



# Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 07-May-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 07-May-2024	Estimated Board Date 10-Jun-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 Programme	

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>	5,525.00
<b>Total Operation Cost</b>	400.00
Total Program Cost	400.00
<b>Total Financing</b>	400.00
<b>Financing Gap</b>	0.00

**FINANCING (USD Millions)**

<b>Total World Bank Group Financing</b>	400.00
World Bank Lending	400.00



## B. Introduction and Context

### Country Context

- Poverty reduction has slowed amid recent shocks, while growth has remained volatile and slow.** Pakistan made significant progress towards reducing poverty between 2001 and 2018 with the expansion of off-farm economic opportunities and increased inflow of remittances. However, rapid poverty reduction has not fully translated into improved socio-economic conditions, as human capital outcomes have remained poor, with high levels of stunting at 40 percent and learning poverty at 78 percent. 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 catastrophic 2022 floods. The estimated lower-middle income poverty rate is 40.1 percent (US\$3.65/day 2017 PPP) for the year 2023-24, virtually the same as the poverty rate in 2018, but with 7 million more Pakistanis living below the poverty line.
- Pakistan 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. More than 13,000 kilometers (km) of roads were destroyed, 2.2 million houses damaged, around 3.8 million hectares (ha) of crops were flooded, and an estimated 1.2 million livestock were killed. Limited access to input and output markets and temporary disruptions to supply chains subsequently drove up food prices and added to existing price pressures resulting from reduced agricultural yields and the global rise of food prices. The government's Post-Disaster Needs Assessment estimated that the need for rehabilitation and reconstruction is at US\$16.3 billion.
- While there has been recent progress towards macroeconomic stabilization, risks remain 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 in which led to high vulnerability to catastrophic floods, increasing world commodity prices, and tight global financing conditions. Repeated delays in implementing the previous 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 the IMF Board approving the final review in April 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, continued fiscal restraint, and new external financing inflows. A new IMF program is currently being negotiated to support continued sound economic management, new official inflows, and structural reforms. Robust economic recovery over the medium term will require the steadfast implementation of a much broader fiscal, energy and economic reform agenda.



## Sectoral and Institutional Context

4. **Pakistan's safety net system is largely federally run through the Benazir Income Support Program (BISP), while the Punjab and Sindh provinces are expanding new conditional cash transfer programs.** The BISP 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 provinces of Punjab and Sindh have recently set-up their own provincial Social Protection Authorities. Punjab is running a CCT on maternal and child health in eleven districts (not covered by Nashonuma). 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.

5. **BISP has established a strong foundation for an adaptive safety net system, proving its effectiveness during recent shocks.** In response to the COVID-19 pandemic in 2020, the Government implemented a significant emergency package, providing 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 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. These responses were made possible due to a decade of substantive investments in strengthening the adaptive safety net system, with recent support by the Crisis-Resilient Social Protection Program (CRISP).

6. **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 (2010) delegated responsibility and authority for social protection initiatives to the provinces. While BISP was established prior to the Amendment, federal vertical programs such as Nashonuma (health and nutrition CCT) and the previous Ehsaas initiative were subsequently introduced, while these were within the scope of provincial responsibilities. In addition to overlapping with provincial jurisdiction, the introduction of these programs has also strained the federal fiscal space. In the interim, Punjab and Sindh have strengthened their capacity to be able to take on their mandated responsibilities, evident in their launch of new health and nutrition CCT programs at scale. This underscores the importance of strengthening existing coordination and collaboration mechanisms to avoid fragmentation and duplication. Provinces should be encouraged to gradually take on their constitutional responsibilities, for example by progressively taking on the Nashonuma or integrating it with their own health and nutrition CCT programs.

7. **The next generation of social assistance reforms should prioritize both sectoral alignment and the improvement of delivery mechanisms.** Despite considerable improvement in BISP's delivery systems and programs over the years, there are gaps that require attention. Firstly, reinforcing the use of NSER for all poverty-targeted social programs in the country, coupled with facilitating data-sharing mechanisms for agencies with limited technical capabilities, would avoid costly duplication of efforts. While provinces could enrich the coverage and targeting of NSER by linking it to their own databases or collecting new household data, NSER



should remain the core basis on which to build social registry information and targeting. Secondly, the UCT benefits account for only about 11 percent of the average consumption of the poorest, bottom 20 percent of households, below the international average of 19 percent. The establishment of an objective indexation mechanism would avoid the constant erosion in the real value of the benefit observed in the past because of inflation. And finally, program coverage needs to be further improved to ensure that BISP continues to target the most vulnerable, along with implementing standard recertification procedures to make sure the list of beneficiaries is updated regularly.

## PforR Program Scope

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

#### a. Result Area 1: Building Crisis-Resilient Delivery Systems.

- i. **Sub Result Area A—Innovations to the Social Registry:** This result area 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 Disbursement Linked Indicators (DLIs) under this Sub Result Area were achieved earlier than planned, including the one DLI added during the restructuring for flood response.
- ii. **Sub Result Area B—Beneficiary-Centric Biometric Payment Systems:** The need for enhanced accessibility and expanding the choice of payment delivery services for safety net beneficiaries was identified during the COVID crisis. The focus was to design a new payment system that could link up with the national payment gateway and provide a choice of service providers and location to beneficiaries. While a new model of payment system is being designed, BISP has contracted payment service providers to allow multiple payment touchpoints in the interim period.

- b. **Result Area 2: Developing Innovative Hybrid Social Protection Scheme.** This results area 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 social protection coverage through a hybrid social protection 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 a model that could be scaled up. The results and Disbursement Linked Results (DLRs) for this component are delayed but the program has been launched and it is expected that the results will be achieved within the lifetime of the program.

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

- i. **Sub Result Area A—Improved health and nutrition in the early years:** This supports early investments in health and nutrition by facilitating demand-side interventions aimed at mitigating access constraints. The nutrition focused CCT for mother and child (Nashonuma program) 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 the education federal CCT 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 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 often resort to negative coping strategies including taking their children out of school. The program 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.

9. **DLIs proposed under the AF will focus on longer-term policy actions to further improve BISP’s effectiveness, coverage and with provincial programs.** Under Results 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 unconditional cash transfer program (Kafaalat) so that benefits are regularly adjusted to prevent erosion in purchasing power due to inflation; (c) progressively bringing average total cash transfer benefits to 15% of the targeted families’ average consumption; (d) ensure enrolment to eligible Kafaalat beneficiaries registered in the NSER but who are not currently enrolled in the program; (e) introduce provincial representation in the BISP Board for greater ownership and voice in the federal programs; and (f) extension/expansion of MELA and program touchpoints from tehsil to union council level to improve accessibility. Under Results Area 3, the proposed actions support measures to streamline federal-provincial social protection mandates while correcting the current overlap of federal and provincial CCT programs. This includes supporting cabinet approvals of federal and provincial frameworks and action plans to gradually reduce federal-provincial social protection mandate overlaps and progressive transition of health and nutrition CCT programs to provinces where capacity exists (particularly in Punjab and Sindh). The proposed frameworks will limit introduction of new federal CCTs in the provinces and adopt NSER as the core national welfare-based targeting registry, while allowing the flexibility for provinces to augment the NSER with their own databases and filters for the purpose of targeting their provincial programs according to their priorities.

### C. Program Development Objective

10. **The PDO will be simplified as follows.<sup>1</sup>**

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”

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<sup>1</sup> The simplification of the PDO does not affect the core development objective, it is an editorial simplification.



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

#### D. Environmental and Social Effects

11. **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 core principles of the Environmental and Social Systems Assessment (ESSA) which include; 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.

12. **The parent Program’s ESSA remains valid, and its recommendations continue to be relevant.** The AF could further enhance BISP’s capacity to comply with a number of recommendations stemming out of the ESSA, including: 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

13. **The proposed AF will provide an additional credit in an amount of USD 400 million to Crisis-Resilient Social Protection Program (P174484).** The original Program became effective in March, 2021 and will be closing by end of June, 2025. The proposed AF will extend the closing date for the Program by two years till end of June, 2027.

14. **The overall Program boundary is the same for both original Program 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\$ 11,925 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 the expected FYs2025-26 2026-27 budgets in the expenditure framework (due to extension of closing date to June 30, 2027). The overall PforR financing is around 8 percent of the Government’s program.



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