

# Social Policy Reform – raison d'etre

Dr. Sania Nishtar

Social policy is central to politics and one of the major responsibilities of governments. In many developed countries the entire political debate is structured around social guarantees that representative political contenders can offer to their electorate and subsequently, sustained access to the corridors of power determined by how the agenda is delivered. How does Pakistan fare in terms of delivering social services, is a question which needs to be addressed with clarity. This article outlines the rationale for developing a comprehensive social policy, within a social justice framework in view of the recent reshaping of the role of the state and the manner in which the government does business; attempts to explain where Pakistan stands in terms of the delivery of social services, and presents a viewpoint in an effort to lend impetus to the creation of a vision for social policy reform within the country.

## Why does the debate around a social policy assume importance contemporaneously in the first place?

Pakistan has been experiencing economic growth which has created, both, the fiscal space and the expectation that the state will deliver on a social agenda. The current government has an economic policy, which in line with broader changes in the macro-economy, makes private sector the engine of growth on the premise that the role of the State is to provide a policy, regulatory and legal environment. True that flexible and fair market mechanisms lead to high levels of employment and therefore opportunities for the disadvantaged. And correct that a market economy assists in efficiencies and opportunities with the indirect possibility of the underprivileged benefiting; but the same is also known to be the source of major inequalities. A sound social policy can remove or mitigate social inequities created by the market system and is essentially the state's instrument, which enables it to intervene to ensure that inequalities, inequities and deprivations caused by the market are remedied – or at least to some extent.

## This brings us to the second question of whether Pakistan has a social policy?

In terms of standalone National Policies on Housing, Labour Protection, Health and Education – yes. However, Pakistan does not have an overarching social policy embodied within a social justice framework, which articulates Pakistan's *definition* of social services, the *choices* concerning those services, their *range* and most importantly, the *means of their provision* and the *mechanisms of their financing*.

Those in the establishment can argue against the aforementioned argument 'Pakistan does not have a social policy' by referring to the recently launched Social Protection Strategy of the Ministry of Social Welfare, stating that the government's obligation to chart a social policy has been fulfilled. However, this would be true to a limited extent; the Strategy is focused on 'supporting vulnerable households in managing hazards and risks threatening their living standards, and facilitating necessary investment in human capital and physical assets that strengthen their resilience through a range of programs and policies' and is, as such, aimed at benefiting the poor. Agreed that some of the original motivation for the expansion of welfare services should be to help the poor, but then it is now well established that many of the social services also benefit the middle classes; additionally, evidence has shown that

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Why does the debate around a social policy assume importance contemporaneously in the first place? Pakistan has been experiencing economic growth which has created, both, the fiscal space and the expectation that the state will deliver on a social agenda. The current government has an economic policy, which in line with broader changes in the macro-economy, makes the private sector the engine of growth on the premise that the role of the state is to provide a policy and establish a regulatory and legal environment. True that flexible and fair market mechanisms lead to high levels of employment and therefore opportunities for the disadvantaged. And correct that a market economy assists in efficiencies and opportunities with the indirect possibility of the underprivileged benefiting; but the same is also known to be the source of major inequalities. A sound social policy can remove or mitigate social inequities created by the market system and is essentially the state's instrument, which enables it to intervene to ensure that inequalities, inequities and deprivations caused by the market are remedied – or at least to some extent.

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Those in the establishment can argue against the contention that Pakistan does not have a social policy by referring to the recently launched Social Protection Strategy of the Ministry of Social Welfare, stating that the government's obligation to chart a social policy has been fulfilled. However, this would be true to a limited extent; this Strategy is focused on 'supporting vulnerable households in managing hazards and risks threatening their living standards, and facilitating necessary investment in human capital and physical assets that strengthen their resilience through a range of programmes and policies' and is, as such, aimed at benefiting the poor. Agreed that some of the original motivation for the expansion of welfare services should be to help the poor, but then it is now well established that many of the social services also benefit the middle classes; additionally, evidence has shown that anti-poverty policies have their limitations in reducing unjust social disparities and therefore action beyond poverty eradication is fully justified in a social services model. It therefore must be recognized that *social protection is a concept embodied within a social policy, but it is not a substitute for it and the latter is clearly more overarching*.

Generating a debate around the need to have an overarching social policy is not something along which work needs to start de novo in Pakistan since a vision can build on and link in with initiatives underway. Weaknesses notwithstanding, successive governments over the last 59 years should take the credit of creating both *institutions* such as the Bait-ul-Maal and the Employees Social Security Institution and *initiatives* which fall within the rubric of social services. The latter enable cash transfers as part of labour welfare schemes under the Welfare Fund, the Worker Profit Participation Fund, Employee Social Security Institutions, Employee Old Age Benefits, etc. In addition, various subsidies and feeding programs such as the *Tawana* Pakistan Programme are also social welfare/protection measures as is the state's expenditure on health and education; the myriad of poverty alleviation programmes within the

anti-poverty policies have their limitations in reducing unjust social disparities and therefore action beyond poverty eradication is fully justified in a social services model. It therefore must be recognized that *social protection is a concept embodied within a social policy, but it is not a substitute for it and the latter is clearly more overarching.*

Generating a debate around the need to have an overarching social policy is not something along which work needs to start *de novo* in Pakistan since a vision can build on and link in with initiatives underway. Weaknesses notwithstanding, successive governments over the last 59 years should take the credit of creating both *institutions* such as the Bait-ul-Maal and the Employees Social Security Institution and *initiatives* which fall within the rubric of social services. The latter enable cash transfers as part of labour welfare schemes under Welfare Fund, Worker Profit Participation Fund, Employee Social Security Institutions, Employee Old Age Benefits, etc. In addition, various subsidies and feeding programs such as the *Tawana* Pakistan Programme are also social welfare/protection measures as are the state's expenditure on health and education; the myriad of poverty alleviation programs within the framework of the Khushaal Pakistan program and the recent signaling of enhancing allocations embodied within the Fiscal Responsibility Act of 2005 also fall within the ambit. However, as already stated an overarching framework which conveys the government position on the means of their provision, the range across the short and long term, and a vision for funding services does not exist; in addition there are systems-level issues at the governance and implementation levels, which constrain the ability of many of these programs to deliver on stipulated targets. An overview of the social sector targets embodied within the Medium Term Development Framework and the Poverty Reduction Strategy Paper of the Government of Pakistan and Pakistan's commitments to meeting the MDGs warrant a reinvigorated approach to meeting stipulated social sector targets – and one that will enable quantum leaps.

**What are the options for a way forward to bridge existing gaps; can Pakistan be a welfare state?** One model of delivering social services is closely linked to the concept of a welfare state, which is built on the concept of universalism: in other words on the principle that everyone should have access to a minimum level of service. In such a setting, the major responsibility of the state is to raise resources to pay for welfare on the one hand whereas on the other, the government's administrative apparatus processes payments to millions of citizens based on eligibility rules for unemployment and social security benefits; these entitlements are often embodied in law as is the case in the United Kingdom and in many Scandinavian countries. *Pakistan is clearly not a welfare state* and under the present circumstances, it is definitely also not a feasible option to pursue this as an objective in the short to medium term. It must be recognized that a welfare state model can be adopted only by high income countries with a broad tax base. Comparisons with countries which do operate as welfare states, help to highlight the point further. For example, Norway with a population of 5 million, GNP per capita of US \$ 51,600 and 26% of the budget allocated for social services can enable such coverage. Clearly, we are working around very different numbers and population denominators.

The other option is to bridge existing gaps through the development of an overarching vision, policy and operational strategy for social service delivery – one that builds on the efforts underway, bridges existing gaps based on an objective assessment of weaknesses and opportunities with clarity in what needs to be delivered and how. In the envisaged and hoped move towards creating this framework, **a number of steps need to be undertaken at conceptual and operational levels.** *Firstly*, on the **normative side**, the *range* of these services and their *coverage* will have to be defined; the *choices* concerning those services, and most importantly, the *means of their provision* and the *mechanisms of their financing*, both over the short and long term will also have to be outlined, ideally through appropriate legislation. This should be done across the range of the traditional definition of social services such as income, food, housing, unemployment benefits, health and education, etc., on the one hand; on the other, across services to the marginalized segments of the population where the commercial sector has a disincentive to provide services as in the case, for example, of rural electrification. And therefore, while decisively pushing the balance in the economy in the direction of private rather than public ownership it must be ensured that the government still has the leverage to play a redistributive role through means other than regulation.

*Secondly*, the state will have to signal a fundamental policy about the **means of delivery of the welfare services.** Although we speak of the state as providing services, it is both possible and common for the state to fund services rather than directly take on responsibility for delivery. The Government of Pakistan has traditionally been playing

the role, both, of a financier and provider of social services. It must be recognized here that the most important role of the state lies in raising revenues to pay for welfare; however when it comes to the provision of services the system can be organized for welfare provision to harness the capacity of other partners, which can go beyond the institutions of the state completely. Being a financier of welfare and only partly responsible for delivery of services has important consequences for the way a welfare policy is made and will mean that the government will have to interface with the wider range of organizations in the delivery of care.

The need to restructure the means of service delivery has been reiterated by the recognition, especially by the provincial governments in Pakistan over the last five years to deliver services (traditionally in their domain) in an alternative fashion. This is evidenced, for example, by the several 'pilot' projects of restructuring the management of Basic Health Units especially in Punjab as was the case in Rahim Yar Khan, which later shaped into the President's Primary Health Care initiative. However this program is also a classical example to highlight that the state cannot abdicate its responsibility in case it opts to deliver services through means other than its own. In such arrangements, the objective must be to *ensure provision* of quality services, garner community oversight and ensure that public finances are used predominantly to achieve the equity objective. It is important to recognize that the objective is not merely to reconfigure management and it is hoped that the RYK upscaling initiatives would factor this into planning.

Another example to highlight this point is the often mistaken case of hospital autonomy.

Hospitals are publicly owned institutions; however public health authorities can contract with providers to supply health care on agreed terms and bring efficiency in management. However this does not mean privatization or turning them solely into profitable enterprises, given that if left to the market, curative care being cost intensive would be excludable for the poor. Therefore in an autonomous hospital, though controls are given to the local administration and the means of service delivery altered, the state must continue to play a redistributive role as referred to earlier by citing the example of RYK. Here it must be recognized that not only markets remain the major channel and option to provide services in exchange for payments, but another tier of government can also be the alternative means of service delivery; for example many services are delivered by local governments after the passage of the Local Government Ordinance 2000. In any case, and in many alternative means, the federal or the provincial government may remain a deliverer to some extent given that teachers and doctors can be paid out of the public purse; in these settings, there is a need to maximize efficiency within the public sector, reduce administration costs, and strengthen the incentives-accountability-performance nexus.

*Thirdly*, assuming that a decision has been made to alter the mode of delivery, a number of legal, policy and regulatory considerations merit an **institutional response to streamline operations at the public-private interface**. Autonomous institutional arrangements with appropriate regulatory capacity need to be established for ensuring quality in provision and up scaling of services; precedence has already been set for this approach through the recent creation of several regulatory authorities. Through these, public authorities should be able to contract providers on agreed terms through a competitive process and outline the range of welfare services, the mechanisms of their payments in addition to the modes of the delivery and the beneficiaries of these services. The recent creation of the Infrastructure Project Development Facility is a positive step in this direction; principally geared to infrastructure development, the institution has recently kicked off with a focus on social sector as was evidenced by its thematic representation on IPDF's opening agenda. Delivery of social services in a public private framework will have institutional handling arrangements of the kind which this institution will hopefully develop capacity and linkages for.

In the fourth place, it must be recognized that the **introduction of the market mechanism to the delivery services, even if funded by the government, may in cases introduce costs and therefore access issues for the poor; and it is here specifically that social protection arrangements assume importance**. Social protection is generally regarded as a mechanism to address poverty and vulnerability by providing protection against uninsured hazards such as illness, unemployment and disasters which push vulnerable households into poverty and the poor into persistent poverty. If equity funds are made part of social protection measures they enable exemption at the point of service and therefore mitigate the risk of exclusion based on access. Pakistan is fortunate to have developed a Social Protection Strategy; the short term recommendations of this Strategy are to

“extend existing cash transfer programmes to reach the poorest ten percent of households, and to introduce conditional cash transfer programs to achieve specific objectives”; the latter can be used as part of waiver and exemption mechanisms to obviate point of service delivery charges as in the case of health services where user charges are introduced. This Strategy needs to be implemented with a strong political will. Over the long term, an integrated social protection system based on social insurance and covering the entire population should be the goal; however it does not seem plausible that this goal will be achieved for reasons that are outlined in the following point – most critical to this entire debate about, **who actually pays for services**.

Within this context, it is generally assumed that there would be a reliance on general taxation to provide the lion’s share for welfare; however, the other way of doing this would be to fund services out of insurance contributions. Here it is important to recognize that the latter has limited value in our context for reasons that must be understood: insurance contributions are usually levied on workers and employees and in a country where 40% of the workforce works in the agricultural and informal sectors as in Pakistan, there would be no structured mechanisms to ensure contributions. Therefore, if pooling is pursued as a long term financing objective, it can only be done so with the understanding that this will be done through state contributions in what could then be called a social equity fund. Would any government be ready to bear the cost of per-capita cost expenditures of the kind necessary to provide cover on these lines to a population of 160 million? Clearly not. However on the other hand, Pakistan is a country with a huge potential to tap into philanthropy as a sources of financing services whereas on the other hand, community cohesion makes it possible to envisage community contributions as a source of possible pooling for services. Interestingly institutional arrangements relevant to both the cases exist and can be used as an entry point; Pakistan Institute for Philanthropy in the case of the former and community linkages, both within the devolution initiative as well as the community networks of organizations such as the Trust for Voluntary Organization and the rural support programs, in case of the latter. The potential within these can be harnessed in building a larger resource base for financing social services.

**To summarize therefore**, there are clearly things that cannot be achieved as for example aspirations to become a welfare state. Let us accept that and move on. Let pragmatism drive our pursuits and expectations of the range and nature of social services, which the state can deliver in Pakistan. Let us also leverage on strengths that we have and factor them into planning. As already stated, we are not going to be starting de novo in creating a social policy fabric; the individual initiatives, institutions, mechanisms and policies exist, but they need to be woven together, concretized, given a vision and reinvigorated so as to ensure clarity in definitional aspects and the range, choices and means of provision. Existing state institutions such as the Bait-ul-Mal, and the ministries of Social Welfare, Labor, Housing, Health and Education; quasi-state owned institutions such as Pakistan Institute for Philanthropy, Infrastructure Project Development Facility, Trust for Voluntary Organization, microfinance banks and rural support programs, and the envisaged regulatory authority will continue to have a major role in this approach; but their roles, responsibilities and prerogatives will have to be clearly stated and mandated. In addition, the *systems levels issues* which have been responsible for their failure to achieve stipulated targets must be the target of reform as well. Essentially this approach needs to go beyond a social policy reform to also encompass reforms in areas which reconfigure the governance of the delivery of services as for example, in the case of the efforts underway as part of the National Commission of Government Reform and other civil services and government restructuring efforts; these must pay careful attention to governance and regulatory roles relevant to the social sector.

Policies are, in part, the product of conscious human design and they can also be changed and reformed in order to ensure that they achieve stipulated goals more effectively.

What Pakistan needs at this point is the right capacity at the policy making level with the hope that these will be able to set certain institutional processes in the social sector on the path to sustained recovery. However, we need to be pragmatic in our approach to what can and what cannot be delivered. The utopian vision of aspirations to deliver social services on the welfare model, embodied in manifestos of most political parties and some national documents need to be revisited and rationalized. It is critical to strengthen institutional capacity both within the political system and establishment to deliver on a vision that is feasible to implement and holds the promise of impacting social sector outcomes on a sustainable basis.

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