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WHY SOCIAL PROTECTION IS NOT ENOUGH TO EFFECTIVELY ADDRESS POVERTY REDUCTION IN PAKISTAN

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ABSTRACT

Pakistan is behind many other countries in the Asia region in reducing poverty. Dedicated poverty reduction Programmes so far were mainly done by NGOs using livelihood and microfinance approaches and since 2008 through the Benazir Income Support Programme's cash transfer scheme. Recently, the office of the Prime Minister established Ehsaas Strategy which combines the various poverty reduction and social protection approaches in the country under one Programme. This paper argues that a stronger focus on effective income generating poverty reduction Programmes would be needed to make poverty reduction more successful.

Keywords: Social Protection, Poverty Line, Graduating Out of Poverty, Investment Risks, Institutional Setting

INTRODUCTION

Poverty in Pakistan is underestimated, and the country is behind many other countries in the Asia region in reducing poverty. Dedicated poverty reduction programmes so far were mainly done by NGOs using livelihood and microfinance approaches. Since 2011 the constitutional amendment devolved social services delivery to the provinces, and the federal government has somewhat limited its role to poverty reduction programmes such as Benazir Income Support Programme. Looking back to decades of implementation of BISP, there has not been substantive structural change to address the root causes of poverty in Pakistan. Recently the office of the Prime Minister established *Ehsaas* Programme which combines various poverty reduction and social protection approaches in the country under one Programme.

Giving an overview of the approaches taken by the government so far to address poverty reduction and social inclusion, this paper argues that a stronger focus on effective income generating poverty reduction programmes would be needed to make poverty reduction more successful. To be more effective in poverty reduction, the current *Ehsaas* Programme would need to be strengthened to focus more in poverty graduation rather than social protection measures.

This paper complements three other research pieces by the authors on: (i) the BISP achievement, (ii) poverty graduation programmes proposed for BISP in the 2018 BISP Graduation Programme strategy, and (iii) inclusive business as a tool for poverty reduction.

POVERTY AND EXCLUSION IN PAKISTAN

Growth and its Inclusiveness

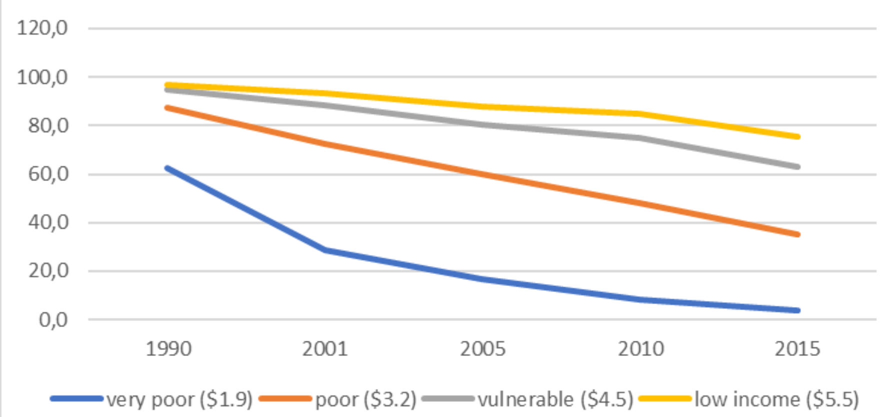
***Mixed Macro-Economic Progress*:** Since 2013, Pakistan made significant progress in regaining macroeconomic stability and structural reforms, in taxation, improving business environment, infrastructure provision, and in privatization. GDP growth was accelerating to 5.8% in the financial year 2017/2018 (the highest since 2007). However, since then, and further aggravated by the COVID-19 pandemic, the macro-economic indicators are again worsened: circular debt has piled up, trade balances were weakening, and fiscal deficit widening. Also, combined public and private investments remain very low (15% of GDP), and are driven mainly by private (and some public) consumption. Broad-based and sustainable growth became again volatile, as substantial economic transformation from a low-income generating agriculture and informal sector driven economy to higher-productivity industry and services has not occurred. The worsening political stability and militant insurgencies, major issues regarding governance and corruption in public administration, society and private sector, as well as unprecedented climate-induced disasters are further risk factors for growth, and inclusive development.

Implications for Inclusive and Pro-poor Growth: While the income and consumption gap between the rich and the poor is particularly high and rising (especially in urban areas), overall, economic growth in the last decade positively affected the bottom 40% and somewhat reduced poverty. In line with its 12th five-year plan (2018-2023), the government of Pakistan is committed to intensify efforts to achieve accelerated development through inclusive growth. The shared vision of the 12th plan aims at achieving - by 2030 - the international sustainable development goals (SDGs) of zero poverty and hunger, universal access to health services, education, modern energy services, clean water and sanitation, and other development objectives. These are ambitious tasks, and cannot be achieved without more efficient public administration, better and more effective poverty reduction and more inclusive social protection programmes, better protection against environmental risks and adaptation by the poor towards climate change, and a stronger role of the private sector in delivering quality social services and well paid jobs for the poor and low income people.

Income Poverty and the Poverty Line

Declining Extreme Poverty but High Vulnerability: Income poverty declined from 34.7% in 2002 to 9.3% in 2014 (using the latest available survey data and the old poverty line similar to the $1.9 a day international poverty line). Today, while using the international poverty thresholds and purchasing power parities and referring to 2015 government household surveys, extreme income poverty ($1.9 per capita per day) stands at 4% of the population and below poverty line ($3.2) at 35.1% (Figure 1 below). Using the new poverty scoring methodology introduced by Pakistan a decade ago, multidimensional poverty came down from 64.3% in 2001 to 29.5 percent in 2014 (see Figure 2 below). In the context of the COVID-19 pandemic, poverty again increased.

Figure 1: (Income) Poverty in Pakistan according to international poverty thresholds



Emphasis on the Vulnerable Poor: There is a large group of population living slightly above the severe poverty line, being poor or vulnerable to poverty (due to climate change risks and environmentally induced hazard-related disasters, and due to live- and family shocks). 75.6% of the population belong to the low income group (less than $5.5 a day) according to the World Bank's Pov Cal Net. A sustainable poverty reduction strategy, therefore, should not focus only on the very poor. To be more effective, it needs to emphasize the poor and low income people. And in particular it needs to focus on programmes that create a massive scale income opportunities, social access and social protection for the poor and the vulnerable women, men and children. A graduation framework featuring scaled-up new income generation opportunities clubbed with focused health and education entitlements, both enhancing social wellbeing of the poor and low-income people in a systemic and game changing way is very much needed to lift poor out of extreme poverty.

Drivers of Poverty Reduction: It is still unclear what the drivers for this reduction in income poverty really are and what role higher GDP growth, strong remittances, effective social assistance programmes (through BISP), rapid and 'hidden' urbanization, higher support prices for agricultural commodities, and the vibrant informal sector play. To make poverty reduction sustainable, more jobs that pay well for the poor, more effective social protection against life and environmental risks, and better social services for the poor and low-income people are needed. In result, progress in improving development outcomes have been mixed and investment levels remain very low, at around 15 percent of GDP (both public and private).

Trends in Reducing Extreme Income Poverty. Before 2016, poverty in Pakistan was estimated using the official poverty line and derived by taking the value of the minimum required calorific intake (2,350 calories per capita) plus the minimum expenditure required for non-food needs. The poverty line was calculated in 1999 at PKR673 per capita per month using 1999 prices, updated for subsequent years using the consumer price index. Overall poverty declined between 1999 and 2014 from 30.6% to 9.6%. Poverty is much higher in rural areas and poverty reduction is much slow in villages than in towns. Income poverty came down from 20.9% to 7.1% of the urban population, while it reduced from 34.7% to 15.1% in rural areas. Large variations exist in poverty trends across the four provinces. For instance, headcount poverty in Punjab (in 2006) was with 15.2% significantly below than that of Baluchistan (50.9%), Khyber Pakhtunkhwa (28.2) and Sindh (22.7%).

The Incidence of Vulnerability Remains High: While extreme poverty came down considerably, vulnerability to poverty remains very high and is in fact higher than in neighboring countries.

- As per international statistics, in 2015, about 35.1% (more than 70 million of the 207 million people) live under the $3.2 international poverty line applicable for lower middle-income countries like Pakistan, 69.1% of the population are vulnerable to poverty and live on less than $4.1, around 75% on less than $ 5.5 and 84.3% with less than $6.1. About 5% would qualify as extreme poor (with expenditures of less than $1.9 per capita per day).
- The government of Pakistan, using its own multidimensional poverty classification (see National Socioeconomic Registry, NSER) estimates poverty at around 7.4% of population. Since 2008, and using the NSER poverty data, the Government of Pakistan is implementing at the federal level the Benazir Income Support Programme (BISP) to address poverty and vulnerability in Pakistan. BISP covers 5.7 million poor households (the bottom 25%) by providing poor women in representation of their households with a cash transfer of Rs.5,000 per quarter.

Both data suggest that a large number of people are clustered around the poverty line and are highly vulnerable to negative economic shocks. Lack of adequate income opportunities for the rapidly growing young population, the major droughts and floods, the insurgency situation, and a social fabric (esp. in rural areas) and governance issues favoring exploitation of the poor and blocking socio-economic opportunities for development, are main reasons for the high incidence of vulnerability and low income people in Pakistan. Hence, an effective and sustainable poverty reduction programme needs to target not only the extreme poor (i.e. those below the PMT score of 17) but also the vulnerable and transitional poor (up to PMT score 30).

Figure 2: Comparing national and international poverty lines

		international standards		Pakistan / BISP standards		
		percent of population		poverty score card (NSER)	future score card	percent of population
				0-50		86,4%
the low-income	($6.1 / $4)	84,3%				
				0-34	50	71,6%
the vulnerable (transitional poor)	($4.6 / $3)	69,1%	potential for graduation out of poverty	0-23	34	37,8%
the poor	($3.2 / $2)	39,7%		0-16.2	27	20,0%
the ultra poor	($1.9) / $1)	6,1%	should not be targeted for graduating out of poverty			

Multidimensional Poverty and the Proxy Means Test (PMT) / Poverty Monitoring Scorecard (PSC) Tool: Since 2010, BISP is using a poverty monitoring scorecard tool (PSC) under a National Socio-Economic Registry (NSER) system for classifying the bottom half of all households in Pakistan on their wealth and living standards ranking and access to social services. PSC is a very elaborated, effective, (and costly) targeting mechanism. Households under the poverty score of 16.17 receive unconditional cash transfers (UCT) under BISP. These cover about 7.2 million households or 25% of the population, of which BISP is currently targeting about 5.7 million. The PSC data are also used by NGOs and development partners for their poverty programmes, and the government is considering to use in the future the PMT data for other social development targeting, including social pricing. BISP is finalizing – with the help of the World Bank - a new household based living quality assessment. Initial results find that new poor household may need to be added to the BISP programme, and the threshold for poverty needs to be raised to perhaps PSC score 25-27 given price and other changes in the last 10 years. The BGF considers those potential changes by suggesting (a) given the available fiscal space - to leave the threshold for UCT payments at the current 16.17 threshold, while (b) some of the graduation programmes would be eligible also for poor and vulnerable households with a PSC threshold of up to 30.

SOCIAL POVERTY IN PAKISTAN

Low Social Development Result: Pakistan remains one of the lowest human development performers in Asia. Problems remain particularly in education, mother and child health, hidden hunger and decent gender equality. School net enrollment rates for middle and secondary school still remain low at 62 percent and 58 percent in 2015, and lag behind other South Asian countries. Only 52% of the schools are equipped with electricity, running water, toilets and a boundary wall. Infant and under five mortality rates represent a similar story. 44% of the children under 5 are stunting. Health, nutrition, and education budget allocations, now totaling 3 percent of GDP, is significantly lower than in most other countries in Asia. The number of households with access to improved water has remained more or less stagnant over the past 15 years. Only 27% of the households had access to tapped water in 2015, down from 34% in 2005. Sanitation facilities also show a similar picture, where the percentage of households with a flush toilet has increased from 52 percent to 73 percent between 2005 and 2015 (the coverage in rural areas is much less and increased only from 20% to 45%), but the proportion of households that have a flushing toilet connected to a piped sewerage system is still less than 25%. Given that social services delivery is devolved to provincial and local governments, a strategy for improving development outcomes for the people of Pakistan would need to combine efforts to increase public spending, and provincial capacities for social services delivery. Interestingly, the government's social protection programme, although designed to address broader social dimensions of poverty, has not made tangible impact to improve the supply side of social and municipal services delivery.

Graduating up the Poverty Ladder is Different from Graduating Out of Poverty: Graduation strategies can aim to increase households' income, skills, human capital, or sustainability and depths of social security of poor people. They thus promote long-term welfare and poverty reduction. Targeting poverty graduation can aim at the poorest of the poor to bring them up in the poverty ladder, or those near the poverty line to bring them out of poverty on a sustainable basis. The term "graduation" means to bring poor up on the income ladder. It is important to consider the so-called depth of poverty and the income gap between specific groups of poor and the poverty ceiling.

Targeting the Near Poor: Global experience shows that successful poverty reduction programmes target the poor around the poverty line, and not the extreme poor, because it is easier and faster to bring such people above the poverty line in a short time - maybe 3 years. A BISP graduation strategy should reduce the incidence of poverty, meaning, it should (a) not only bring people up the poverty ladder but also out of poverty, and (b) provide an opportunity for the government to gradually withdraw from financing grant transfers to the poor. Hence, BISP's new graduation strategy must be based on the premise that they would enable the cash grants recipients to eventually transform into income earning individuals, either through self-employment, or through wage employment and stable supply chains, or through demand for public works. That means it might be more relevant to design strategies for the poor with economic potential, rather than for the extreme poor.

Addressing Income Poverty Need Different Innovations Depending on the Poor's Capabilities: Income poverty is caused by labor markets that do not create potentials for the poor to earn higher income through better paid jobs or income opportunities throughout the year. Typically many countries support livelihood approaches that build on self-employment. However, such programmes are highly risky for the poor, and ignore major market failures the poor cannot overcome by simply having a new asset or some skills training. Poor people are not business-oriented people – if asked about their priorities they would always favor stable wage employment over risky self-employment. That does not mean that poor people cannot set up their self-employed shops and services in the informal sector. But global and Pakistan experiences show that most of those micro-businesses are not productive enough to bring the poor entrepreneurs out of poverty on a sustainable basis. Furthermore, most of the potentially successful micro-businesses are in semi-urban or urban environments where market failures are comparatively less.

Wage Employment in Formal Labor Markets May not Bring Much Poverty Reduction Results for Developing Countries. Given the low number of formal enterprises that engage poor people, and given the large informal sector and big number of small enterprises both having low productivity and little income opportunity for the poor to bring them above the poverty line, we do not see wage employment as an option for poverty reduction in the current economic settings of Pakistan. That is also why traditional small and medium enterprise

(SME) promotion policies are not really successful in reducing poverty, also the sector engages the poor but at market rates which keeps them poor. Rather, more helpful may be emphasizing special forms of productive self-employment (not traditional livelihood programmes), the integration of the poor in value chains of larger companies with Inclusive Business models, initiatives, and activities, and large scale and long-term public work programmes as the right approach to address income poverty.

Self-Employment is Less Preferred by the Poor: Poverty reduction programmes, often center around livelihood, vocational training or microfinance. They are preferred by governments and development partners because of their operational simplicity. But the poor themselves are not so interested in such programmes because they fear that all the risk of establishing and running a small busines is left with them. Evidence from implementing such programmes all over the world and in Pakistan also show that these three approaches are not really successful in graduating poor people out of poverty. This is because: (a) livelihood programmes do not create sufficient income to escape poverty in a sustainable way, (b) microfinance typically target the lower income groups but not the poor, and (c) vocational training programmes have little impact on poverty because they are designed to address only one (of many) supply side factors of poverty, leaving aside the main cause of poverty which is more in the lack of demand for well paid jobs. In contrast, international experiences show that graduating out of poverty is most successful, when the poor are engaged in sustainable income generation activities which pay substantially better than the market rate.

Self-Employment Needs Business Coaching and Good Market Integration. Experience shows, that such programmes only work in the long-run, if they are complemented by strong business incubation, active linking to sales channels, and when the poor can supply and earn substantially better than the market rate. Skill development programmes on its own are not sufficient and are only successful in reducing poverty if they are combined with job placement strategies. Microfinance (including interest rate free schemes) are more successful if they target business orient low income of better off – rather than poor – people with business skills.

Self-Employment Schemes Need to Address Investment Risks: Most livelihood and traditional self-employment and microfinance programmes ignore that the markets of the poor is distorted, that poor are not necessarily business people, and that their investments are mostly highly risky. Programmes emphasizing self-employment therefore need design features that address those business risks. They need to address market failures by linking to sustainable value chains with high and stable income earning opportunities and providing business coaching and incubation as well as other risk mitigation measures (insurance, savings, location, result based investment payments).

The Need to Pay Better Than the Market Rate: Another key condition for successful graduation programmes is to generate sustainable demand for income opportunities of the poor at earning potential substantially higher (say minimum 20%) than the market rate. This is because employing the poor while paying market rates actually means to keep them poor and not transitioning them out of poverty. Therefore, only companies that pay better than the market rate to their employees or – more realistically – to their supplying farmers and subcontractors, are strategic for poverty reduction. Most businesses (and especially the micro and small businesses) are not productive enough to have innovative business models that allow them to pay better than the market rate.

Being Mindful of the Challenges that the Markets of the Poor Bring. Given the low number of formal enterprises that engage poor people, and given the large informal sector and big number of small enterprises both having low productivity and little income opportunity for the poor to bring them above the poverty line, we do not see wage employment as an option for poverty reduction in the current economic settings of Pakistan. Rather, special forms of productive self-employment (not traditional livelihood programmes), the integration of the poor in value chains of larger companies with Inclusive Business models, initiatives, and activities, and large scale and long-term public work programmes as the right approach to address income poverty need to be emphasized. Against this background, the institutional setting for poverty reduction in Pakistan is overemphasizing self-employment, and because of this income poverty remains high in the country.

Innovations for Addressing Income Poverty must Include Programmes Beyond Self-Employment: The poverty graduation programmes suggested by the authors for BISP in 2018 proposed four programmes of which two emphasized self-employment, one value chain integration, and one public works. The four poverty reduction programmes were for all poor and emphasized their different capabilities. For achieving societal effects in scale, they were designed to be implemented in parallel. These programmes comprised the following:

- A scheme that promotes self-employment with business incubation;
- A scheme that integrates the poor in the value chain of productive companies, pay them well and reduce the poor's risks through innovative inclusive business models;
- A scheme that institutionalizes (under a right based approach) public work programmes to guarantee a certain amount of work days per year at high wage rate to the poor, while at the same time creating community infrastructure for climate change adaptation and risk mitigation; and
- A scheme that supports the urban poor with selective larger cash transfer with some business coaching for business establishment.

INSTITUTIONAL SETTING FOR POVERTY REDUCTION IN PAKISTAN

The Benazir Income Support Programme (BISP): Established in 2008, BISP helps the poorest of the poor to cope with income shocks, by providing unconditional cash transfers (UCT) in the amount of Rs. 5,000 per quarter-year (about $10 a month for a family of 6-7 persons). The poor covered under the BISP programmeare defined by a scoring system (the PMT) assessing multi-dimensional factors of poverty (such as income, housing, family assets, health and education status); those who are below a PMT score of 16.17 are classified as poor and eligible for BISP support. Currently, UCT reaches more than 5.7 million women beneficiaries (and their families) across Pakistan, and benefits about 28 million people in the country (about 14% of the country's population). In addition, the UCT is complemented with a conditional cash transfer (CCT) scheme for sending children to schools (i.e. the Waseela-e-Taleem (WeT), active in 32 of the 154 districts across Pakistan. In the past, BISP also implemented vocational training, health insurance, and microfinance schemes, but these were all found to be design and implementation failures, which did not bring about the expected results, and were therefore discontinued. The BISP programme is financed annually with about PKR 130 billion (say $ 1billion), up from PKR 40 billion in 2012. ADB, World Bank, and the government of UK contribute actively to the financing of BISP. Studies word-wide and in Pakistan show that cash transfers – unconditional and conditional – contribute to human capital development, a major factor of poverty. Pakistan has one of the biggest UCT and CCT programme worldwide. The strategic placement of BISP under the Ministry of Finance is of high importance for budget allocation, and keeping poverty reduction as a technical matter protected from political interference for vote catching. In all countries of Asia (and other regions in the world), effective poverty reduction agencies are closely linked to the Ministry of Finance.

The National Rural Support Programme (NRSP): NRSP was established in 1991 by the Government of Pakistan as a "not for profit company" (section 42 company) and provided a seed capital of Rs 500 million. Three Federal Secretaries represent the Government of Pakistan on the Board of Directors of NRSP. NRSP is currently present in 64 districts across all Provinces and AJK. It has implemented more than 300 development programmes for government, development partners and NGOs and is currently working with 3.3 million households organized into more than 200,000 Community Organizations (COs); 7,559 Village Organizations (VOs) and 842 LSOs and the number grows every year. NRSP is also implementing a major microfinance programme in Pakistan.

The Pakistan Poverty Alleviation Fund (PPAF) is – like NRSP – a Section 42 company with government representation in its Board, and a recipients of seed capital from the Government of Pakistan. PPAF commenced its operation in the year 2000, and is active in 130 districts of the country, working with 120.000 organized community groups, 440,000 community credit groups, 11,800 village organizations, and 800 union councils. To date, PPAF has disbursed $2 billion through grants and financial services (microfinance programme), working with 1,340 partner organizations. PPAF also implemented the Prime Minister's Interest Free Loan (PMIFL) programme, and the Livelihood, Employment and Enterprise Development (LEED) programme.

Provincial governments are implementing their own poverty reduction and social protection programmes. Most of them are livelihood, microfinance based or integrate the poor in vocational training initiatives. There is however no comprehensive approach or information sharing on scaled up poverty reduction results which the federal government of Pakistan could use for international reporting.

NGOs are more active in implementing poverty reduction programmes, There are large scale initiatives, most of them again under livelihood and microfinance approaches, implemented with donor financing – for example by NRSP and PPAF. There are also many small international and national NGO programmes. The Aga Khan Foundation is exploring a social enterprise and inclusive business programme. There is however no comprehensive analysis on the results of all those programmes. Given that economic growth was often low and did not create large numbers of new and well-paid jobs or income opportunities, given the strong informality in the economy and the high income and social (including gender) inequalities, one can assume that the NGO programmes contribute a major factor to the success in poverty reduction in Pakistan in the last 20 years. However, they are still small in scale, not coordinated, narrow in their approach and targeting, and not creating synergies to guarantee coherent and sustainable poverty reduction results in Pakistan.

Other microfinance and poverty reduction programmes implemented in Pakistan are for example the Prime Minister's Interest Free Loan (PMIFL) programme, and the Livelihood, Employment and Enterprise Development (LEED) programme, both implemented by the Pakistan Poverty Alleviation Fund (PPAF). The comprehensive coaching programme looks similar to the PMIFL and the LEED, but targeting poorer households and with more emphasis on helping the poor with successful self-employment options.

REFORMING POVERTY REDUCTION AND SOCIAL PROTECTION IN PAKISTAN

In 2018, the government created the Poverty Alleviation Coordination Council (PACC) and a special Division of Social Protection and Poverty Alleviation under the Prime Minister, and in March 2019 PACC formulated the *Ehsaas* programme for "creating a welfare state for the poor Pakistani people". The programme aims at better targeting, increased budget allocation, enhanced coverage, reduced fragmentation and better cohesion, as well as enhanced integrity of the programmes. Furthermore, the *Ehsaas* programme also aims at improving health and education outcomes for the poor and vulnerable people, and creating jobs and livelihood opportunities to graduate out of poverty. These objectives identify the right needs, and placing *Ehsaas* under the Prime Minister's office is a good move as it makes poverty reduction and social protection a visible task at highest political level. But the question is whether *Ehsaas* will achieve its strategic objective.

Ehsaas brings together various poverty and social protection programmes implemented at a national level in Pakistan. A closer look shows that *Ehsaas* is only a composition of old programmes under a new name without much design or constitutional change. The proposed *Ehsaas* implementation programmes of (a) continue long-lasting existing programmes under the same implementation framework, (b) fall short of making a deeper analysis which programmes work and which not, and (c) miss clarity on the strategic leadership for implantation. This applies both to the social protection vision of the programme which calls for continuing programmes for targeted groups that are socially excluded (e.g. the disabled, the orphaned, the extra poor) and misses a deeper discussion on conditional cash transfers or insurance as a means to more systematically address social exclusion. Similarly, on the poverty reduction side, *Ehsaas* calls for programmes implemented since decades and one wonders how the continued implementation could improve the situation of the poor in a systemic way. In sum, the programme looks more like "old wines in a new bottle" than a search for more effectiveness through a new design. It seems that the rush of setting up *Ehsaas* under the new government and not engaging in a necessary (and perhaps conflicting) societal dialogue missed the chance of deeply reforming the country's poverty reduction and social protection framework.

***Ehsaas* will not Create the Change Needed for Poverty Reduction**: Under the poverty graduation approaches *Ehsaas* calls for providing grant based assets to the very poor (the 0-18 poverty score card bracket, PSC) and small interest free loans for the poor (PSC bracket 18-40). These are the traditional poverty reduction approaches used in the country assuming that the poor can lift themselves out of poverty through self-employment. There are no further criteria how the programmes should be implemented effectively to achieve results, nor does it make recommendations on how the multiple programmes can be rationalized and reformed to achieve greater impact, nor is there any discussion of alternative programmes such as public works or integrating the poor in the value chains of inclusive business companies. A more in-depth view at *Ehsaas* therefore suggest that the programme – while being a laudable initiative with good objectives – falls short in its implementation characteristics of reflecting international experiences on poverty reduction and social protection. *Ehsaas* is perhaps more of a compilation of existing programmes rather than an innovative strategic analysis of what should be done better and differently.

The Need for Rationalizing *Ehsaas*: Nevertheless, it is crucial that the country commits to develop a coherent system for poverty reduction and social protection under the Prime Minister and a strong coordination body (like BISP) and building on a diversified network of implementing bodies which work together rather than in silos. To this end, *Ehsaas* loosely talks about the need for creating a Ministry of Social Protection and Poverty Alleviation under which various institutions like BISP, Pakistan Bait-ul-Mal (Islamic local fund to help the poorest), Zakaat (Islamic giving fund), Pakistan Poverty Alleviation Fund, Trust for Voluntary Organizations, the SUN Network (a network of universities to promote nutrition), Center for Social Entrepreneurship, and secretariats of the Poverty Alleviation Coordination Council and the planned Labor Expert group will be united. In our view the new ministry of BISP can play the role of bringing all this together as a comprehensive federal and provincial programme for poverty reduction and social protection for Pakistan. To do so, a fresh start should be done to rationalize the various programmes suggested under *Ehsaas;* and the openness in the country's (and BISP's) leadership for formulating a more systematic approach for better social protection and stronger poverty reduction should be used.

WHY BISP REMAINS CENTRAL

BISP was established in 2008 with the objective to sustainably eradicate poverty and elevate the status of marginalized and under privileged sections of society, especially women, through establishment of comprehensive social protection net. BISP has a nationwide presence and a budget similar to that of other countries implementing cash transfer programmes. In 2017-2018, the BISP budget was about PKR 121 billion (USD 1billion) or 2.4% of GDP, up from PKR 40 billion in 2012. The BISP programme has three major components (universal and conditional cash transfers (UCT and CCT, poverty graduation, and running the National Socioeconomic Registry (NSER). While BISP in 2018 made the attempt of becoming a comprehensive poverty reduction and social protection body for Pakistan, however *Ehsaas* seems to have pushed BISP down from its comprehensive objectives to the delivery of cash transfers only. This would be unfortunate, as it would defeat the very purpose of the new Ministry to emerge out as a coordinating body for championing a comprehensive social protection and poverty reduction strategy.

Cash Transfers are not Enough to Reduce Income Poverty: The immediate objective of the current UCT programme is to cushion the negative effects of the food, fuel and financial crises on the poor. It helps people resolve short-term stress and insecurity, and, if properly managed, can also help alleviate long-term poverty. The regular injection of money in addition to the family income improves consumption and enables some of the poor to shift away from poverty-driven, low-income casual labor to self-employment. Conditional cash transfer programmes also help improving health and education status of the poor. However, consumption and income gains from the UCT programme are not sufficient to break the cycle of poverty. While extremely important in meeting immediate consumption gaps, UCTs do not generate livelihoods to sustain improved conditions beyond the duration of the programme. Thus, at the federal level, the reduction in the poverty incidence cannot be attributed to the BISP programme, although cash transfer programmes help the poor. Hence, if poverty reduction – rather than social protection - should receive a new priority, cash transfer programmes need to be complemented with approaches that create sufficient income for the poor on a sustainable basis to escape the poverty trap. Experiences world-wide, including countries with sustainably high growth rates, show that growth and trickle-down is not sufficient to achieve such poverty reduction results. Furthermore, global experience suggests that transfer programmes are more successful and sustainable, when they are combined with complementary, well-sequenced interventions on the uptake of education, health and nutrition services, and when there are additional livelihood support for the poor. For making poor people economically better off, in addition to an inclusive economic policy, specifically targeted poverty reduction programmes that create income for the poor are needed.

Poverty Reduction is a National Task: Since 2010 the delivery of health and education services is devolved to the provinces. In result, service delivery over the country became more unequal and not necessarily better. For poverty reduction and social protection, the constitutional amendment and practices are more unclear. There are programmes at the provincial and at the national level. In many countries, also in the OECD world, the delivery of services to the poor is with local governments. However, countries successful in poverty reduction and social protection have all strong national agencies at the federal level to either initiate or finance and co-finance or at least oversee such programmes for improving living conditions all over in the country. In addition to the Pakistan Poverty Alleviation Fund (PPAF) and some other smaller social protection programmes, BISP is practically the only federal government programme mandated to implement social protection and poverty reduction programmes all over Pakistan. Therefore, BISP is in the unique role of being overall accepted as a poverty reduction and social protection agency. However, to be more effective, it needs to be strengthened in its cooperation with decentralized implementation agencies, and in the design features of its programmes beyond cash transfers to the very poor.

The Proposed BISP Comprehensive Framework for Poverty Reduction and Social Protection (BGF): The 2018 BISP requested DFID and ADB for some support to develop a comprehensive reform framework for poverty graduation and strengthening social protection effectiveness for the poor. A consultant developed a framework (the BGF) and a programme for poverty graduation (the BGP), and ADB indicated its readiness to finance parts of its implementation. Other development partners also showed interest. But while there were sincere discussion in the government, the proposed reforms actually did not push through. The recommendations comprised

The 4-5-4 Approach: Four recommendations for reforming social protection, 5 for setting up poverty graduation programmes and 4 for institutionalizing effective poverty reduction and social protection were made in the poverty graduation and social protection framework developed by the authors to address poverty in the country. The salient features are as follow:

On poverty graduation, it was recommended to focus on income poverty through rolling out the 4 programmes suggested in the BGP and implement them in a decentralized way in cooperation with the provinces, the private sector and NGOs. These are:

(i) A programme for business incubation and asset transfer for self-employment of the rural poor to be implemented by credible NGOs.

(ii) A scheme to work with inclusive businesses for sustainable income generation among the rural poor through value chains of private sector companies and social enterprises that pay substantially above the market rate to the poor as their suppliers, implemented through the private sector (the IB component). We estimate that this Inclusive Business component would bring the biggest poverty reduction impact, as companies by themselves have an interest in creating productive investments (and would actually do so with their own money), while the Inclusive Business dimension would ensure that they pay better than the market rate (at least 20% more) and no exploitation of the poor through the private sector would occur. In such an IB environment, value chain supply is similar to guaranteed well-earning wage employment.

(iii) The BGP calls for financing of more public work programmes implemented at the local level and endorsed by provinces to generate temporary employment and community assets that address climate change adaptation and environmental poverty (the PW component). The key for success is a long term commitment by the government for income opportunities through public works that pay better than the going market rate. In addition the PW-EP would be assessed also based on the relevance for the poor of the community asset created through such labor-based schemes. And finally,

(iv) The BGP suggest implementing a pilot scale, direct cash grants and business coaching support by business schools for start-ups of the urban poor (the DC component).The programme would reduce the poor's investment risks through focussed business coaching, and offers cash payment in stages based on investment result.

On reforming social protection in the country, following recommendations are made:

- reducing the unconditional cash transfers through the BGP graduation results and gradually shifting to conditional cash transfers (CCT);
- deepening CCT in primary and secondary education;
- setting up a new CCT for mother and child health;
- expanding slightly the budget of BISP by facilitating funding for devolved programmes implemented at provincial levels; and
- rationalizing the multiple target programmes on social protection.

Expected Benefits: The research assessed that the BGP graduation programmes would benefit – over 12 years implementation period (2018-2030) - about 3.1 million poor and vulnerable households, effectively graduating estimated 1.2 million households (39% of beneficiaries) out of poverty on a sustainable basis, and move additional 0.7 million households up the poverty ladder (i.e. creating substantial income increase of 10-20% albeit this would not be sufficient to bring them over the poverty threshold). Furthermore, implementing the BGF would create a budget saving for the BISP-UCT entitlements of $222 million (2018-2030), and thus show a clear way out of the development trap of doling money to the poor in the name of social protection and for political gains. In addition, there are social benefits for the poor from expanding the social protection programmes and enhancing innovations, sustainability, and synergies.

CONCLUSION

This paper argues that social protection of the poor cannot be delivered on a sustainable basis without an effective poverty reduction programme, because it would be too expensive and paternalistic.

Recently, UNDP called globally for addressing the COVID-19 pandemic through a massive but short-term (6 months) unconditional cash transfer system for the poor. While such funding may provide some money to the poor, it is not sustainable. In our view such cash transfer in the name of addressing COVID-19 response should only be used, if a complementary programme is designed that establishes more systematic approaches (and reforms) to address poverty and inclusion.

In sum, this paper argues for using the momentum of the new *Ehsaas* programme and the Poverty and Social Protection Ministry in designing a more coherent poverty reduction programme for Pakistan in close consultation with provincial governments, the private sector and NGOs. The proposed BISP Poverty and Social Protection Framework (BGF) could perhaps be used to make *Ehsaas* an effective poverty reduction and social protection strategy for Pakistan.

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