

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Islamic Republic of Pakistan	Program Title:	Public Sector Enterprises Reform Program
Lending/Financing Modality:	Programmatic approach and policy-based loan for subprogram 1 and technical assistance grant	Department/ Division:	Central and West Asia Department Public Management, Financial Sector, and Trade Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Government of Pakistan's Poverty Reduction Strategy Paper covers FY2009–FY2011 and provides a framework for subsequent years. The proposed policy-based loan is linked with three of the strategy's nine pillars:

(i) macroeconomic stability and real sector growth, (ii) an integrated energy development program, and (iii) removing infrastructure bottlenecks through public–private partnerships.

The policy-based loan is expected to support infrastructure development by restructuring public sector enterprises (PSEs) that provide infrastructure services to the population (e.g., energy, transport) and bringing in strategic private partners that can increase PSEs' economic and financial feasibility.

Some large PSEs have been running substantial deficits that are a major burden to public finances. Reforming PSEs increases their economic feasibility and thus the government's fiscal space for extended delivery of social services.

The policy-based loan is part of the 2015 pipeline in the Asian Development Bank (ADB) country operations business plan, 2014–2016, and is in line with the interim country partnership strategy (CPS), 2014–2015.^a ADB's CPS 2015–2019 for Pakistan is under preparation.

B. Poverty Targeting

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

The program is expected to support modernization of PSEs and, indirectly, to improve their capacity to provide basic infrastructure services. 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.

PSEs contribute about 10% to Pakistan's gross domestic product, mostly by providing infrastructure services and other public goods, but also in the production of purely private goods.^b However, PSEs' service delivery is poor and economically disadvantaged groups are not able to substitute inefficient services provided by PSEs with private sector services. Restructuring PSEs might also involve a revision of fee and tariff structures. Affordability will need to be assessed throughout the program period through means which are appropriate in the Pakistan context. A complementary proposed technical assistance loan will assist the government in developing and implementing a mitigation framework for possible labor retrenchment in PSEs to be restructured under the government's reform program.

2. Impact channels and expected systemic changes.

Higher efficiency in PSEs increases quality and quantity in the provision of public goods and services to the public. The program 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. Infrastructure development will also contribute to economic growth and employment generation by reducing costs of production, contributing to economic diversification, and increasing labor productivity.

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

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

4. Specific analysis for policy-based lending.

The government interacts with PSEs on a number of levels including as a shareholder, regulator, and in terms of policy objectives for various sectors. The government needs to develop this policy position, which should be based on economic and financial sustainability, while ensuring public policy objectives can still be met. Social objectives

<p>need not be excluded from PSE operations, but they should be explicitly mentioned and ideally funded from the national treasury. Such policy positions can have social impacts and will be analyzed accordingly.</p>
II. GENDER AND DEVELOPMENT
<p>1. What are the key gender issues in the sector/subsector that are likely to be relevant to this program? Gender dimensions of PSE reforms—such as women’s participation in PSE boards and management, and labor redeployment—may produce gender issues, which might become more apparent during restructuring and privatizing of PSEs. If these arise and are relevant for the main challenge at hand, mitigating options will be identified.</p> <p>2. Does the proposed 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No A preliminary assessment indicates limited potential. However, the processing team will conduct due diligence to explore opportunities in this area.</p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The processing team will conduct further due diligence on this area.</p> <p>4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>
III. PARTICIPATION AND EMPOWERMENT
<p>1. Who are the main stakeholders of the program, including beneficiaries and negatively affected people? Identify how they will participate in the program design. The main stakeholders are PSEs’ boards, management and staff, regulatory authorities, and ministries. All stakeholders will continue to be consulted throughout program 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.</p> <p>2. How can the program contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly the poor, vulnerable, and excluded groups? What issues in the program design require participation of the poor and excluded? A preliminary assessment indicates that the program does not seem amenable to participation of the poor and excluded in decision making, given the complexity and specificities of PSE privatizing and restructuring. A public communications strategy will be prepared to ensure understanding, transparency, and public support.</p> <p>3. What are the key, active, and relevant civil society organizations in the program area? What is the level of civil society organization participation in the program design? <input type="checkbox"/> Information generation and sharing <input type="checkbox"/> Consultation <input checked="" type="checkbox"/> Collaboration <input checked="" type="checkbox"/> Partnership Labor unions relevant to the affected PSEs will be consulted during program design.</p> <p>4. Are there issues during program design for which participation of the poor and excluded is important? What are they and how shall they be addressed? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The poor and excluded are not directly impacted by the process of restructuring PSEs.</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the program have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? <input type="checkbox"/> Program safeguard system assessment and actions <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 program 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 program 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? <input type="checkbox"/> Program safeguard system assessment and actions <input checked="" type="checkbox"/> None</p>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the program design?</p>

<input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input checked="" type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____
<p>2. How are these additional social issues and risks going to be addressed in the program design?</p> <p>Consultation with labor unions relevant to affected PSEs will be conducted to define initiatives that can help improve skills for staff that may be subject to redeployment or layoff as a result of the government's PSE reform program—thus broadening their job and entrepreneurial options.</p>
VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>1. Do the terms of reference for the PPTA (or program assessments) contain key information needed to be gathered during PPTA or the program assessment 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>Consultants will support ADB staff in analyzing the labor force in selected PSEs, including gender dimensions, and possible downsizing resulting from restructuring and privatization arising from the government's program. The experts will also propose mitigation measures such as training and redeployment. The assessment will be supported by ongoing poverty and gender assessments being completed for preparation of ADB's CPS, 2015–2019 for Pakistan.</p>
<p>2. What resources (e.g., consultants, survey budget, and budget for workshop(s)) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or program assessments?</p> <p>Due diligence will be conducted by consultants and ADB staff. Poverty and social analysis will be complemented by the assessments being prepared for the CPS.</p>

^a ADB. 2014. *Country Operations Business Plan: Pakistan, 2014–2016*. Manila; and ADB. 2014. *Interim Country Partnership Strategy: Pakistan, 2014–2015*. Manila.

^b According to the Ministry of Finance's estimates, more than 200 commercial and noncommercial organizations exist at the federal level.

Source: Asian Development Bank.