

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Islamic Republic of Pakistan	Project Title:	Public Sector Enterprise Reforms Project
Lending/Financing Modality:	Technical Assistance Loan	Department/ Division:	CWRD/CWPF

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The Government of Pakistan's current Poverty Reduction Strategy Paper covers the period of FY2009–FY2011 and provides a framework for integrating assistance priorities beyond this timeframe. The proposed Project is linked with 2 of the Strategy's 9 pillars: (i) macroeconomic stability and real sector growth; and (ii) integrated energy development program.

PSEs contribute approximately 10% to Pakistan's gross domestic product (GDP) mostly by providing infrastructure services and other public goods, but also in (inefficient) production of purely private goods.¹ PSEs' service delivery is poor and inefficient, with a substantial number of PSEs systematically running losses and destroying value added for the economy. Some large PSEs have been running substantial deficits that are a major burden to public finances.

The proposed Project is expected to support economic growth and infrastructure development by restructuring public sector enterprises (PSEs) that now provide costly and inefficiency infrastructure services to the economy (e.g. energy, transport). Private management of PSEs have the potential to increase their economic efficiency and financial feasibility.

The Pakistan CPS 2014–2018 is currently under preparation. The Project is included in the COBP 2014–2016.

B. Targeting Classification

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The Project is expected to support modernization of PSEs. It will also reduce the fiscal costs of inefficient PSEs. This is expected to have an indirect but important medium- and long-term positive impact on poverty and the welfare level.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

Pakistan PSEs provide an array of key infrastructure services and other public goods that are used by all segments of the population, including lower-income households. But service delivery is poor in general, and economically disadvantaged groups are not able to substitute inefficient services provided by PSEs with private sector alternatives. The current state of the power sector is one example of how the inefficiency of PSEs has redistributive effects: on one side, the urban poor experience the effects of frequent load shedding while wealthier groups install alternatives sources of power; on the other hand, subsidies in the sector, which could bring major benefits to poorer communities, are untargeted and primarily benefit the wealthy.

Restructuring PSEs may involve an upward revision in fee and tariff structures. The Project will ensure the government monitors and considers affordability issues in a systematic manner throughout the PSE reform program. The government is also strengthening its social protection systems, so that any mitigation measures can be effective in targeting and delivery. Reforming PSEs increases their economic feasibility and thus the government's fiscal space for extended delivery of social services. ADB is supporting the development of Pakistan's social protection program, and these social safety dimensions are very much present.

The proposed Project will assist the government in developing and implementing an appropriate mitigation framework for possible labor retrenchment in PSEs to be restructured under the government's reform program. In the medium-term however, higher efficiency in Pakistan PSEs increases quality and quantity in the provision of public goods and services to the public, including to the poor, and reduces the current drag on national economic growth and employment generation.

¹ According to the Ministry of Finance's estimates there are more than 200 commercial and non-commercial organizations at the federal level.

2. Impact channels and expected systemic changes.

The Project is expected to support improved delivery of public goods and services by PSEs to customers in Pakistan. Equal access to public goods and services is a precondition for inclusive economic growth.

3. Focus of (and resources allocated in) the PPTA or due diligence.

The due diligence will analyze the effects on the poor of potential higher fees and tariffs and the effects of possible labor retrenchment in the course of implementing the government's PSE reform program.

4. Specific analysis for policy-based lending.

Not applicable.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

Gender issues—such as representation in PSE boards and management, labor redeployment, and salary differences—might become more apparent during restructuring of PSEs.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No A preliminary assessment indicates there is limited potential. However, the processing team will conduct due diligence to explore opportunities in this area.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No The processing team will conduct further due diligence on this area.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The main stakeholders are PSEs management and staff, regulatory authorities, and ministries. All stakeholders will continue to be consulted throughout project processing. The beneficiaries are expected to be the urban and rural recipients of services (customers), as well as other industrial, agricultural, commercial, and domestic clients of public goods and services provided by PSEs.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

A preliminary assessment indicates that the Project does not seem amenable to participation of the poor and excluded in decision making, given the complexity and specificities of PSE restructuring. The poor will be included in customer surveys that will monitor service delivery from PSEs throughout project implementation. A public communications strategy will be prepared to ensure understanding, transparency, and public support of the PSEs reforms.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing (L) Consultation (L) Collaboration Partnership

Labor unions and consumer organizations relevant to the affected PSEs will be consulted during project design.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

The poor and excluded are not directly impacted by the process of restructuring of PSEs.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

<p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p style="text-align: center;">V. OTHER SOCIAL ISSUES AND RISKS</p> <p>1. What other social issues and risks should be considered in the project design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input checked="" type="checkbox"/> Labor retrenchment (H)</p> <p><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability (M)</p> <p><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?</p> <p>Consultation with labor unions relevant to affected PSEs will be conducted to define initiatives that can help improve skills or business development options for staff that may be subject to redeployment or lay-off in result of the government's PSE reform program, thus broadening their job and entrepreneurial options.</p>
<p style="text-align: center;">VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</p> <p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>A staff consultant will support ADB staff in analyzing the labor force in PSEs, including gender dimensions, and possible downsizing due to restructuring and privatization arising from the government's program. The experts will also propose mitigation measures such as training and redeployment. The assessment will also be supported by ongoing poverty and gender assessments being completed for preparation of the CPS 2014–2016.</p>
<p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence?</p> <p>Due diligence will be conducted by a staff consultant and by ADB staff. Poverty and social analysis will be complemented by the assessments being prepared for the CPS. CWEN consultants will provide support in assessing the effect of tariff increases on the poor.</p>