



# Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 08-Apr-2024 | Report No: PIDA293576



**BASIC INFORMATION**

**A. Basic Program Data**

Country Pakistan	Project ID P181558	Program Name Crisis-Resilient Social Protection - Additional Financing	Parent Project ID (if any) P174484
Region SOUTH ASIA	Estimated Appraisal Date 15-Apr-2024	Estimated Board Date 31-May-2024	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Program-for-Results Financing	Borrower(s) The Islamic Republic of Pakistan	Implementing Agency Benazir Income Support Program	

Program Development Objective(s)

To support the development of a more adaptive social protection system that will contribute to any future crisis-resilience among poor and vulnerable households

**COST & FINANCING**

**SUMMARY (USD Millions)**

<b>Government program Cost</b>	3,304.00
<b>Total Operation Cost</b>	270.00
Total Program Cost	270.00
<b>Total Financing</b>	270.00
<b>Financing Gap</b>	0.00

**FINANCING (USD Millions)**

<b>Total World Bank Group Financing</b>	270.00
World Bank Lending	270.00



## B. Introduction and Context

### Country Context

1. **Pakistan's Poverty reduction has slowed amid recent shocks, while growth has remained volatile and slow.** The country made significant progress towards reducing poverty between 2001 and 2018 when the expansion of off-farm economic opportunities and increased inflow of remittances allowed over 47 million Pakistanis to rise out of poverty. However, rapid poverty reduction has not fully translated into improved socioeconomic conditions, as human capital outcomes have remained poor, with high levels of stunting at 38 percent and learning poverty at 78 percent. The country experienced heavy monsoon rains in 2022 leading to catastrophic and unprecedented flooding with enormous human and economic impacts. Roughly 33 million people were impacted, and many permanently displaced. Moreover, critical constraints, including persistent fiscal and current account deficit, protectionist trade policies, unproductive agriculture, a difficult business environment, a heavy state presence in the economy, and a financially unsustainable energy sector, have remained unaddressed, leading to slow and volatile growth. Progress with poverty reduction has recently slowed amid macroeconomic instability, the COVID-19 pandemic, and the 2022 catastrophic floods. The estimated lower-middle income poverty rate is 39.4 percent (US\$3.65/day 2017 PPP) for 2023, only slightly below the poverty rate of 40 percent in 2018, with 3 million more Pakistanis living below the poverty line than in 2018.

2. **The country has made recent progress towards macroeconomic stabilization, but risks remain extremely high and faster growth will require substantial reform.** Real gross domestic product (GDP) growth contracted by 0.2 percent y-o-y in fiscal year (FY) 23, after growing by 6.2 percent in FY22 and 5.8 percent in FY21. Accumulated economic imbalances, including high fiscal deficits and increasing debt, depleted Pakistan's buffers resulting in high vulnerability to catastrophic floods, increasing world commodity prices, and tight global financing conditions. Repeated delays in implementing the International Monetary Fund (IMF) Extended Fund Facility (EFF) program and the associated decline in external financing inflows saw foreign reserves fall to critically low levels, amid high inflation and sharp depreciation. Following the expiry of the incomplete EFF program, a nine-month Stand-By Arrangement (SBA) was approved by the IMF, with staff level agreement reached on its final review in March 2024. Under the SBA, exchange rate flexibility was restored, import controls were eased with some recovery in foreign exchange reserves, and new measures were introduced to contain the budgeted FY24 deficit. Nonetheless, risks remain high. Short-term stability depends on remaining on track with the SBA, continued fiscal restraint, and new external financing inflows. Robust economic recovery over the medium term will require the steadfast implementation of much broader fiscal and economic reforms.

### Sectoral and Institutional Context

3. **Pakistan's safety net system is largely federal run through the Benazir Income Support Program (BISP) with two recent provincial institutional setups of the Social Protection Authorities in Punjab and Sindh.** The federal initiative consists of several programs supported by delivery systems which the Government has substantially upgraded since their introduction in 2009. The flagship social assistance program, Kafaalat, provides regular unconditional cash transfers to 9.3 million beneficiaries. Other federally run safety net programs consist of Taleemi Wazaif (TW) or Waseela e Taleem (WeT), a conditional cash transfer (CCT) with conditionalities linked to school attendance (Primary to Higher Secondary), and a nutrition sensitive CCT (Nashonuma) with conditionalities linked to the first 1000 days of maternal and child health. All federal cash transfer programs rely on the National Socio-Economic Registry (NSER) for targeting, and a biometrically



authenticated digital payment system linked to the national identity system managed by the National Database and Registration Authority (NADRA). The province of Punjab is also running a CCT on maternal and child health; Sindh is following suit although at a nascent stage. To avoid duplication in the health and nutrition CCT programs, the respective federal and provincial governments currently have an agreement to avoid district level overlap in the program, but the overlap does exist at the provincial level.

4. **BISP has established a strong foundation for an adaptive safety net system that has met expectations in all recent shocks/crisis.** The Government responded to the COVID crisis in 2020 by launching a substantial safety net emergency package. This support included a one-time assistance to 14.5 million beneficiaries nationwide. Similarly, in the face of the devastating floods of 2022, the BISP demonstrated swift responsiveness by reaching 2.8 million flood-affected families in completely inundated within 10 days. This adaptive support aimed to safeguard against income losses and mitigate the risk of households resorting to negative coping strategies, such as reducing human capital investments or depleting productive assets in disasters exacerbated by the impact of climate change. These responses were made possible due to a decade of substantive investments in strengthening the adaptive safety net system, lately being supported by the Crisis Resilient Social Protection project (CRISP).

5. **To align with the devolution stipulated under the 18th amendment, there is a need to encourage the provinces to take on their constitutional responsibilities from the federal government.** The 18<sup>th</sup> Amendment to the constitution (2010) led to devolution of responsibility and authority for social protection initiatives to the provinces. Though the institution of BISP was established prior to the amendment but subsequently federal vertical programs such as Nashonuma (H&N CCT) and the Ehsaas initiative were introduced which were actually within the purview of provinces. Other than stepping on the provincial mandate, introduction of these programs has also put a strain on federal fiscal space. In the interim, Punjab and Sindh have also strengthened their capacity to be able to take on their mandated responsibilities and have started competing Health & Nutrition CCT programs at scale. This development points to the need to strengthen existing coordination and collaboration mechanisms to avoid program fragmentation and duplication. Provinces should be encouraged to gradually take on their constitutional responsibilities, starting with the Nashonuma (H&N CCT). A phased retrenchment of the Nashonuma makes a good case for a possible reform to prevent this unnecessary vertical expansion and alignment of federal and provincial mandates.

6. **The next generation of social assistance reforms need to focus on both sectoral alignment as well as improvement of delivery mechanisms.** Though there is considerable improvement in BISP's delivery systems and programs over the years there are still gaps that require redressal. Firstly, the use of NSER for all poverty-targeted social programs in the country needs to be reinforced, coupled with facilitative data-sharing mechanisms for agencies with limited technical capabilities. This would avoid costly duplication of efforts. Secondly, the issue of benefit adequacy needs to be addressed. The UCT benefit, accounts for only about 10 percent of the average consumption of the bottom 20 percent of households, below the 15 percent which evaluations<sup>3</sup> suggest is necessary for BISP to have an impact in reducing poverty and the international average of 19 percent<sup>4</sup>. The establishment of an objective indexation mechanism would avoid the consistent erosion in the real value of the benefit which has taken place in the past. And finally, program coverage needs to be further improved to ensure that BISP continues to target the most vulnerable, standard recertification procedures also need to be applied.



## PforR Program Scope

### 7. CRISP was designed under the following three result areas.

#### a. Result Area 1 (Building a crisis resilient delivery system):

- i. **Sub Result Area A (Innovations to Social Registry):** This RA focused on establishing a Multi-Entry Localized Access (MELA) dynamic update system for the NSER and developing mechanisms for data exchange. The phased development of MELA included dynamic update mechanisms for missed households, and subsequently institutionalizing the three-year cycle of regular updates. The complete MELA mechanism is now operational in all Tehsils of Pakistan, updating NSER data for over eight million households. Additionally, an Application Programming Interface (API) was developed for the online and secure exchange of data resulting in over 150 institutions and programs utilizing the NSER for various purposes. All results and DLIs under this Sub Result Area were achieved earlier than planned, including the one Disbursement Linked Indicator (DLI) added during the restructuring for flood response.
- ii. **Sub Result Area B (Beneficiary-Centric Payment System):** A need was identified during the COVID crisis to enhance accessibility and expand the choice of payment delivery services for safety net beneficiaries. The focus was to design a new payment system that could link up with the national payment gateway and provide a choice of service provider and location to beneficiaries. A model has been designed and BISP is currently in negotiation with the State Bank of Pakistan to announce this model as a scheme. In the meantime, BISP has also contracted payment service providers to move ahead on an interim model with multiple payment touchpoints.

- b. **Result Area 2 (Developing Innovative Hybrid Social Protection Scheme):** This RA supports a hybrid scheme which blends social assistance with social risk mitigation elements to promote savings among informal sector workers, mitigating against future shocks linked to floods, droughts, and other economic crises. The aim is to broaden SP coverage through a hybrid SP scheme supporting the Government's risk mitigation and financial inclusion interventions among informal workers. This is a new concept that was introduced in the program to test model that could be scaled up if successful. The results and DLRs for this component are a bit delayed but the program has been launched and it is expected that the results will be achieved within the life of the project.

#### c. Result Area 3 (Protecting human capital in the early and primary school years):

- i. **Sub Result Area A (Improved health and nutrition (H&N) in the early years):** This initiative supports early investments in H&N by facilitating demand-side interventions aimed at mitigating access constraints. The nutrition focused CCT for mother and child incentivizes the take up of services provided through the public health system. Support includes financing for CCTs and establishing sectoral coordination mechanisms for program implementation. The results under this component have been overachieved, due to exemplary program expansion. As of August 2023, there were 338,314 beneficiaries (paid against compliance for 2 consecutive quarters) more than triple the June 30, 2024, target of 100,000.
- ii. **Sub Result Area B (Incentivizing school enrollment and retention):** This component supports the expansion of Taleemi Wazaif (TW) and consolidation of efforts to improve coordination with provincial education departments. In 2021 TW was extended to cover secondary and higher secondary levels, in addition to primary. Expansion includes demand-side incentives for girls to address the schooling gender gap in progressing to secondary education and incentives to complete primary education. This is expected to enhance future resilience of service delivery by enabling access in the aftermath of climate-related shocks. During a crisis, poor and vulnerable families resort to negative coping strategies including taking



their children out of school. The CCT program is an instrument that assures the continuity of schooling post crisis. This component has expanded to all districts across Pakistan with fourteen million ever enrolled children, including 3.66 million children enrolled during 2022-23. The results under this component have been over-achieved with all DLIs on track for disbursement.

8. **This AF will contribute to Result Areas 1 and 3 of the parent project.** D DLIs proposed under the AF will cover some longer-term policy actions regarding the BISP programs and the NSER. Under Result Area 1, the proposed results support: (a) adoption of recertification protocols to ensure predictability in program exit and entry for BISP programs during future recertifications; (b) institutionalization of an indexation mechanism for the base cash transfer program (Kafaalat) benefits to prevent erosion in purchasing power and to protect against the impacts of economic shocks; (c) ensure accessibility to potential Kafaalat beneficiaries in the NSER who are not currently enrolled; (d) extension/expansion of MELA and program touchpoints from Tehsil to Union Council level to improve accessibility; and (e) adoption of NSER as the agreed targeting mechanism nation-wide and development of a technology-supported mechanism to facilitate two way data exchange with other programs. Under Result Area 3, the proposed actions support measures to correct the current overlap of federal and provincial CCT programs and to prevent future overlap, including gradual takeover by the provinces of Punjab and Sindh, through their own resources, of the services that are currently being provided by federal health and nutrition focused CCT. The new DLRs and their rationale are provided in the following section.

### C. Program Development Objective

9. **The PDO will be changed as follows.**

Current PDO: “To support the development of a more adaptive social protection system that will contribute to any future crisis-resilience among poor and vulnerable households”

Proposed new PDO: “To support the development of an adaptive and crisis-resilient social protection system “

### D. Environmental and Social Effects

10. **The parent program is performing ‘Satisfactorily’ on environmental and social aspects and is adequately staffed.** BISP has made commendable efforts in social mobilization and outreach to vulnerable groups (including indigenous people), streamlining various components of the Grievance Redressal Mechanism (GRM), and developing a gender action plan. There has also been progress on managing the environmental footprint of electronic waste (e-waste) generated by the program, including developing Standard Operating Procedures for the handling of waste and initiating training programs for staff. The impacts of the proposed additional DLIs were assessed against the ESSA Core Principles of 1) Informed Environmental and Social Management; 2) Minimizing Adverse Impacts on Natural Habitats; 3) Protecting Public and Worker Safety; 4) Managing Land Acquisition; 5) Equitable Access to Program Benefits for Indigenous and Vulnerable Groups; and 6) Avoiding Social Conflict.

11. **The parent project’s Environmental and Social Systems Assessment (ESSA) is going to remain valid, and its recommendations continue to be extremely relevant.** However, the Additional Financing could be used towards further augmenting the concerned BISP departments; towards the following recommendations that



were outlined in the ESSA: 1) Strengthening institutional arrangements; 2) Implementing multimodal communications campaigns; and 3) GRM Improvement. An addendum to the ESSA has been prepared and will be disclosed.

**E. Financing**

12. **The proposed AF will provide an additional credit in an amount of USD 270 million to Crisis-Resilient Social Protection (P174484).** The original project became effective in March, 2021 and will be closing by end of June, 2025. The proposed AF will extend the closing date for the project by a year till end of June, 2026.

13. **The overall Program boundary is the same for both original project and the AF.** The Government Program’s expenditure supported by Program for Results (PforR) Financing (both Original and Additional) has been revised from US\$6,496 to US\$ 9,704 million. The change is due to incorporating actual expenditures for Financial Years (FYs) 2020,-21, 2021-22, and 2022-23, adjustment due to a 75 percent spike in the exchange rate and adding budget of FY 2025-26 in the expenditure framework due to extension of closing date up to June 30, 2026. Despite these changes, the overall PforR financing is 9 percent of the Government’s program.

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