ABSTRACT

EVALUATING POLITICAL CAPTURE AND TARGETING EFFICIENCY OF THE BENAZIR INCOME SUPPORT PROGRAM IN PAKISTAN

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Abstract

This thesis evaluates political capture and the targeting performance of the Benazir Income Support Program (BISP) under its two different targeting phases. BISP is a unique targeted social safety net program introduced in 2008-09 during an economic and financial crisis in Pakistan. Currently, BISP distributes Rs. 1,611 a month among targeted families. The female members of a poor family receive the transfer. The amount of the transfer is equal to approximately 20% of monthly income of an average daily wageworker and is equivalent to 10% of the government announced minimum wage for unskilled labour. BISP is the largest social safety net program in Pakistan's history and its coverage has increased from 1.76 million beneficiaries in 2008-09 to 5.63 million in 2017-18 and is expected to reach 7.7 million beneficiaries by the end of the fiscal year 2018-19. By using both primary and secondary data sources, this research tries to fill gaps in the evaluation of targeted programs in Pakistan. While the context and justification are set forth in the introductory chapter (chapter 1), the thesis answers the main questions in its three core essays.

The first essay (chapter 2) evaluates the targeting performance of the BISP program. It focuses on the BISP's initial targeting strategy, which relied on a decentralized method whereby parliamentarians and their political machines at the local level identified poor households. The essay uses household level data from Pakistan's Living Standard Measurement (PSLM) Survey 2009-10. The overall reach of the program in terms of benefit incidence at the time of survey was 5.76% of the total population. While 10.4% of households in the lowest income quintile received the transfer with an odds ratio of 1.81, the benefit incidence in the richest income quintile was 1.7% with an odds ratio of 0.30. The results show that BISP benefits accrue mainly to the poorest three quintiles and that the per capita annual income of BISP beneficiaries is substantially lower than that of non-recipient households. Households belonging to

the poorest quintiles received the maximum share. The share declines as we move to the upper quintiles. Overall, 84% of program benefits go to the lowest three quintiles. While there is a divide in income levels across rural and urban areas of Pakistan, no significant differences in income levels were found in case of BISP recipients' households. However, it should be noted that the poorest quintile in rural areas received a significantly higher proportion of benefits as compared to the same quintile in urban areas. This is probably because it is easier for community political leaders to differentiate between the poorest and poor in rural areas due to close community interactions and knowledge. Consistent with the existing literature, the results also show that in provinces where income inequality is higher, the distribution of BISP forms is more pro-poor.

The second essay (chapter 3) investigates the impact of political factors in explaining the distribution of BISP forms across different localities within a district. Using unique features of the BISP cash program, the essay tries to explain variation in forms distribution as function of political power and influence. To explain political capture in the program, the essay combined three different data sets at locality level, which includes data on BISP forms distribution, census data on housing conditions and the 2008 voting patterns for the selected district. While anecdotal references to the possible capture of program benefits by the local political elite abound, there is no systematic evidence. This essay conducts an in-depth analysis of the program by treating BISP forms as 'block grants' in the hands of politicians. The essay finds a very important role for political factors in explaining across locality variation in the forms distribution. Besides political factors, living in an urban locality increase chances of selection into the program as compared to living in a rural locality. Among the political factor, the most important explanatory factor is the presence or absence of an important politician in a locality. The definition of incumbent politicians for important politician is highly significant and explains most of the variation in forms distribution across localities. Other political variables such as voter turnout and whether a locality is swing or loyal also play a role in the explanation but not as big as important politician. Overall, normative considerations of efficiency and equity play no role as compared to political factors, which drive the distribution of these grants in favour of politically strong localities. Importantly, the objective criteria imposed by the project design of the program does help in limiting spatial disparity in forms distribution by pe-

nalizing richer and politically powerful localities. The results suggests that, at least from the perspective of poverty reduction, discretionary powers over fund distribution needs to be curtailed or subject to additional rules based on some objective criteria.

The third essay (chapter 4) reports the results of an innovative survey conducted in 24 localities of one district where the government transfers BISP cash to the poor. The program's targeting efficiency was analysed and compared across two different targeting approaches. The first was a Community Based Targeting (CBT) process through politicians and the second, the use of a Poverty Score Card (PSC) to identify the poor. We hired and trained female enumerators to go inside houses and observe household characteristics as against the poverty scorecard census of the program, which observes households from a distance. The findings suggest that community targeting by local politicians does better than the poverty scorecard method in minimizing the exclusion of the poor when community perception of poverty is used. Similarly, the poverty scorecard method reduces the inclusion errors of non-poor into the program but at the cost of high exclusion errors of the poor from the program. Targeting based on relying on politicians to identify poor households has a higher correlation with the observations of our trained enumerators and supervisors. The greater ability of local politicians over the poverty scorecard targeting method in identifying poor households may be attributed to the politician's use of local definitions and local knowledge about poverty. Moreover, the lack of rigor in the poverty scorecard census, its administration and built-in disadvantages in its design leads to higher exclusion errors. The results suggest that the poverty scorecard targeting of the poor may need to be accompanied by a parallel verification exercise, which relies on a community-based definition of poverty. Use of some categorical information (like illness or disability in a household, female-headed households, number of children in a household, high dependency ratios) about the households is also positively related to minimizing both inclusion and exclusion errors.

Chapter 5 contains concluding remarks on the thesis and its findings.