

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB4562

Operation Name	Pakistan Social Safety Nets Development Policy Credit
Region	SOUTH ASIA
Sector	Other social services (100%)
Project ID	P115638
Borrower(s)	GOVERNMENT OF PAKISTAN
Implementing Agency	BENAZIR INCOME SUPPORT PROGRAM
Date PID Prepared	April 2, 2009
Estimated Date of Appraisal Authorization	April 2009
Estimated Date of Board Approval	May 2009

1. Key development issues and rationale for Bank involvement

Pakistan faced both external and internal shocks in the past year. Externally, international oil and food commodity prices rose sharply and inflated Pakistan's import bill. In parallel, the slowdown in the global economy dampened the external demand for Pakistan's exports, and the deterioration in international credit markets affected the supply of funds. Internally, Pakistan's political turmoil and uncertainties affected investor confidence. These concerns coupled with the rapid rise on macroeconomic imbalances, led to capital outflow as well as downgrading of Pakistan's rating by international rating agencies.

The Government did not pass any of the international price increases to consumers until after the Parliamentary elections in 2008. These price increases were financed through the government budget by increasing subsidies. As a result of the global external shocks and internal causes the fiscal and balance of payment imbalances widened substantially, inflation rose sharply, growth slowed, and Government's macroeconomic program was set off track.

In March 2008, the authorities started to take some steps to stabilize the economy. These included passing on some of the international fuel price increases to consumers, restricting the size of the fiscal deficit in the 2008/09 budget, increasing the policy discount rate, and allowing greater flexibility in the exchange rate. However, these actions soon proved to be inadequate and too late.

Faced with the risk of an impending full-blown balance of payments crisis, the authorities in the fall 2008 decided to put in place adjustment measures that facilitate the resumption of inclusive growth with low inflation over the medium term. In November 2008, the Government entered into a Stand-By Arrangement with the IMF to stabilize the economy. In this context, the Government also requested assistance from the Bank to support the structural adjustment process in a manner that would provide relief to the poorest households in Pakistan by putting in place an efficient and expanded social safety nets program.

2. Proposed objective(s)

The broad objective of the safety net program is to promote inclusive growth. The specific objective of the program is to establish an effective social safety net that provides the poor with basic income support

both in times of social and economic stability and growth and in times of crisis and provides access to opportunities for graduating out of poverty.

The proposed Pakistan Social Safety Nets Development Policy Credit (SSN DPC) aims to support the implementation of Pakistan's Second Poverty Reduction Strategy Paper (PRSP2). In particular, the SSN DPC would provide support to the third pillar of the PRSP: *Protecting the poor and vulnerable* through improved targeting of safety nets and cash transfer programs. The proposed SSN DPC is also consistent with Pakistan's National Social Protection Strategy that supports the development of an effective and financially sustainable safety net system to promote the re-distributive goals of society and protect those suffering from chronic or transient poverty.

The proposed SSN DPC supports:

- *Establishing a National Targeting System* through the launch of the national poverty-scorecard-based targeting method by developing partnerships with institutions for data collection, and eligibility determination essential for its implementation and national rollout.
- *Establishing an effective institutional framework for program implementation* through the development of legal, institutional, administrative institutions for the safety net system; and the development of graduation and exit strategies to facilitate households' movement out of poverty
- *Enhancing fiscal Sustainability and strengthening the fiduciary environment* through ensuring adequate budget allocation for benefit payment and program administration; and developing a reliable and transparent payment system, with strong fiduciary and social accountability controls.

3. Preliminary description

This Program Document presents the proposed Pakistan Social Safety Net Development Policy Credit to the Islamic Republic of Pakistan to support the Government of Pakistan's Safety Net Reform Program. The objective of the safety net reform program is to support the development and implementation of a financially sustainable, efficiently targeted, and well administered national safety net system in Pakistan that will provide the chronic and transient poor with both basic income support and access to opportunities for graduating out of poverty. Specifically, the credit will support the strengthening of the Benazir Income Support Program, the Government's new national safety net program. This objective is consistent with the goals of the Pakistan's Second Poverty Reduction Strategy Paper (PRSP-II) and the National Social Protection Strategy of Pakistan.

4. Environment Aspects

The proposed operation is an adjustment operation that does not require an ISDS or environmental assessment. The policy measures supported are expected to be associated with positive environmental effects.

5. Tentative financing: IDA funding is to be determined

Source:	(\$m.)
BORROWER/RECIPIENT	425
International Development Association (IDA)	200
Total	625

6. Public Information Center

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