Playing Social Protection with a new stack of cards!

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We have a history of starting things denovo in this country. Individually and institutionally, we must scrap past initiatives, create silos, never build on efforts underway and whenever the adage “we have never learnt from the past” is referred to it is often with a negative connotation. Why should the case of social protection be any different? But perhaps in the given context of ‘never having learnt from the past’, social protection is unique since the most substantive example of social protection in the country is neither cited nor quoted or referred to in any of the Government of Pakistan documents nor has it ever been referred to by any of the myriad of outputs on the subject by development agencies, with particular reference to World Bank and Asian Development Bank assessments. Furthermore, the example has also been glaringly absent form the recent Social Protection Strategy of the Government of Pakistan released recently by the Ministry of Social Welfare.

But perhaps a discussion of this should be preceded by an articulation of its relevance – not by way of heightening suspense but by way of contextualizing it!

Social protection is a mechanism which mitigates the impact of adverse effects such as illness, unemployment, old age, environmental hazards which push vulnerable households into poverty and the poor into perpetual poverty. However, social protection is not a singular term and consists of both ‘programme approaches’ as well as ‘policy interventions’ and often a combination of both. These either operate and provide assistance through cash transfers or pool resources for providing insurance. Examples of both exist within the country. The current conditional cash transfer programs include the Guzara Program and the disbursements through Zakaat and Bait-ul-Maal whereas examples of in-kind contributions include the Tawana Pakistan Program, where school children are fed nutritional supplements.

Several examples also exist of the other social protection arrangements which pool resources for insurance functions as opposed to cash and in-kind transfers. Most of these are applicable to employees within the formal sector where mandatory salary deductions at source can enable pooling of resources. Examples include the Employee Social Security Scheme as part of which a certain category of employees make compulsory social security contributions for a specific purpose – prepayment to cover health risk and old age benefits. Presently operational in three provinces, and covering more than 1.2 million employees, all private notified industrial and commercial establishments with more than 10 employees under a certain salary scale have to contribute to this scheme. In addition, the Workers Welfare Fund pools resources for providing benefits for housing, schools and health facilities to the formal sector workers earning less than Rs. 5000/- per month, and the Employees Old Age Benefits provides old age pensions in cash, also to the formal sector employees. The programs mentioned herewith as examples of social protection have their own legal policy and institutional requirements, which notwithstanding their gaps have enabled them to provide cover to more than two million individuals within the country. However, sometimes policies can also act as specific instruments for social protection – for example levying Zakaat on bank balances; providing subsidies on food such as in the case of the wheat subsidy, introducing labor laws that mandate social security contributions and institutionalizing old age pensions, etc.

There is ample justification for mainstreaming social protection within the country, even in the face of the recent poverty estimates which have reportedly declined to 23.9%. Constitutional obligations as articulated in Article 37 and 38 in which the relevant rights of individuals are spelt out, make a strong case for placing social protection high on the national development agenda. Official figures quote that currently 0.5% of the GDP is spent on social protection; however if the State's contribution to health is added to this, the figures would be higher; albeit still less than what is recommended internationally.

In all fairness successive governments since the inception of the country have been introducing various social protection programs. However a number of challenges and issues in the current social protection mechanism are evident. These, inclusive of insufficient coverage of poor households, low spending and the lack of coordination between agencies and possible duplication have also been referred to in the recently tabled Social Protection Strategy. In addition, it is well known that many social protection interventions bypass the poor. The Government of Pakistan's Social Protection Strategy states that it will attempt to obviate these issues by envisioning better linkages, clearly defining institutional roles and responsibilities, and strengthening existing mechanisms particularly Bait-ul-Maal. However, the strategy is based on the premise that the most effective way of achieving objectives in the short term is to extend existing cash transfer programs to reach the poor 10% of households. And although a number of recommendations have been made to broaden the ambit of the currently existing social protection arrangements, it appears that the strategy hinges on resources from tax funded general revenues or the Public Sector Development Programme Budgets. The strategy does not substantially factor in community contributions or employee schemes given that the introduction of these, though more sustainable on a long-term basis, would involve broader changes in the country's institutional and organizational frameworks and introduce some form of compulsion to make voluntary contributions – an approach clearly not in political interest in the present situation.

With this as an ode to a context, the most sustainable social protection mechanism within the country merits description – one from which no one has ever drawn any lessons.
Perhaps also the most novel, in addition to being the most sustainable!

Social protection is traditionally funded through tax based revenues or compulsory contributions deducted at source from the salaries of employees in the formal sector.

Perhaps the most novel, way of financing social protection would be to support it through profits generated by commercial ventures. However, there aren't many examples of social protection arrangements in the world funded through this approach. Pakistan takes the lead in this area with the example of the Fauji Foundation System, a system which provides the social protection to a population of 9 million individuals in the country on a completely sustainable basis. This example is often not highlighted presumably because of the misperception that this is within the ambit of military operations and that citing financing arrangements of military establishments is taboo; this is wildly incorrect. Fauji Foundation is institutionally independent, has never received support from State funding mechanisms and has been running autonomously for the last 50 years as a commercially viable and profitable but non-profit entity which has an unprecedented use for the profits it generates – these go to providing health, education and other social protection services to 7.4% of the country's population.

Established as a charitable trust incorporated under the Endowments Act of 1890, Fauji Foundation was created after the Second World War out of the Post-War Services Reconstruction Funds in 1942, which were meant to be used for resettling soldiers in civil life after the war. Of the 98 million collected at the end of the war, what was then West Pakistan inherited 35 million in 1947 and in 1954 a balance of Rs. 18 million was placed under the administrative control of a committee with representatives from the three military establishments. The use of paltry Rs. 18 million can be referred to as the most ingenuous and commercially viable as well as the most socially responsible use of moneys in Pakistan.

With a currently estimated tentative market value assets of Rs. 129 billion, Fauji Group has a commercial and a welfare arm; the former consisting of enterprises, which continue to support the extensive infrastructure of the latter. Starting with Jehlum Textile Mills in 1954, Fauji Foundation currently fully owns a range of industrial projects, fully owned commercial plants and generates income from a range of associated companies employing 11632 people – 60% of the workforce is drawn from the civil sector. The welfare side of the group on the other hand was established in 1959. The current yearly expenditures as estimations for last year, stood above Rs. 2.5 billion of which the major chunk was for health (1.6 billion). The Fauji Foundation system has a unique combination of a commercially viably arm that makes profit – profits are used to sustain its administrative arrangements but the major portion goes to serve the welfare arm of the organization and supports the extensive infrastructure through which welfare services are delivered. These include 102 schools, 66 vocational centers, 11 technical centers, 11 secondary and tertiary care hospitals with a bed capacity of 16001 all over the country and 100 other medical care units which fall under the primary health category and 1 artificial limb center which looks after 8000 patients. These provide services on a totally sustainable basis to 9 million individuals in the country which constitute 7.4% of the total population of Pakistan. It is important to note that on no occasion has Fauji Foundation received any state support in terms of public sector program allocations.

Critics argue that this is a military establishment configured solely for the x-military families. And true the beneficiaries covered under this arrangement in various categories are released, retired and discharged personnel of the forces excluding officers and their dependents, as per certain criteria. But it must be recognized that social protection arrangements have to be configured within a ‘given population’ according to ‘some parameter of qualification’ for inclusion. Within these confines, the creation of a commercial establishment and utilization of its profits to cover the risks of 7% of the Pakistani population is an example, which should not be brushed under the carpet within the ambit of social sector policy within the country.

Fauji Group is perhaps one of the few organizations in the country which is truly living up to its mission “to multiply the resources of Fauji Foundation for maximization of welfare activities for the benefit of its beneficiaries”; issues, challenges, and criticism notwithstanding the State’s social welfare institutional mechanisms have much to learn from this experience. However, key to such arrangements is lean and efficient governance and the factoring-in of appropriate incentives and performance based rewards into sustainable administrative arrangements; this is where the extrapolation of this experience to the State’s business model may be problematic – but perhaps also instructive to targeted policy interventions! This is becoming even more important as we see market mechanisms become the driving force reshaping the way the government does business.

Delivering on social sector services is a State mandate – ubiquitously and unarguably!
But then other than the high income Nordic countries with strong overarching social protection mechanisms and huge investments in the social sector where does the assumption apply? Countries such as of Pakistan may never have enough resources for cash transfers to protect risks in an

environment where booming market dynamics, vested interests, institutionalized corruption and profit margins play heavily into the delivery of social services. In any case the latter are being made increasingly difficult in a globalized world where access issues emerge in view of liberalization of services, traditionally in the public domain.

The State will have to find new solutions to mitigate the impact of adverse effects on its vulnerable populations; critical to this approach would be the definition of new norms and standards and redefinition of the role of the State in the provision of social services. The State will have to strengthen its ability to regulate and broaden the base of the civil service reform process to a public sector reform process alive to these realities. In addition, it will also have to create frameworks that both regulate and facilitate the private sector as well as create strong institutional frameworks to offset the risk to the poor and disadvantaged in an environment where social services are being increasingly sold for a cost. Clearly we need new solutions; clearly the State needs to play Social Protection with a new stack of cards. After all, in any game you need new antics as the turf changes!

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