variety of programs that encompass Food Support Programs, Individual Financial Assistance, Child support through the National Centre for Rehabilitation of Child Labor, and Institutional Rehabilitation (Grant to NGO's). Special Funds of PBM are also used for orphans support, rehabilitation through vocational training, education stipends, out-reach program for poor patients, Dowry (*Jahez*) package for orphan girls and supply of wheel chairs, hearing aids, white canes, and artificial limbs to needy persons.

<sup>9</sup> Central *Zakat* Council allocates funds to the National *Zakat* Foundation (NZF). The NZF provides grants to non-governmental organizations (NGOs) registered under the Voluntary Social Welfare Agencies (Registration and Control) Ordinance 1961, for institutional rehabilitation of the indigents, widows, orphans, disabled persons. Mosque schools (*deeni madraris*), public hospitals, and vocational training institutes are also recipients of *Zakat* funds.

**The Benazir Income Support Programme:** Funded through the federal budget, the BISP is a new initiative taken by the present government with the objective to provide unconditional cash grants to the poorest families in the country. BISP has been initiated with an initial allocation of Rs.34 billion (US \$ 425 million approximately) for the year 2008-09 which is the third largest allocation in the total budget and is 0.3% of the GDP for the year 2008-09. According to the BISP website<sup>10</sup>, the Program has been initiated to partially offset the impact of inflation on the purchasing power of the poorer sections of society. The Program is aimed at covering almost 15% of the entire population, which constitutes 40% of the population below the poverty line.

According to the Pakistan Economic Survey (2008-09), this program would serve as a platform to provide cash transfers to the vulnerable, identified on the basis of a poverty scorecard and would be supported by an exit strategy. This strategy includes providing training to one member of each vulnerable family to sustain itself. The document also reports that in the short to medium term, the BISP shall serve as a platform for other social assistance programs. These include transition to a conditional cash transfer program and health insurance programs. BISP also envisages a workfare initiative through social mobilization.

### 3.3 Labor Market Programs

The Public works program is the only<sup>11</sup> prominent intervention in this category of social protection. Currently known as the Peoples Works Program, it was termed the *Khushal* Pakistan Programme (KPP) and *Tameer-e-Watan* Programme in the tenures of the Pervez Musharraf and PML governments respectively. The program includes schemes which have an immediate impact on the standard of living of ordinary people in facilities such as roads, electrification, gas, telephone, education, health, water supply and sanitation.

The PRSP-II document also considers People's *Rozgar* Program (formally known as President's *Rozgar* Scheme) as an instrument of social protection. The program provides access to credit with subsidized interest rates to enable unemployed persons to start a small business. Under the scheme, National Bank of Pakistan is offering Community Transport, Community Utility Stores, Community Mobile Utility Stores, and PCO/Tele-Centers, Commercial Vehicle Financing, Shopkeeper

<sup>10</sup> [www.bisp.gov.pk](http://www.bisp.gov.pk)

<sup>11</sup> The present Government announced two schemes which are not yet implemented. National Employment Guarantee Scheme (NEGS) for the poor and Graduate Employment Scheme (GES) for graduates in the country. The main objective of NEGS is to provide income support to poorest households through guaranteed employment during slack periods of upto 100 days in the year. The main target group of this scheme is unskilled labor in the poorest regions of the country. It can thus contribute to a reduction in regional disparities. GES proposes to offer employment in two key social sectors, namely education and health. These are sectors in which the country lags behind as compared to other developing countries. This scheme is similar to the National Internship Program and proposes internship opportunity to graduates in all public departments.

Financing and Primary Healthcare Equipment to Medical Graduates. Maximum financing limit ranges from 200,000 to 700,000 for the period of five years.

### **3.4 Micro and area-based safeguards for the informal sector**

Micro-finance and micro-insurance are two important programs that can be put in this category of social protection. ADB (2004) also includes community development strategies which are designed to help communities be more self-reliant, generate income and provide basic services. The report (ADB, 2004) indicates three initiatives in this category: Community Development Centers, managed by provincial and federal governments, and NGOs that carry out community development work and Rural Support Organizations (RSOs). Nonetheless, the main focus of these institutions is to provide small loans for community development and income generation activities.

**Micro-finance:** It is often criticized that micro-credit or microfinance has investment and income enhancing impacts but it is not a good mechanism for ensuring insurance against adverse shocks; and a viable microcredit program cannot give guaranteed access to poor and vulnerable clients (Barrientos, 2006). Moreover, the initiative does not strictly qualify as a social safety net, since credit is not advanced at concessionary rates of interest and there is no element of explicit or implicit subsidy. Nonetheless, Government of Pakistan in its PRSP-II document considers it an important intervention for creating additional employment.

Six specialized microfinance banks currently provide microfinance services, with a major share of their advances going to the livestock sector, followed by micro-enterprises and agricultural inputs. Several NGOs also provide microfinance services to marginalized communities. Non Governmental Organizations (NGOs) are very active in the provision of microfinance. The Pakistan Microfinance Network (PMN) is a network for organizations engaged in microfinance and is dedicated to improving the outreach and sustainability of microfinance in the country. It also aims to establish performance measures, enhance the capacity of retail microfinance institutions through specialized training, and promoting the financial transparency of such institutions. The PMN is well positioned with 95 percent of the total microfinance coverage and with the 20 leading microfinance institutions and banks as its members. The Government of Pakistan sponsors microcredit schemes through three different institutions – the national and provincial Rural Support Programmes (RSPs), the Pakistan Poverty Alleviation Fund (PPAF) and the Microcredit Banks.

**Micro-insurance:** This is defined by the ADB as involving: “voluntary and contributory schemes for the community, handling small scale cash flows to address major community risks. Often such schemes are of a local character and have a very small membership. The primary aim of many of these schemes is to help their members meet the unpredictable burden of out-of-pocket expenses such hospital, emergency, death or funeral expenses.”

According to a report (ILO/STEP, 2006), only 8 schemes have been identified as micro-insurance schemes. All these schemes are operated by NGOs involved in microfinance activities. Two schemes were initiated by organizations providing micro-finance services to the poor, while the remaining 6 schemes were implemented by NGOs supporting a wide range of development activities at the grassroots level and provide services like life insurance, disability and health insurance.

Table-1 displays a schematic view of the inventory of the existing instruments of social protection, while table-2 highlights the relative importance of these instruments in terms of disbursement and beneficiaries. Table-2 clearly demonstrates that *Zakat* and *Bait-ul-Mall* are the dominant (71 percent) instruments in terms of beneficiaries. Formal sector social security schemes, which although have significant relative share in terms of disbursement, only help about 7 percent of the total beneficiaries of the existing SP schemes.

#### **4. ASSESSMENT OF EXISTING INSTRUMENTS**

The responsibility of executing the above social protection programs or instruments rests on various autonomous and semi-autonomous agencies, provincial departments and federal ministries<sup>12</sup>. However, in the absence of an integrated and clearly articulated social protection policy, individual programs remain ad-hoc, reactionary and fragmented. This section briefly evaluates the existing SP programs in terms of flaws, gaps, deficiency and imperfection.

The empirical studies on social protection in Pakistan emphasise the following weaknesses:

- Lack of coordination among execution authorities
- Design fault in various schemes
- Corruption and embezzlement
- Inadequate cash or in-kind assistance
- Low coverage
- High administrative costs
- Program overlap and duplication
- Poor or no targeting mechanism
- Political interference and bureaucratic malfeasance
- Lack of monitoring and supervision

Major concerns related with instruments of social security and social assistance are summarized in the subsequent paragraphs.

<sup>12</sup> A list of programs and responsible ministries and departments is provided in ADB (2004) - Attachment B.

Table – 1 A Schematic View of Social Protection Instruments in Pakistan		
Category/Instruments	Benefits	Financing
<b>1. Social Security</b>		
Government Servants Pension Fund <i>[for Government Employees]</i>	<ul style="list-style-type: none"> <li>▪ Provident Fund</li> <li>▪ Old Age Pension</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employees contribution</li> <li>▪ Budgetary Expenditure</li> </ul>
Employees Social Security Institutions <i>[for Private Formal Sector Employees]</i>	<ul style="list-style-type: none"> <li>• Health Services</li> <li>• Cash Support</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employees contribution</li> </ul>
Public Sector Benevolent Funds and Group Insurance <i>[for Public Sector Employees]</i>	<ul style="list-style-type: none"> <li>• Benevolent Fund</li> <li>• Group Insurance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employees contribution</li> </ul>
Workers Welfare Funds <i>[for workers of registered establishment]</i>	<ul style="list-style-type: none"> <li>• Cash Support</li> <li>• In-Kind Support</li> <li>• Housing facilities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employees contribution</li> <li>▪ Employers' contribution</li> </ul>
Workers' Children Education Ordinance <i>[for workers of registered establishment]</i>	<ul style="list-style-type: none"> <li>• Free education of children</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employers' contribution</li> </ul>
Employees Old-Age Benefits Institutions <i>[for workers of registered establishments]</i>	<ul style="list-style-type: none"> <li>• Old age pension</li> <li>• Invalidity pension</li> <li>• Survivor's pension</li> <li>• Old age cash grant</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employers' contribution</li> <li>▪ Budgetary Expenditure</li> </ul>
<b>2. Social Assistance</b>		
Zakat <i>[for poor, needy and destitute population]</i>	<ul style="list-style-type: none"> <li>• Cash Support</li> </ul>	<ul style="list-style-type: none"> <li>• Private contribution</li> </ul>
Pakistan Bait-ul-Mall <i>[for poor, needy and destitute population]</i>	<ul style="list-style-type: none"> <li>• Cash Support</li> <li>• In-Kind Support</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Budget</li> <li>• Private contribution</li> </ul>
Benazir Income Support Program <i>[for poor, needy and destitute population]</i>	<ul style="list-style-type: none"> <li>• Cash Support</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Budget</li> </ul>
<b>3. Labor Market Programs</b>		
Peoples Works Program <i>[for unemployed labor]</i>	<ul style="list-style-type: none"> <li>• Wages</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Budget</li> </ul>
People's Rozgar Program <i>[for unemployed population, especially youth]</i>	<ul style="list-style-type: none"> <li>• Credit with subsidized interest rate</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Budget</li> <li>• National Bank</li> </ul>
<b>4. Micro and area-based safeguards</b>		
Micro-Finance <i>[for poor]</i>	<ul style="list-style-type: none"> <li>• Small Loans</li> </ul>	<ul style="list-style-type: none"> <li>• Credit line by donors</li> <li>• NGOs and private sector</li> </ul>
<b>5. Child Protection</b>		
Food Support Program of Bait-ul-Mall <i>[for children in poorest households]</i>	<ul style="list-style-type: none"> <li>• Conditional Cash grant</li> </ul>	<ul style="list-style-type: none"> <li>• Federal Budget</li> </ul>

<b>Table – 2</b> <b>Transfers and Beneficiaries</b> <b>[2007-08]</b>				
	<b>Disbursement</b>		<b>Beneficiaries</b>	
	<b>Million Rupees</b>	<b>Percentage</b>	<b>Million Persons</b>	<b>Percentage</b>
Workers' Welfare Fund	7840	20.08	0.17	2.92
EOBI	4227	10.82	0.27	4.72
<i>Zakat</i>	4090	10.47	2.01	34.67
Pakistan <i>Bait-ul-Mal</i>	5521	14.14	2.13	36.77
Peoples Works Program	1896	4.86	0.04	0.77
Peoples <i>Rozgar</i> program	2337	5.98	0.01	0.22
Microcredit	13138	33.64	1.15	19.93
<b>Total</b>	<b>39049</b>	<b>100.00</b>	<b>5.79</b>	<b>100.00</b>
<b>Source:</b> PRSP-II, Government of Pakistan (2009)				

Regarding the social security schemes for formal sector employees, Sayeed (2004) argued that the most important design failure is that funding responsibility has been placed entirely on the employer<sup>13</sup>. He suggested employees should contribute towards their own benefit to create a sense of ownership in these schemes. Besides high administrative costs of various social security schemes, he also highlighted some other impediments in the design feature. According to Sayeed (2004), there is no provision for the preservation or transfer of pension rights on termination of employment. This weakness has been particularly exposed by the privatization process. Since workers do not contribute to these pension funds, there is no basis for the payment of a lump sum in lieu of pension rights. Further, pension rates are extremely low even in nominal terms. As the rates are fixed in nominal terms and are adjusted with a considerable time lag – often three to five years – their real value has been consistently declining.

Low coverage is the main concern with respect to all labor welfare or social security programs. It is estimated that less than 4% of the non-agriculture labor force actually benefits from the entitlement built into these programs (Bari et al, 2005). Moreover, two thirds of employees in the large and medium scale manufacturing and commercial sector work as unprotected contract labor.

<sup>13</sup>Since the general schemes are exclusively employer based, many unprofitable public sector industrial units have defaulted in payments.

Almost all studies indicated multiplicity<sup>14</sup> of activities by institutions providing social security programs. Bari et al. (2005) noted that similar programs are managed by different agencies with no clear division of responsibilities as to the type of program or target groups. As a result, they observed that there is a proliferation of programs run by each organization, which results in a loss of focus and also in scarce financial resources extended to their limits, with the capacity to administer them severely constrained. This thin spread implies that the grant assistance provided to recipient households is normally too small to achieve its intended purpose.

Corruption and embezzlement in various social security schemes, especially EOBI have also been indicated in Sayeed (2004). Another important issue which is highlighted in different studies on social protection is that these organizations or institutions lack adequate capacity to effectively undertake activities (e.g. health and education) or functions which are beyond their core area of competency.

A lack of targeting is the main concern in all social assistance programs. *Zakat* distribution and *Bait-ul-Mall* schemes do not have any transparent and accountable method of targeting<sup>15</sup>. In fact these programs are aimed to target the 'deserving needy', but no objective targeting tool (e.g. proxy means testing) is used. According to World Bank (2007), "around 27 percent of *guzara* (monthly cash allowance) beneficiaries and 37 percent of those receiving rehabilitation grants are not poor, accounting for 32 and 45 percent of the resources distributed under each modality". The document also reports evidences of both corruption and patronage in the *Zakat* distribution system. Eligibility criteria or the process of selecting beneficiaries is not transparent and often, provision seems based on access to influential patrons or willingness to pay a bribe. Decisions regarding who receives benefits are mostly guided by local power relationships. Sayeed (2004) also emphasized that there is no documented, institutionalized mechanism for the distribution of *Zakat* funds. To identify the beneficiaries in villages and neighborhoods, the Local *Zakat* Councils rely on individuals known to them, who are better off, more articulate members of the community. Usually the beneficiaries are those who are already involved in patronage relationships with the committee members. Similarly, there is no specific criteria with regard to targeting of the *Bait-ul-Maall*/food support program. Targeting issues in case of social assistance programs (*Zakat* and *Bait-ul-Mall*) are also widely discussed in ADB (2004). The report highlights the finding of a survey (Participative Poverty Assessment) as "Targeting was poor and in a number of sites it was reported that the money was in fact going to the better off with connections to the *Zakat* committee. Lastly, even when *Zakat* was given to the poor, corruption reduced the value of the transfer further as bribes were required."

<sup>14</sup>For instance, WWF and ESSI both organizations have established health facilities, although these services are also provided by government social service delivery.

<sup>15</sup> No evaluation of BISP is available, as it is a new initiative in the category of social assistance programs.

The problem of bureaucratic malfeasance in social assistance programs further aggravates the issue of targeting. Participative Poverty Assessment survey of the World Bank (2007) and Pasha et al (2000) pointed to a number of problems in the administration of the cash transfer scheme that would affect the adequacy of support. Delays in distribution of funds seemed to be common. People also found the requirement to have an identity card and a bank account to be significant problems. While both could be addressed, it seems likely that these may still be barriers that deter some people, probably more often women, from applying for assistance.

The social assistance programs in terms of unconditional cash transfers are also characterized with inadequate size of grants and low coverage. Bari et al (2005) argued that the programs currently in operation have had only a marginal impact in alleviating the poverty of households living below subsistence level. The coverage and size of grants disbursed as individual transfers under the FSP (*Bait-ul-Mall*) and *Guzara* Allowance scheme inadequately addresses the needs of the poorest households. ADB (2004) also takes the adequacy of payment as an important issue. The report narrates that “The third main issue is the adequacy of payments. The rate of individual financial assistance (for *Zakat*) is Rs500 a month, which is not adjusted for family size. The adequacy of support can be further damaged by administrative problems resulting in late release of funds”.

Finally, it is worth referring to the pioneering work by Pasha et al (2000) for developing a methodology to quantify the evaluation of instruments of social protection in terms of scores or rankings. They appraised SP programs on the basis of performance on the following ten criteria; targeting efficiency, extent of program coverage, degree of ease of access, percentage of program expenditure dedicated to benefits, adequacy of support, income equivalent of transfer, absence of negative incentive effects, extent of self financing or progressive financing, degree of independence from private transfers, and degree of impact on development. These criteria are applied to seven SP programs (*Zakat*, *Bait-ul-Mall*, *Ushr*, Wheat Subsidy, EOBI, housing finance and schemes of microcredit). Pasha et al (200) concluded<sup>16</sup> that “It appears that most of the schemes have weak institutional structures, their funding is limited and uncertain, their targeting inefficient and their coverage very small. They also inferred that “the combined program coverage of all the schemes is low and highlights the likely limited impact of social safety nets in Pakistan”.

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<sup>16</sup> An important caveat to the analysis is highlighted by the authors. According to them rankings on different criteria of each scheme are based on a subjective assessment and could be considered arbitrary in some cases.

## 5. RECOMMENDATIONS FOR FUTURE STRATEGY

Impediments in the existing instruments of social protection, reviewed above, can be grouped into three broad categories; policy process, design and delivery, and financing (coverage and adequacy of assistance). This section summarizes the recommendations and suggestions laid down in empirical studies<sup>17</sup> with respect to these categories. Government of Pakistan's plans in terms of future medium-term strategy for social protection is also recapped in the last sub-section.

### 5.1 Policy Process

- There is a need to build policy and research capacity on social protection issues. This may be best achieved by developing centers of excellence in social protection research and analysis in one or two current tertiary institutions.
- It would be useful to review all national plans involving social protection to identify the extent to which they have been implemented; the reasons for non-implementation; and steps that could be taken to make the policies credible.
- The Government should define specific type of support for different groups; and establish priorities, indicators, and targets to be monitored. This should help reduce ad hoc decisions that may lead to the implementation of programs that have no real value in the future.
- The Government should establish 'one-window' operations to allow those requiring assistance from social safety nets to apply through centralized agencies responsible for compiling data and establishing applicants' eligibility using proxy means testing.
- The Government should aim to develop a new consensus between employers, government and workers on social insurance. Aspects of the current system that are seen as an unnecessary burden on the private sector or not viable should be changed. Once changed, the requirements to contribute should be fully enforced. The pensions and social security institutions should not be allowed to wither away because of non-compliance by business.
- Provide effective social security to reduce individuals' risk of falling into poverty by improving the functioning of the formal social security system and piloting innovative approaches to mitigate risk in the informal sector (e.g., community health insurance)

<sup>17</sup> See for detail, ADB (2004), Sayeed (2004), Bari et al (2005), Barrientos, A (2006), and World Bank (2007)

- Predictable' social transfers should be guaranteed through a unified system of social security.
- In extending social protection to the informal sector, priority should be given to those services that people want most or are able to contribute to. This will mean social health insurance and micro-insurance to protect against some interruptions to earnings and income.
- The Government should encourage at both national and local levels the development of NGOs that specialize in safety net assistance, including feeding programs and cash benefits. The aim should be to develop organizations that have broad public trust and support and will be able to distribute donations to the poor on behalf of private individuals.
- 'Productive' safety nets should be developed to help individuals cope with poverty and risk and promote exit from poverty through strengthening basic income support and services, with a focus to strengthen cash transfer programs potentially linked to human development outcomes.
- The Government should continue to give high priority to the expansion of micro-credit. It should use its influence to ensure that it is provided on a commercially sustainable basis. Its aim should be to see micro-finance as an integral part of the private credit market rather than as welfare benefit.
- There is a need to streamline fragmented efforts by developing synergies between agencies/programs, and delineating responsibilities for specific activities.
- Social protection programs should be developed and coordinated through inter-ministerial and inter-sectoral coordination bodies at the highest level of government.
- Civil society and government should work together and use all available means to raise awareness on and campaign for social protection.
- Establish an institutional structure at the central government level that defines clearly the functions and responsibilities of the different public bodies involved.
- Establish effective monitoring and evaluation procedures.

- Governments should prioritize the collection and use of improved accurate, evidence-based and reliable data for service providers and policy makers, and for monitoring the impact of good practices.

## 5.2 Design and Delivery

- There should be some rationalization of the activities undertaken by social protection institutions to reduce duplication, concentrate on highest priority areas and to make accountability for outcomes clearer.
- Social protection programs should ensure progressive and wider coverage of all citizens with a special focus on those in the informal sector and in marginalized groups.
- The main benefit provided by the PSSIs and the Workers Education Fund are in the realm of providing health and education cover to families of workers. These services run parallel to the generic provision of health and education to the population at large. There is no need for such duplication. Funds accumulated hitherto by these entities should be handed over to the respective education and health provincial department which are responsible for service provision.
- The limitations with EOBI are its lack of coverage and insufficiency of pensions provided as well as bureaucratic procedures in obtaining the pension. These concerns should be addressed.
- Restructure governing bodies; allow employers and employees to select their own representatives and grant these bodies greater administrative and financial autonomy.
- Beneficiaries should be identified and selected for different assistance programs on the basis of proxy means tests to verify eligibility.
- Improve eligibility criteria and transparency by involving communities in distribution of funds. Strengthen internal controls and evaluation systems, supplemented by third-party validation.
- Establish mechanisms for obtaining field-level data on beneficiaries and expenditures. Public disclosure of data on sources, uses of funds, and beneficiaries would be useful for assessing impact and quality of targeting.
- There is a need to develop instruments targeting different groups: one permanent instrument to assist those unable to work; one to facilitate smooth consumption and incomes of those able to work but with low and irregular

incomes; and one temporary instrument to protect vulnerable groups temporarily unable to earn because of economic shocks.

- Strengthen and reform the current *Bait-ul-Maal* so that it becomes the key implementation agency.
- Establishing whether the current support for poor households should be supplemented by support targeted to children.
- Establish, with help from the lessons of the Child Support Program Pilots, whether conditionalities can be feasibly introduced in the context of education and health infrastructure deficiencies.

### 5.3 Financing

- Within current social protection programs the government should consider spending a higher proportion of expenditure on cash benefits for those who because of disability or old age would be unable to participate in income generating activities.
- The GoP needs to ensure that the coverage and size of individual grants under its safety net programs adequately meets the objectives of that particular intervention.
- Based on the concept of a “minimum package”, social protection programs should be developed to consist of cash transfers to children, older people and persons with disabilities and access of these groups to healthcare.
- Long-term funding for social protection should be guaranteed through a combination of national resources and development partners’ support.
- Governments, through engagement with Ministries of Finance, should ensure that their state budgets provide finances for social protection programs taking into account available resources and estimated costs of the ‘minimum social protection package’ and have specific and transparent budget lines.

### 5.4 Government Plan to Revise National Social Protection Strategy:

According to the PRSP-II, future strategy will pay special attention to two issues: the need for improved targeting and delivery, and the need to improve coordination between the different levels of government, departments and agencies. Major specific steps, which are planned for a medium term strategy, are;

- New means of testing and development of a database will be introduced through some pilot projects across specific rural and urban areas.

- Pilot Conditional Cash Transfer (CCT) programs will be introduced and then successful pilot projects to the whole target population will be enhanced.
- Numerous cash (*Zakat, Bait-ul-Mal* and BISP), conditional cash and in-kind transfer initiatives flourishing in various areas of the country will be integrated.
- Duplication of beneficiaries between the BISP and FSP must be avoided. The Federal and provincial governments will require coordination through sharing each others' lists to minimize this occurrence. Lists of both schemes are likely to be made public so that independent third party verification can take place. Third, given fiscal constraints, it is not possible for targeted cash grants to reach all poor individuals or households. This implies that the resources will have to be rationed amongst the poor. This makes the task of targeting important, and will require transparent and verifiable criteria.
- The overall policy guidance will be provided by the Cabinet Committee for Social Sector Coordination (CCSSC), as social protection is a cross-sectoral initiative. The SSCC will submit an annual report to the parliament. The day-to-day implementation and coordination will be managed by the concerned federal, provincial and local governments in consultation with the stakeholders. The main responsibility for implementation will rest with the provinces, in collaboration with districts, Pakistan *Bait-ul-Mal*, Ministry of Religious Affairs, line departments, NGOs, community groups, and the private sector. The monitoring will be carried out with national and provincial data banks as the baseline for information, and through use of information and communication technology. The evaluation of the programs will rest with outside and nongovernmental agencies besides the Planning Commission.
- The role of the provinces, the districts and *tehsil* governments will be that of implementation and, at the lower levels of government, beneficiary identification, local-level monitoring, and evaluation of specific interventions. Given the number and different types of stakeholders, institutional coordination at the provincial level between all stakeholders will be an important feature of the implementation of the strategy.

## 6. CONCLUSION

The paper reviewed recent studies on social protection in Pakistan. The consensus developed in these studies is that there is no clearly articulated government social protection framework. Government of Pakistan in its Poverty Reduction Strategy Paper also states that instruments or programs of social protection are developed largely as a series of ad-hoc responses to problems arisen by particular

circumstances. Moreover, these programs are built up over a considerable number of years and combine the interests of many different constituencies, political regimes and incorporate several institutions. It is, therefore, not surprising that the framework contains duplicating and overlapping programs.

Issues and concerns in cash assistance or transfer programs in Pakistan have several shortcomings. They are characterized as insufficient as regards coverage of the poor and the amount of the support provided. They also suffer from a poor selection of beneficiaries. Lack of exit strategies and monitoring and evaluation are virtually absent.

Besides corruption and embezzlement in various formal sector social security schemes, low coverage is also the main concern. It is estimated that less than 4% of the non-agriculture labor force actually benefits from the entitlement built into these labor welfare programs.

It is recommended that the government should take steps to strengthen and develop an integrated social protection system combining: social assistance, social insurance, health insurance, and labor market regulation so that social protection programs should ensure progressive and wider coverage of all citizens with a special focus on those in the informal sector and in marginalized groups.

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