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IDA/R2017-0032/2

March 16, 2017

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FROM: Vice President and Corporate Secretary

**Pakistan - National Social Protection Program-for-Results**

**Extension of Closing Date**

1. Due to the inclement weather and the closure of WBG Washington, D.C. offices in effect Tuesday, March 14, 2017, the closing date for the proposed credit to Pakistan for a National Social Protection Program-for-Results (IDA/R2017-0032) was extended to **Wednesday, March 15, 2017**.

2. Questions on these documents should be referred to Mr. Malik (ext. 84439) or Mr. Khan (Islamabad: 5722+136 / 92-51-909-0136 or [akhan16@worldbank.org](mailto:akhan16@worldbank.org)).

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IDA/R2017-0032/1

February 23, 2017

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<p><b>Closing Date: Tuesday, March 14, 2017 at 6 p.m.</b></p>
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FROM: Vice President and Corporate Secretary

**Pakistan - National Social Protection Program-for-Results**

**Program Appraisal Document**

Attached is the Program Appraisal Document regarding a proposed credit to Pakistan for a National Social Protection Program-for-Results (IDA/R2017-0032), which is being processed on an absence-of-objection basis.

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Report No: 110401-PK

INTERNATIONAL DEVELOPMENT ASSOCIATION  
PROGRAM APPRAISAL DOCUMENT  
ON A  
PROPOSED CREDIT  
IN THE AMOUNT OF SDR 74.4 MILLION  
(US\$100 MILLION EQUIVALENT)  
TO THE  
ISLAMIC REPUBLIC OF PAKISTAN  
FOR A  
PAKISTAN NATIONAL SOCIAL PROTECTION PROGRAM-FOR-RESULTS  
FEBRUARY 17, 2017

Social Protection and Labor Global Practice  
South Asia Region

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CURRENCY EQUIVALENTS  
(Exchange Rate Effective December 31, 2016)

Currency Unit	=	Pakistani Rupee (PKR)
PKR 104.37	=	US\$1.00
US\$1.00	=	SDR 0.74

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AGP	Auditor General of Pakistan
BBC	BISP Beneficiary Committee
BISP	Benazir Income Support Programme
CCT	Co-responsibility Cash Transfer
CPS	Country Partnership Strategy
D2D	Door-to-Door
DA	Designated Account
DAC	Departmental Accounts Committee
DFID	U.K. Department for International Development
DG	Director General
DLI	Disbursement-Linked Indicator
DLR	Disbursement-Linked Result
EFC	Error, Fraud, and Corruption
ESSA	Environment and Social Systems Assessment
F&A	Finance and Accounts
FM	Financial Management
FSA	Fiduciary System Assessment
GoP	Government of Pakistan
GPN	General Procurement Notice
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HIES	Household Integrated Economic Survey
IP	Indigenous Population
ICB	International Competitive Bidding
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
IVA	Independent Verification Agency
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MIS	Management Information System

MoF	Ministry of Finance
MoU	Memorandum of Understanding
NADRA	National Database and Registration Authority
NCB	National Competitive Bidding
NSER	National Socio Economic Registry
NSPP	National Social Protection Program
PforR	Program for Results
PMIS	Program Management Information System
POS	Point of Sale
PPAF	Pakistan Poverty Alleviation Fund
PSDP	Public Sector Development Programme
PSC	Poverty Score Card
PSP	Payment Service Provider
SORT	Systematic Operations Risk Rating
SSN	Social Safety Net
TA	Technical Assistance
ToR	Terms of Reference
UC	Union Council
UCT	Unconditional Cash Transfer
USAID	United States Agency for International Development
VfM	Value for Money
WeT	Waseela-e-Taleem

Regional Vice President:	Annette Dixon
Global Practice Vice President:	Keith E. Hansen
Country Director:	Patchamuthu Illangovan
Senior Global Practice Director	Michal J. Rutkowski
Practice Manager:	Pablo Gottret
Task Team Leader(s):	Iftikhar Malik, Amjad Zafar Khan, and Lucian Bucur Pop



**PAKISTAN**  
**National Social Protection Program-for-Results**

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# PAD DATA SHEET

PAKISTAN

*National Social Protection Program-for-Results*

## PROGRAM APPRAISAL DOCUMENT

*South Asia*

*Social Protection and Labor*

Basic Information			
Date:	February 17, 2017	Sectors:	Social Protection 70%; General Education Sector 20%; Health 10%
Country Director:	Patchamuthu Illangovan	Themes:	Social Protection and Labor Policy & Systems 70%; Other Human Development 10%; Gender 10%; Education for all 10%;
Practice Manager	Pablo Gottret		
Global Practice Vice President:	Keith E. Hansen		
Program ID:	P158643		
Team Leader(s):	Iftikhar Malik; Amjad Zafar Khan; and Lucian Bucur Pop		
Program Implementation Period: Start Date: July 1, 2017; End Date: June 30, 2021			
Expected Financing Effectiveness Date:		July 1, 2017	
Expected Financing Closing Date:		June 30, 2021	
Program Financing Data			
<input type="checkbox"/> Loan	<input type="checkbox"/> Grant	<input checked="" type="checkbox"/> Other	
<input checked="" type="checkbox"/> Credit			
<b>For Loans/Credits/Others (US\$M):</b>			
Total Program Cost:	5,376	Total Bank Financing:	100
Total Cofinancing:		Financing Gap:	0

<b>Financing Source</b>		<b>Amount (US\$, Million)</b>							
RECIPIENT		5,276							
IDA SCALE-UP FACILITY (SUF)		100							
Total		5,376							
<b>Borrower: Islamic Republic of Pakistan</b>									
<b>Responsible Agency: Economic Affairs Division</b>									
Contact:	Tariq Pasha				Title:	Secretary			
Telephone No.:	92-51-9205327				Email:	<a href="mailto:secretary@ead.gov.pk">secretary@ead.gov.pk</a>			
<b>Responsible Agency: Benazir Income Support Programme (BISP)</b>									
Contact:	Yasmin Masood				Title:	Secretary			
Telephone No.:	92-51-9090318				Email:	<a href="mailto:secretary@bisp.gov.pk">secretary@bisp.gov.pk</a>			
<b>Expected Disbursements (in US\$, million) – PforR (Program)</b>									
Fiscal Year	2018	2019	2020	2021					
Annual	15	18	28	29					
Cumulative	15	33	61	90					
<b>Expected Disbursements (in US\$, million) – IPF Technical Assistance Component (Project)</b>									
Fiscal Year	2018	2019	2020	2021					
Annual	2	3	3	2					
Cumulative	2	5	8	10					
<b>Program Development Objective(s)</b>									
The Program Development Objective (PDO) is to strengthen the national social safety net systems for the poor to enhance their human capital and access to complementary services.									
<b>Compliance</b>									
<b>Policy</b>									
Does the Program depart from the CAS in content or in other significant respects?					Yes [ ] No [X]				
Does the Program require any waivers of Bank policies applicable to Program-for-Results operations?					Yes [ ] No [X]				
Have these been approved by Bank management?					Yes [ ] No [ ]				

Is approval for any policy waiver sought from the Board?	Yes [ ] No [X]
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**Overall Risk Rating: Moderate**

**Legal Covenants**

Name	Recurrent	Due Date	Frequency
Financial Audits for the Operation	X	March 31	Yearly

**Description of Covenant**

The Recipient shall have, and cause the Implementing Entity to have, the respective Financial Statements for the Project and the Program audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Unless otherwise agreed by the Association, each audit of the Project's and the Program's Financial Statements shall cover the period of one fiscal year of the Recipient and the Implementing Entity, commencing with the fiscal year in which the first withdrawal was made from the Credit under the Program and/or the Project, respectively. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.

Name	Recurrent	Due Date	Frequency
Interim Financial Reports for the Project	X		Continuous

**Description of Covenant**

The Implementing Entity shall prepare and furnish to the Association, by not later than forty-five (45) days after the end of each calendar semester (six months), interim financial reports for the Project covering the Eligible Expenditures incurred during the semester and/or providing a forecast thereof for the two (2) subsequent quarters, all in form and substance satisfactory to the Association.

Name	Recurrent	Due Date	Frequency
Undertaking verification process to certify the fulfillment of the Disbursement Linked Results and furnishing to the Association corresponding verification report	X		Continuous

**Description of Covenant**

The Recipient shall cause the Implementing Entity to (a) undertake a verification process to certify the fulfillment of the Disbursement Linked Results set out in Schedule 3 to the Financing Agreement. To this end, the Recipient shall cause the Implementing Entity to select and engage by the earlier of the date which is three months after the Effective Date and the first date on which the Recipient undertakes a verification and thereafter maintain throughout the period of implementation of the Operation, the services of an Independent Verification Agency (IVA) with qualification and experience and under terms of reference acceptable to the Association, in order to: (i) support the Operation's monitoring and evaluation; (ii) document the achievement of DLIs/DLRs; and (b) furnish to the Association corresponding verification report, in form and substance agreed with the Association.

<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Implementation of Program Action Plan	X	As per agreed deadline for each action in the Program Action Plan	
<b>Description of Covenant</b>			
The Implementing Entity shall: (i) implement the Program Action Plan agreed with the Association, in a manner and substance satisfactory to the Association; and (ii) refrain from amending, revising, waiving, voiding, suspending or abrogating, any provision of the Program Action Plan, whether in whole or in part, without the prior written concurrence of the Association.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Institutional and Implementation Arrangements	X		Continuous
<b>Description of Covenant</b>			
The Implementing Entity shall maintain, throughout the period of implementation: a management body with competent staff and adequate resources acceptable to the Association, including, inter alia, a Secretary, a Director-General for cash transfers, a Director-General for the national socio-economic registry, a Director-General for the management information system, a Director-General for monitoring and evaluation, a Director-General for finance and accounts, a Director-General for internal audit, a Director-General for complementary initiatives, a Director for co-responsibility cash transfers, and provincial directors-generals; to be responsible for the day-to-day implementation of the Operation.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Mid-Term Review (MTR)		October 31, 2019	
<b>Description of Covenant</b>			
The Implementing Entity shall review with the Association, by October 31, 2019, or such later date as the Association shall request, the mid-term review report, and, thereafter, take all measures required to ensure the efficient completion of the Operation and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.			
<b>Team Composition</b>			
<b>Bank Staff</b>			
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Unit</b>
Iftikhar Malik	Team Leader (ADM Responsible)	Senior Social Protection Specialist	GSP06
Amjad Zafar Khan	Team Leader	Senior Social Protection Specialist	GSP06
Lucian Bucur Pop	Team Leader	Senior Economist	GSP06

Khalid Bin Anjum	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	GGO06
Akmal Minallah	Financial Management Specialist	Senior Financial Management Specialist	GGO24
Aliya Kashif	Team Member	Health Specialist	GHN06
Anwar Ali Bhatti	Team Member	Financial Analyst	SACPK
Gul Najam Jamy	Team Member	Consultant	GSP06
Rahat Jabeen	Safeguards Specialist	Environmental Specialist	GEN06
Juan Carlos Alvarez	Team Member	Senior Counsel	LEGES
Lansong Zhang	Team Member	Operations Analyst	GSP02
Laurent Loic Yves Bossavie	Team Member	Social Protection Economist	GSP06
Maria Concepcion Steta Gandara	Team Member	Senior Social Protection Specialist	GSP04
Afzal Mahmood	Team Member	Program Assistant	SACPK
Nina Rosas Raffo	Team Member	Senior Economist	GSP07
Quanita Ali Khan	Team Member	Consultant	GSP06
Faly Diallo	Finance Officer	Finance Officer	WFALA
Salma Omar	Safeguards Specialist	Senior Social Development Specialist	GSU06
Samia Ausaf	Team Member	Consultant	GSP06
Suleiman Namara	Team Member	Senior Social Protection Economist	GSP07
Theresa Jones	Team Member	Consultant	GSP07
Umbreen Arif	Team Member	Senior Education Specialist	GED06
Namesh Nazar	Team Member	Consultant	GSP06
Nangar Soomro	Team Member	Consultant	GSP06



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Pakistan is the world's sixth most populous country with an estimated population of 192 million people and a per capita income of US\$1,560 in 2015/2016,<sup>1</sup> classified as a lower-middle-income country.** While the gross domestic product grew by 4.7 percent in FY2015/2016,<sup>2</sup> the country's growth rates remain below the levels required to improve living standards and accelerate job creation. Poverty rates remain high: nearly one-third of the population could be categorized as poor, according to the recently revised national poverty measurement methodology.<sup>3</sup>

2. **Human development indicators continue to lag.** Pakistan did not meet education- and health-related targets under the Millennium Development Goals by 2015. The incidence of stunting and wasting for children below the age of five is 44 percent and 15 percent, respectively.<sup>4</sup> Only about half of the population have completed primary education.<sup>5</sup> The country has one of the largest out-of-school populations worldwide, an estimated 6.7 million children, and large gender disparities in school enrollment and attendance. There are provincial disparities in growth, poverty, and human development with poverty rates ranging from almost 57 percent in Baluchistan to 25 percent in Sindh.<sup>6</sup>

3. **Vulnerability to shocks remains a significant challenge in Pakistan.** These include covariate shocks such as price increases, floods, droughts, earthquakes, and militancy in some parts of the country, as well as idiosyncratic shocks such as illness, death in the family, and loss of employment. The poor are disproportionately affected by these shocks and in many cases, adopt harmful coping mechanisms such as reducing food intake, decreasing education-related expenses, or sending children to work.<sup>7</sup> The dynamics in and out of poverty are quite large, indicating that households' welfare is vulnerable to small shocks.<sup>8</sup>

### B. Sectoral and Institutional Context

4. Over the last nine years, Pakistan has taken significant strides to develop modern national safety net systems for the poor. The National Social Protection Strategy (2007), acknowledged challenges to the sector and provided various options for improvements supported by enhanced financing and strengthened institutions. This policy commitment was operationalized in 2008 with the launch of the Benazir Income Support Programme (BISP) as the flagship national social safety net (SSN) program. The short-term objective of BISP was to cushion the adverse impacts of food, fuel, and financial crises on the poor, but its broader objective was to meet the redistributive goal by providing a package of minimum income support and opportunities for human development to the poor.

5. **With implementation of BISP, the coverage of safety nets increased significantly.** BISP's main intervention is the provision of predictable basic income support cash transfers (US\$45 per quarter) to the poorest for consumption smoothing. Benefits are paid to the female representatives of eligible families, enabling them to address basic needs.<sup>9</sup> As of June 2016, BISP has disbursed cash transfers to over 5.3

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<sup>1</sup> Pakistan Economic Survey 2015/16, Chapter 1: Overview of the Economy, Ministry of Finance, Government of Pakistan.

<sup>2</sup> Pakistan Economic Survey 2015/16, Chapter 1.

<sup>3</sup> In 2016, the Planning Commission adopted a new poverty line based on the Cost of Basic Needs Approach.

<sup>4</sup> National Nutrition Survey 2011, Government of Pakistan.

<sup>5</sup> Pakistan [Social and Living Standards Measurement](#) 2014–2015, Pakistan Bureau of Statistics.

<sup>6</sup> The World Bank 2016.

<sup>7</sup> Pakistan: Towards an Integrated National Safety Net System, World Bank, 2013.

<sup>8</sup> World Bank 2013.

<sup>9</sup> In defining eligible beneficiaries, BISP recognizes the 'family' as the main unit rather than 'household'. The 'family' unit is defined in relation to an ever-married woman over the age of 18 by using NADRA's national ID database.

million families (about 17 percent of the country's population).

6. **The expansion of BISP was accompanied by development of building blocks of a robust safety net system.** This includes the National Socio-Economic Registry (NSER), which was developed through a door-to-door (D2D) survey using a Poverty Score Card (PSC) based on a Proxy Means Test (PMT). The NSER contains information on more than 27 million households (approximately 167 million people) and is being used to objectively target the poor. The targeting performance of BISP compares well with similar programs in the world. Three out of four BISP beneficiaries come from the bottom two quintiles. Enrollment in the program is based on eligibility verification from the NSER and biometric verification with the national ID database, maintained by the National Database and Registration Authority (NADRA). BISP has strengthened the transparency of its operations by implementing technology-based payment and grievance redressal systems. A management information system (MIS) supports program administration, whereas regular process and impact evaluations strengthen accountability.

7. **In 2012, the Government introduced *Waseela-e-Taleem* (WeT), a Co-responsibility Cash Transfer (CCT) program for incentivizing primary education of BISP beneficiaries' children.** WeT is currently implemented in 32 districts across Pakistan. With a top-up benefit of approximately US\$2.5 per child per month, as of June 2016, more than 1.3 million children have been enrolled in primary schools under WeT. Payments are being made after verification of compliance with co-responsibilities of admission and 70 percent attendance. Starting with the WeT districts, BISP Beneficiary Committees (BBCs), comprising beneficiary mothers have also been created and trained by the program. The BBCs extend BISP's outreach and motivate beneficiaries' compliance with above mentioned co-responsibilities.

8. **In addition to BISP, while the NSER has started serving various social programs to target the poor, an update of its household welfare information is essential.** According to provisions in the BISP Operational Manual, beneficiaries' eligibility must be reassessed after every five years. The current NSER, developed five years ago, is outdated because of changes in the socioeconomic landscape, variations in poverty and vulnerability, and loss of livelihood and assets due to various natural disasters during the recent years. In addition, the PMT that was designed in 2008, estimated urban poverty with lesser accuracy. In 2016, through a consultative process, the Government decided to update the NSER with a revised PMT formula, using the latest household survey data to maintain its utility and performance.

9. **The implementation arrangements for WeT need to be consolidated and strengthened.** While the program has demonstrated success in boosting primary school enrollment,<sup>10</sup> most of its activities are outsourced by hiring a partner firm—an arrangement that has limitations for the institutional sustainability of the program, particularly with respect to partnership with the provinces that are responsible for education service delivery. The experience of well-functioning CCT programs in other countries suggests that various roles currently outsourced under WeT are usually delivered by working with a combination of actors, including the program staff, local authorities, and where necessary, implementing partners. BISP aims to internalize selected program functions, improve administration, and strengthen the role of the provincial and district education departments as partners. This implies a revised WeT implementation structure, including further strengthening of BISP's own capacity and better coordination with the education departments at various administrative levels.

10. **The Government's basic cash transfer program is loosely integrated with other social and productive services to facilitate beneficiaries' transition toward self-sufficiency.** While regular cash transfers provide a minimum level of lifeline support, beneficiaries also need access to other services. In the past, BISP piloted complementary initiatives such as microloans, skills training, and health insurance. However, these were fraught with various design and implementation challenges. The BISP Board decided

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<sup>10</sup> See Annex 3: Technical Assessment Summary for more details.

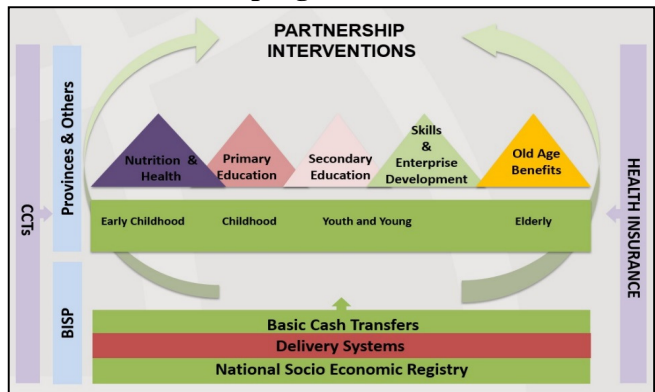
to discontinue these programs and advised the management to explore linkages with other agencies/programs delivering similar services. Multiple programs are already using the NSER data to target their respective services to the poor. However, the coordination and integration between BISP and these programs remain weak and mostly ad hoc.

11. **BISPs’ capacity for service delivery needs to be enhanced as the complexity of its mandate increases.** Despite being a relatively young organization, BISPs’ institutional capacity and outreach are better than other comparable institutions in the country. However, ensuring adequate numbers and the quality of human resources remains a challenge, particularly at BISPs’ tehsil (sub district) offices that are the main point of interaction with beneficiaries. A recently conducted field office capacity assessment recommended restructuring of BISPs’ operational setup, increasing staff at tehsil offices to manage incremental activities, and improving performance monitoring.<sup>11</sup> If BISP is to successfully implement a beneficiary-centric operating model, it needs capable and adequate human resources at the local level.

12. **The 18th amendment to Pakistan’s constitution, approved in 2010 by the Federal Parliament, devolved various social sector and service delivery responsibilities to the provinces.** However, there is no clarity on federal and provincial roles in the social protection sector, which was absent from the concurrent list of devolved subjects. Given inter-provincial disparities in poverty and capacity in relation to public policy solutions, there is a need for federal government stewardship to set standards, monitor performance against poverty alleviation goals, and ensure provision of equitable social protection services to all poor in the country. Provincial governments are interested in using the NSER and benefit from a national basic income support program and targeting modality that lay the foundation for complementary provincial interventions. Federal institutional and programmatic arrangements can also benefit the provincial social protection systems, especially in areas related to complementary CCTs. Lastly, a robust NSER will provide the needed impetus to the efforts to do away with untargeted provincial subsidies traditionally hampered by, besides other factors, lack of a credible targeting system in the country.

13. **Going forward, BISP needs to establish its position as a national safety net authority with a shared understanding about its role in ‘implementation’ of core programs and ‘facilitation’ for complementary services (figure 1).**

The update and maintenance of the NSER to capture changes in the welfare of the poor along with the development of the required supporting policies and processes remain a core function best suited to BISP. Sustained improvements in safety net delivery systems, which could be supplemented with top-up CCTs to be delivered in partnership with provinces, can be categorized as another core function for BISP to ensure equitable support to all poor in the country. As these systems are developed and fine-tuned, they will enable BISP to promote their application to other areas through federal-provincial and public-private partnerships. This includes, for example, the use of a targeting platform (the NSER) by provincial and other stakeholders to design interventions that address constraints to improved outcomes at every point of the life cycle.



**Figure 1. An Evolving Framework of Federal-Provincial Roles**

<sup>11</sup> Ernst and Young, 2016. *Report on Capacity Assessment of BISP Field Offices.*

### C. Relationship to the CAS/CPF and Rationale for the Use of Instrument

14. **The Program is fully aligned with the World Bank Group’s Country Partnership Strategy (CPS) for FY2015–FY2019 (Report No. 84645-PK).** It contributes to Priority Area 3 (inclusive growth and reduced inequality for the marginalized and vulnerable population) and Priority Area 4 (improved service delivery). Specifically, the Program is fully aligned to Results Area 3.2 (reduced vulnerability for groups at risk) by strengthening institutions delivering basic safety nets and access to complementary services. In relation to Results Area 3.1 (improved financial inclusion for SMEs and women), the Program enables millions of BISP beneficiary women access to banks to receive benefits. Through these interventions, the Program will facilitate social and productive opportunities for the bottom 40 percent population, thereby contributing to the World Bank’s twin goals of ending extreme poverty and promoting shared prosperity.

15. **The World Bank has supported the Program implementing agency, BISP, since 2009 and this operation builds on the long-standing engagement with the Government of Pakistan (GoP) to advance the country’s social protection agenda.** The World Bank’s initial support to BISP came through a sectoral Development Policy Credit (US\$150 million) in 2009, accompanied by an SSN Technical Assistance (TA) Project (US\$60 million). In 2012, the TA project was restructured with additional financing of US\$150 million to support expansion of the program and strengthening administration and performance by introducing disbursement-linked indicators (DLIs). The current project, which has a PDO rating of ‘Highly Satisfactory’ is scheduled to close on June 30, 2017.

16. **The Program adopts several operational and programmatic lessons from implementation.** The World Bank is cognizant of the importance of common platforms for service delivery to the poor that allow better coordination, enhanced coverage, and reduced fragmentation. The Program therefore pays greater attention to the development of a responsive safety net system, with an updated NSER as its foundation. Federal and provincial stakeholders will be engaged at all levels to ensure clear definition of institutional roles during implementation. The Program will rely on best practices that enable transparency and accountability in safety net operations, including the use of information systems, technology-based payments, and independent monitoring.

17. **The National Social Protection Program (NSPP) will be a US\$100 million credit from IDA Scale-Up Facility (SUF).** It will support the Government of Pakistan through: (a) a Program for Results (PforR) in an amount of US\$90 million by making disbursement against the key results as part of the Government’s program; and (b) an Investment Project Financing (IPF) TA component in an amount of US\$10 million to finance critical areas to achieve the quality of results.

18. **The World Bank’s PforR instrument offers several advantages to support BISP in serving as the platform for targeted service delivery to the poor.** The Government is familiar with the DLI approach, having already implemented the ongoing DLI-based SSN project with a TA component. BISP is a mature program and the Government has a well-defined vision to further strengthen safety net systems for the poor. The use of a common programmatic framework can leverage additional development partners’ support to the Government-led program and harmonize funding from different sources. The PforR instrument will also promote in-depth sectoral dialogue necessary to take the program forward, and will allow Government authorities to focus on specific results necessary to maintain BISP’s positive momentum.

19. **The IPF TA component of NSPP is critical to achieve the quality of results.** The NSPP assessments and appraisal concluded that the institutional and technical capacity of BISP will be a determining factor to Program success. Therefore, the TA will support strategic investments in technical, fiduciary, and M&E capacity. The Technical Assessment concluded that BISP requires access to international expertise in several areas, which are not available in the country but critical to achieve the

Program's DLIs and the key actions provided in the Program Action Plan. This relates to, among others, the design, piloting, and evaluation of models to support dynamic update of the NSER. In addition, although the country systems meet the World Bank's criteria to use a PforR approach, the Fiduciary Assessment indicates that there are certain aspects of due diligence that could be strengthened through periodic fiduciary performance reviews supported by the TA. Finally, the TA will be used to support the design and evaluation of various activities such as complementary services to BISP beneficiaries to be provided through linkages and partnerships with other programs.

## II. PROGRAM DESCRIPTION

### A. Government program

20. **The Government's vision for social protection is to develop an integrated and comprehensive social protection platform focused on the needs of the poorest and most vulnerable.** The critical areas of investment, reflected in the Vision 2025 document, aim to enhance the effectiveness of social protection instruments through strengthened administration and the expanded scope of the Government's income support program.<sup>12</sup> In line with this vision, the immediate outlook is focused on an updated and dynamic NSER for beneficiary identification, provision of targeted subsidies, development of modern payment delivery systems, consolidation of federal and provincial partnerships for equitable service delivery, expansion of the WeT program, and refinement of complementary initiatives for helping the poor to exit poverty.<sup>13</sup> In 2016, the Technical Advisory Committee for Social Protection led by the Federal Planning Commission approved a Social Protection Policy Framework that outlines the institutional arrangements and fundamental elements of the national system to provide targeted support to the poor. These include a unified targeting system managed by the federal government, technology-based payment delivery, and a shift from universal subsidies towards targeted programs.

21. **The Government's income support program, executed by BISP, is composed of:** (a) the basic cash transfer program; (b) the WeT program to incentivize primary school enrollment of BISP beneficiary families' children; and (c) complementary initiatives for income support beneficiaries. The last element includes (a) delivery of complementary initiatives directly by BISP and (b) facilitation support to improve BISP beneficiaries' access to complementary services.

22. **The Government is investing substantially in the program.** Since 2012, the GoP has invested on average US\$950 million per year in BISP (US\$1.1 billion in FY2015/2016), about 0.4 percent of the gross domestic product and half of the total social protection expenditure, excluding subsidies. This figure is comparable to average expenditure on mainstream social assistance programs in middle-income countries. According to the Government's medium-term budget estimates, the program budget will increase to US\$1.3 billion in FY2018/2019<sup>14</sup> to accommodate an increase in benefit value<sup>15</sup> to protect its purchasing power, and support expansion of the WeT program.

23. **The program's impacts remain impressive.** Impact evaluations of the basic cash transfer program have been regularly carried out.<sup>16</sup> The latest impact evaluation (2016) finds positive effects on reducing

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<sup>12</sup> Pakistan Vision 2025, Ministry of Planning, Development and Reform, Government of Pakistan.

<sup>13</sup> Pakistan Economic Survey 2014–2015 Chapter 15: Social Safety Nets.

<sup>14</sup> Medium Term Budget Estimates for Service Delivery 2016/2017 to 2018/2019, Ministry of Finance, Government of Pakistan.

<sup>15</sup> In the last three years, the Government has regularly revised the benefit transfer amount for basic cash transfers in relation to inflation, with the latest increase in effect as of July 2016.

<sup>16</sup> The impact evaluation takes advantage of the BISP poverty score, which implies eligibility below the threshold. Consequently, the impacts of the program were evaluated using regression discontinuity design at the threshold. Three rounds of impact evaluations were carried out in 2013, 2014, and 2016.

wasting—a measure of short-term malnutrition—among girls (ages 0–59 months).<sup>17</sup> It also shows an increase of 11 percent on per adult equivalent monthly consumption expenditures<sup>18</sup> and positive effects on variables associated with women’s empowerment. The data indicates that women are more likely to have obtained a national ID card, to have permission to travel alone to various locales in the community, and to report being able to vote.<sup>19</sup> The impact evaluation finds no work disincentive effects on households’ labor supply, which is consistent with findings from other countries implementing similar programs. Furthermore, there is evidence that the program is enabling households to save and invest in small livestock.<sup>20</sup> The impact evaluation of WeT found that it has a positive impact on school enrollment. The full package of the BISP basic cash transfers and WeT benefits has increased primary school enrollment by 10 percentage points, with the marginal impact of the WeT program leading to a 9 percentage point increase in primary school enrollment.<sup>21</sup>

## **B. Program Development Objective and Key Results**

**24. The Program Development Objective (PDO) is to strengthen the national social safety net systems for the poor to enhance their human capital and access to complementary services.**

**25. The Program will advance strengthening of safety net systems, which in turn will:**

- (a) consolidate achievements and ensure effective delivery of basic income support as well as cash transfers linked to education co-responsibilities, which have collectively demonstrated impacts on promoting the human capital development of children by reducing short term malnutrition and improving enrollment and attendance in basic education; and
- (b) improve beneficiaries’ access to complementary services with the ultimate goal of providing the poor with opportunities to achieve self-sufficiency over the longer run.

**26. The progress toward achieving the PDO will be measured by the following indicators:**

- (a) Percentage of BISP beneficiary households from the bottom two expenditure quintiles.
- (b) Number of WeT districts with tehsil offices using integrated MIS to handle case management of basic income support and WeT programs.
- (c) Number of children of WeT beneficiary families complying with attendance co-responsibilities.
- (d) Number of BISP beneficiary households with at least one member enrolled in at least one complementary service.

## **C. PforR Program Scope**

**27. The Program’s theory of change** is a strengthened safety net system that protects the poorest against falling into destitution, helps them to break the intergenerational cycle of poverty by investing in the human capital of their children, and facilitates pathways toward improved welfare and economic self-sufficiency.

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<sup>17</sup> A reduction by more than one-third in the proportion of girls of ages 0–59 months who are victims of wasting.

<sup>18</sup> BISP Final Impact Evaluation Report, Oxford Policy Management, 2016. More details in Summary Technical Assessment, annex 3.

<sup>19</sup> Ambler and de Brauw. Forthcoming. Impacts of Pakistan’s Benazir Income Support Program on Women’s Decision-making Power within Households.

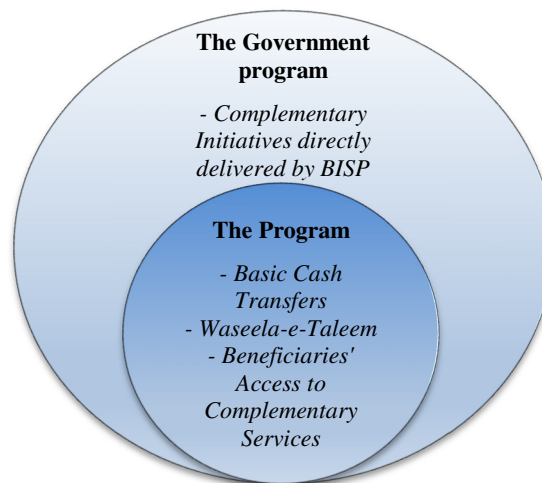
<sup>20</sup> Oxford Policy Management, 2016.

<sup>21</sup> BISP Draft WeT Impact Evaluation Report, Oxford Policy Management, 2016.

28. **The Program supports three elements of the Government’s income support system (figure 2):** (a) the basic cash transfer program, delivered by BISP; (b) the WeT program to incentivize primary school enrollment of BISP beneficiary families’ children; and (c) facilitation support to improve BISP beneficiaries’ access to complementary services. The Program does not include complementary initiatives directly financed and delivered by BISP.

29. **The specific interventions to be supported by the Program fall into these two results areas:**

- (a) **Institutional and Systems Development** including update of the NSER and strengthening administration and service delivery of BISP programs
- (b) **Income Support for Human Development and Access to Complementary Services** including consolidation and expansion of the WeT program and facilitating beneficiaries’ access to complementary social and productive services



**Figure 2. Program Boundaries**

### **Results Area 1: Institutional and Systems Development**

30. **Update of the NSER.** The Program will support nationwide update of the NSER to maintain it as a relevant and credible registry. This will build upon the lessons learned from the ongoing Phase 1 of the NSER update, which is being implemented in 16 districts with a revised PMT formula. Phase 1 is using a combination of the D2D survey and on-demand registration in selected districts. A Value for Money (VfM) analysis will compare the outcomes of each approach. The results of the VfM study will inform the final approach for the national rollout (Phase 2) of the NSER update. The Program will also support the Government to develop a recertification strategy, including modalities to manage the exit of beneficiaries who no longer meet the eligibility requirements for the basic income support benefit, and the entry of new families who meet the eligibility criteria.

31. **Improved safety net administration and strengthened service delivery.** The Program will support the Government to improve BISP systems and operations toward a more beneficiary-centric service delivery model. This includes support to enhance the BISP MIS with adequate procedures for data crosschecks, regular internal and external reporting standards for improved transparency, and tracking of beneficiaries’ access to selected complementary services. As BISP continues to modernize its payment services, the Program will address gender-specific constraints on access to finance. The Program will support the promotion of financial literacy of beneficiaries being female representatives of eligible families. Such literacy trainings are critical given that the new payment model uses the formal banking system for beneficiary payments, biometric verification for withdrawal of payments from multiple collection points, real-time reporting and reconciliation to track efficiency, and an improved complaint management system for payments.

32. BISP tehsil offices are the frontline for Program operations, however, they face capacity constraints and have inadequate service delivery procedures and standards.<sup>22</sup> BISP’s future operational trajectory will entail expanded responsibility of tehsil office staff in relation to: implementation of the WeT program;

<sup>22</sup> Currently, there are 383 functional tehsil offices out of a total sanctioned number of 452. The gap in numbers is due to security situation in the country, poor accessibility, and smaller number of BISP beneficiaries in certain geographic areas.

increased interaction with and support to the BBCs; and integrated case management of beneficiaries. The Program will support a result-oriented revision of the current operating model for the field offices along with implementation of the new model. This includes optimizing resource allocation in accordance with beneficiary caseload; procedures for better coordination with implementing partners; development and delivery of regular job-relevant training on programmatic and operational areas; and development of key performance indicators. The Program will also support enhanced communication as a critical component of improved service delivery. This includes building knowledge of BISP's staff to manage two-way communication with key stakeholders including local governments and the BBCs. This will contribute to a gradual delegation of responsibility to the field offices with enhanced knowledge about the Program and its operating procedures being critical to develop a wider constituency and employ context-specific approaches for communications, as necessary.

## **Results Area 2: Income Support for Human Development and Access to Complementary Services**

33. **Consolidation and expansion of WeT.** The Program will support consolidation and scale-up of the WeT program to boost enrollment and attendance of BISP beneficiaries' children (ages 5–12 years) in primary education, in the districts where the supply side capacity is favorable. The Program will support expansion of WeT from the current 32 districts to 50 (18 additional) districts.

34. The abovementioned objective will include adjustment of WeT implementation arrangements relative to the roles of key actors such as BISP, provinces, and implementation partners. BISP will devise suitable models of collaboration and coordination between the federal and provincial authorities, district education officials, and other local actors. The Program will support capacity building of all key actors, including the local governments in accordance with their roles in the WeT implementation process.

35. Capacity building of the BBCs for greater voice and agency will be a key element in WeT expansion. These committees serve as a vital platform to reinforce compliance with WeT co-responsibilities, and will be further strengthened as platforms for engagement, trust building, and information sharing. The Program will support the BBCs' role to enhance communications between BISP and its beneficiaries. In addition, the BBCs will be leveraged to share information about the importance of education for children, provide information about service delivery in education, and at the same time offer an opportunity for the beneficiaries to share their concerns with each other and with the service providers.

36. **Access to complementary social and productive services.** The Program will facilitate BISP beneficiaries' access to complementary social and productive services with an expectation that, over time, participation in these programs will contribute to their improved welfare and economic self-sufficiency. Social programs include, among others, education, nutrition, and health services such as the Prime Minister's National Health Insurance Scheme. Productive services would include labor market interventions such as access to finance, formal and non-formal skills training, and asset transfer schemes such as the one administered by the Pakistan Poverty Alleviation Fund (PPAF).

37. The Program will support assessment of beneficiary characteristics at union council (UC) levels by using the updated NSER data to identify needs relative to the relevant complementary services. A mapping will be conducted of relevant existing national and subnational complementary services that can provide beneficiaries' access to a range of options for social and productive inclusion. Some BISP beneficiaries are already accessing a number of social and productive services. This participation, however, is ad hoc and without any formal facilitation or systematic arrangement on the part of BISP as well as the partner programs.

38. The Program will support putting in place the management tools to operationalize linkages. An information module for complementary services with interoperability with other modules of BISP MIS will

be necessary for program functioning. This would include information on complementary service providers, BISP beneficiary participation, and other metrics for program monitoring. BISP will also develop guidelines on how to formalize engagement with the service providers. These include M&E arrangements for a result-focused relationship, data sharing for beneficiary identification, and the development of mutually agreed targets. Relevant staff will need to develop expertise on social and productive programs in Pakistan including their content, location, eligibility requirements, and delivery arrangements.

### Development Partners Financing to the Program

39. **BISP has enjoyed strong support from a range of development partners.** This includes ongoing support from the Asian Development Bank and the U.K. Department for International Development (DFID) as well as the past support by the United States Agency for International Development (USAID), which helped the Government in expanding the coverage of basic income support cash transfers, design and roll out the WeT program, and provide TA for institutional development, strengthening of delivery systems, and M&E.

40. **The NSPP has been designed to allow scalability if more resources become available from IDA or other development partners interested to use a common framework with the World Bank to support the Program through either parallel or co-financing.** DFID is currently providing 8-year (2012–2020) support to BISP (£300 million), using a DLI approach aligned with the World Bank’s ongoing SSN project.<sup>23</sup> Going forward, DFID has shown interest to continue working with the World Bank using a common programmatic framework and results as defined by the Program. With regard to TA, DFID is already financing a World Bank-Executed Trust Fund, which provides strategic TA to BISP and other partners in advancement of integrated social protection systems in the country. The Trust Fund will continue to provide necessary TA to achieve the shared objectives of the Program.

**Table 1: Program Financing (FY2017/2018–FY2020/2021)**

Source	Amount (US\$, million)	% of Total
Government <sup>24</sup>	5,276	98.0
IDA	100	2.0
Total Program Financing	5,376	100

### D. Disbursement Linked Indicators and Verification Protocols

41. **Choice of DLIs.** The Program DLIs have been chosen based on their critical importance to the Program’s overall Results Framework. The selected DLIs will allow predictability in financing and enable the Government to withdraw money as needed based on performance in critical areas. There are eight DLIs, tied to both results areas (table 2). All DLIs are floating with disbursements to be made as and when the respective Disbursement Linked Results (DLRs) are met. There are five scalable DLIs with the disbursement of financing proportional to the progress toward achieving the respective DLR. Annex 2 provides the relevant details.

**Table 2: DLIs**

DLIs	Rationale
<b>Results Area 1: Institutional and Systems Development</b>	
DLI 1: Percentage of BISP beneficiary households from Phase 2 (national rollout) districts that	This DLI supports the nationwide rollout of the recently initiated update of the NSER. Although the NSER update aims to include all households in Pakistan, the performance of update can be robustly validated through

<sup>23</sup> DFID provided US\$129 using a common framework with the World Bank-financed SSN project.

<sup>24</sup> BISP estimate, based on Federal Medium-term Budget Framework with projection of 6.3 percent increase in 2019/2020 and 2020/2021

have updated Poverty Score Card information in NSER (US\$35 million)	monitoring the number of BISP beneficiaries with updated welfare information (based on the unique national ID of the beneficiary—a prerequisite to access BISP benefits). The DLI will incentivize the Government to gradually update the welfare information of at least 80 percent of existing BISP beneficiaries (current beneficiaries as of FY2016/2017 Q2) from Phase 2 districts. The functionality of the BISP MIS targeting module will also be validated by assessing the new PSC information entered into the module.
DLI 2: Percentage of tehsil offices with adequate skills and performing redefined responsibilities in accordance with Operational Guidelines (US\$5 million)	This DLI supports capacity enhancement of tehsil offices for improved services to beneficiaries. Successful completion of this DLI will ensure that BISP has developed operational guidelines for tehsil offices outlining the redefined roles and responsibilities of staff, critical to the Program’s successful implementation, and the staff performing in accordance with redefined responsibilities.
DLI 3: MIS enhancement action plan implemented (US\$5 million)	This DLI supports enhancements of the BISP MIS, including NSER, for further strengthening of data integrity, security, and operational effectiveness. BISP will hire an independent audit firm to conduct a complete audit of the overall BISP information system and its modules, keeping in view the scope of the Program and to provide a time-bound action plan to address any gaps for the way forward. The DLI will incentivize implementation of the aforementioned action plan.
<b>Results Area 2: Income Support for Human Development and Access to Complementary Services</b>	
DLI 4: Number of WeT districts where WeT-related functions are carried out by provincial and tehsil offices in accordance with revised Operational Guidelines (US\$10 million)	This DLI ensures continuity of key WeT functions through their internalization within the responsibilities of designated BISP units/staff. This DLI supports the development and operationalization of revised WeT operational guidelines; these include key performance indicators and performance measurement arrangements for field offices to facilitate them in carrying out their designated functions for the WeT program.
DLI 5: Number of children of WeT beneficiary families paid for at least two consecutive quarters based on compliance with attendance co-responsibilities (US\$20 million)	This DLI facilitates a gradual expansion of the WeT program in line with the transition in the implementation arrangements. This includes an increase in the number of children enrolled in the program and regularly attending school. The WeT program also has to ensure that the compliance data collection and benefits delivery mechanisms keep up with the growing size of the program.
DLI 6: Number of Union Councils in WeT districts that have at least one BISP Beneficiary Committee formed and respective mother leader trained on core WeT functions (US\$5 million)	This DLI focuses on the capacity enhancement of the BBCs that have been created in all WeT districts, and are an essential social mobilization tool to encourage enrollment in the WeT program and facilitate beneficiary engagement and trust building. The protocols for BBC creation require, among other provisions, that BBC members receive training on core functions; these include their role as a beneficiary outreach mechanism, motivating WeT compliance, and providing feedback to BISP and its implementing partners.
DLI 7: Percentage of Union Councils with information on aggregated characteristics of BISP beneficiaries available at all administrative levels for provision of complementary services (US\$5 million)	This DLI supports the objective of facilitating BISP beneficiaries’ access to complementary social and productive services. The data from the updated NSER will be used to develop aggregated beneficiary characteristics at the UC level; and will be made available through an online module, and for use by BISP provincial and tehsil offices.
DLI 8: Number of BISP beneficiary households with at least one member enrolled in at least one complementary service (US\$5 million)	This DLI measures the success in systematically linking BISP beneficiary households with relevant complementary social and productive services through among others, data sharing, and formal agreements with service providers. The DLI also ensures that BISP develops and operationalizes a monitoring mechanism to track beneficiary take up of services.

42. **Verification Mechanisms and Protocol.** The Program will triangulate DLIs evidence from multiple sources. An Independent Verification Agency (IVA) will verify all DLI evidence submitted by BISP. Verification data will be drawn from, among others, the BISP MIS modules. In addition, external sources of verification include, but will not be limited to, operational reviews (spot checks and process evaluations) and the validation reports of the payment service provider (PSP). Details are provided in annex 2.

### **E. Capacity Building and Institutional Strengthening**

43. **Capacity building and institutional strengthening are critical elements of the NSPP and will be delivered as part of the Program Action Plan as well as the IPF TA component** (details in annex 6 and 7 respectively). The World Bank's support to enable institutional strengthening will be a determining factor in the success of the Program. Key capacity-building interventions include training of education, local governments, and BISP's local staff on the new operating model, also supporting WeT implementation as well as provision of complementary services through other partners. In addition, development of an Error, Fraud, and Corruption (EFC) Framework, a strengthened MIS with the requisite human resource to manage the MIS, and strengthened M&E arrangements are other critical areas of support.

## **III. PROGRAM IMPLEMENTATION**

### **A. Institutional and Implementation Arrangements**

44. **BISP, an autonomous authority working under the Ministry of Finance (MoF), is the main implementation agency for the Program.** BISP is headed by a Chairperson supported by a Management Board, which includes governmental and nongovernmental members. The Chairperson provides strategic guidance and ensures implementation of the program in accordance with Board decisions. The key functions of the Board include approving the eligibility criteria for financial assistance; approving BISP policies, regulations, and budget; and ensure transparency through monitoring of the organization's performance. The Secretary of BISP, appointed by the Federal Government, officiates as the Principal Accounting Officer of the organization as well as the ex officio member/secretary of the Board.

45. **The Secretary BISP heads the Management Board, which includes several Directors General (DGs) at headquarters as well as four provincial and two regional levels.** The provincial/regional offices are the main coordinating entity for their respective geographic areas and are responsible for implementing policies and plans in accordance with procedures defined by the program's operational manuals and guidelines. They supervise 33 divisional offices and 383 functional tehsil offices nationwide.

46. **BISP has a dedicated NSER Unit headed by a DG with a technical team to support various functions.** For the NSER update, BISP will procure the services of several partner organizations such as NADRA, NGOs, and private firms. In addition, BISP will hire the services of a firm to conduct spot checks and process evaluations for quality assurance in the NSER data collection process. The partnership with NADRA will continue for verification of National IDs and other data. The operational procedures and other protocols will be defined by BISP's own staff, who will also monitor and supervise all partners. Specialized expertise will be used to implement the NSER's updated communication strategy.

47. **The implementation of the WeT program is led by a unit under the supervision of a dedicated Director WeT** with other technical and operational staff. BISP will adjust and strengthen its operational structure and capacity to be able to interact more with the beneficiaries. While the Memorandums of Understanding (MoUs) with provincial education departments are already in place, going forward the roles of various education offices (provincial/regional/district/tehsil) as provided in the MoUs will be materialized through an improved coordination mechanism. BISP may continue outsourcing of limited set

of tasks which are either nonrecurring or where BISP does not have a comparative advantage (for example, social mobilization) while maintaining its coordination and supervision role.

48. **For complementary initiatives, a DG with a few staff are currently responsible for their management and coordination.** This unit is being strengthened by BISP to fully deliver its responsibilities. The Program will support, among others, a strengthened governance and institutional structure for management of linkages and partnerships with relevant complementary services.

49. **Procurement and financial management (FM).** BISP's Procurement Unit, headed by a Director, will be responsible for all procurement activities under the Program using the Federal Public Procurement Rules for all activities. The unit leads the procurement planning process in consultation with technical wings. BISP's Finance and Accounts (F&A) unit, headed by a DG F&A, will support all financial matters of relevance to the Program. Under the TA component, the Program will provide support to strengthen BISP's fiduciary capacity including annual fiduciary performance reviews. The Program will procure the services of an IVA to verify the evidence for all DLRs in accordance with their respective protocol.

## **B. Results Monitoring and Evaluation**

50. **BISP will be responsible for monitoring results and activities under the Program by using its M&E systems.** Currently, it has a dedicated M&E Unit under the Research, Evaluation, and MIS Wing. BISP will further establish standalone wings for M&E and MIS respectively. Using various data sources, BISP will be responsible for tracking progress against result indicators as well as the DLIs. Concurrently, BISP will work to further strengthen its M&E including the quality of administrative data collection and the security and operational soundness of the MIS.

51. **The Program will invest substantial resources to directly engage beneficiaries and use their feedback to strengthen its design and implementation as necessary.** The Program will mainstream citizens' engagement and social accountability using measurable tools and procedures including M&E tools, and strengthened Grievance Redress Mechanisms (GRMs). For example, surveys, including Citizen Report Cards, will solicit beneficiary feedback on the quality and satisfaction of service delivery. Assessments will be carried out to track beneficiaries' participation in complementary services, including identification of the strengths and weaknesses of access to services; coordination and articulation mechanisms between BISP and service providers; and the relevance of the service and ease of enrollment.

## **C. Disbursement Arrangements**

52. **The World Bank will disburse US\$90 million through eight DLIs under the Program.** A due consideration has been paid to the time frame for achieving each DLI vis-à-vis the Government's need for the flow of funds. There is no restriction on early achievement of the DLIs: payment will be disbursed as and when the targets are achieved. All releases of DLI amounts will be done after a verification of DLI evidence by an IVA according to the agreed verification protocols. The Government can request advances of amounts of the financing allocated to certain DLIs that are yet to be achieved by following the relevant procedures and guidelines. The aggregate amount of all such advances made in respect of amounts allocated to DLIs may not exceed the equivalent of 25 percent of the amounts of the financing proceeds. When the DLIs against which the advance is disbursed are achieved, the amount of the advance will be deducted (recovered) from the total amount due to be disbursed under such DLIs.

53. **In addition to usual World Bank's supervision, the Program will follow a regular biannual implementation review jointly with BISP management, which will include projections for achievement of DLI targets.** The World Bank will also provide annual feedback to the MoF on expected

disbursements against the DLIs for the following fiscal year, coinciding with the Government's regular cycle of estimating budgetary limits for ministries and attached departments.

#### IV. ASSESSMENT SUMMARY

##### A. Technical

54. **The Program is highly relevant and appropriate for Government efforts to alleviate poverty.** While the poverty head count fell from 64 percent to 30 percent between 2001 and 2014, nearly a third of the population remains poor, requiring targeted measures to provide them with a package of minimum income support and opportunities for human development. In addition, very low human capital levels are a key constraint for economic growth. The Program can help address this challenge through an expansion of the WeT program and linkages to complementary services.

55. **Program expenditures are sustainable and efficient, demonstrating a high level of Government's commitment.** BISP's budgetary allocation has more than doubled from 2012/2013 to 2015/2016 and was further raised to US\$1.1 billion in FY2016/2017. The GoP provided 86 percent of total program spending in FY2015/2016, with development partners contributing the remainder. The NSER update and other improvements in the systems will raise the total administrative cost of BISP from 6 percent to 7.5 percent on average over four years. This compares well with international experiences, and confirms the high efficiency of the program, especially when combined with its good targeting performance.

56. **Mechanisms to address EFC are in place, but need consolidation.** EFC reduces the economic efficiency of a program by decreasing the amount of money that goes to the intended beneficiaries and erodes political and public support for the program. While BISP does not have an explicit strategy, the program contains several features, starting from its design, that are likely to reduce the potential for EFC. These mechanisms will be consolidated and improved under a single EFC framework as provided in the Program Action Plan.

57. **The systems enhancements supported by the Program will improve efficiency, reduce costs for beneficiaries, and enhance BISP impacts.** BISP already has a transparent and well-functioning payment system, with more than 95 percent of beneficiaries being paid through technology-based payment mechanisms. The new payment model will introduce biometric verification and increase the number of points of service. Similarly, BISP has a solid MIS, equipped to provide end-to-end solutions for the complete program delivery. The Program will support improvements in the BISP MIS with focus on integration, integrity, and process streamlining to ultimately enhance the efficiency of program management and service delivery. The revised tehsil office operating model is expected to improve the quality of service delivery and reduce the costs borne by the beneficiaries. The systems improvements over the 4-year life span of the Program will also sustain and consolidate the documented impacts of the basic income support on the poor, including women empowerment, reduction in the poverty gap of beneficiaries by potential savings, and accumulation of productive assets.

58. **The NSER update will maintain and enhance targeting efficiency, including increased coverage of the poor and reduced inclusion errors.** The current BISP targeting performance compares well with international experience, with about 75 percent of beneficiaries belonging to the bottom 40 percent of population. With the updated PMT formula, coverage of the urban poor is expected to increase and the distribution of beneficiaries by province will be brought closer to the actual distribution of poverty. The cost of the estimated gains in efficiency from the NSER update (over 5 percent of Program spending) is estimated at less than 2.5 percent of the 4-year program expenditures.

59. **The scale-up of the CCT is expected to increase primary school enrollment of children in beneficiary households.** The evaluation of WeT reveals that the program has a positive and significant impact of 9 percentage points on the proportion of children enrolled in primary school, with a similar impact for girls and boys. The results of a cost-benefit analysis suggest that the schooling benefits expected from the scale-up of WeT yield high returns, with an internal rate of return (IRR) ranging from 19 percent to 22 percent.<sup>25</sup>

60. **The approach to improving access to complementary services is adequate.** BISP beneficiaries are already availing some services. As of December 2016, 34,736 households have at least one member enrolled in a complementary service under a joint agreement with BISP. BISP has territorial presence with field offices that can support local collaboration. However, BISP needs to develop a more systematic approach on complementary services, including: (a) putting in place structured agreements with programs; (b) informing beneficiaries about opportunities; (c) monitoring participation; and (d) data sharing. The planned operational modalities to link BISP beneficiaries with other programs follow international good practices and is expected to contribute to the impacts of the program.

61. **Rationale for public sector provision/financing.** The provision of social protection services and redistribution are natural functions of the state, and explicitly mentioned in the Constitution of Pakistan. This is especially true in the absence of other effective formal or informal insurance mechanisms. Basic cash transfers, CCTs and complementary services interventions can also generate positive externalities on human capital and the economy that cannot be fully internalized by private agents. A federal intervention is justified by conventional public finance principles suggesting that redistribution is more appropriately handled by central governments, since they are in the best position to handle inter-regional inequalities and risk pooling. The idea that people of similar circumstances in a country should be treated alike (horizontal equity) also underlies the rationale for national financing for safety net programs. In addition, interventions aimed at fostering public goods are typically only effective when provided uniformly.

## **B. Gender**

62. **Gender gaps in Pakistan persist with regard to access to resources, education, and jobs.** In the Global Gender Gap Report, the country ranked 125 on women's health and survival, 135 on women's educational attainment, and 143 on equal economic participation and opportunity. Less than 3 percent of women have an account at a formal financial institution, far below the regional average of over 25 percent.<sup>26</sup> Only a little over 2 percent of women use a mobile phone for banking purposes.<sup>27</sup> Poverty and low literacy also contribute to the fact that there is limited awareness of legal rights and remedies among women.

63. **The Program incorporates strategically defined actions to address two gender constraints: access to finance and greater voice and agency.** Program preparation included wide stakeholder consultations, which, among other topics, focused on gender-specific constraints to access BISP benefits. In addition, the Environmental and Social Systems Assessment (ESSA) highlighted that lack of knowledge, dependence on men for financial/public matters, and lack of awareness about banking procedures and products are often barriers against realizing the full benefits of the basic income support benefits. The analysis highlights the role of social mobilization (and the creation of the BBCs) in giving greater voice and agency to beneficiaries through the provision of a platform for sharing concerns among each other and with program authorities.

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<sup>25</sup> These estimates are conservative since additional benefits and externalities such as improved health outcomes have not been included in the analysis. See Annex 3: Summary Technical Assessment for more details.

<sup>26</sup> Global Financial Development Database, The World Bank 2014.

<sup>27</sup> *ibid.*

64. **Access to finance.** The Program will prioritize increased access to finance and financial literacy for recipients of the basic income support. Under the Program, BISP will transition to a beneficiary-centric model, which will facilitate an exponential increase in the number of payment touchpoints, greater beneficiary choice in selection of PSPs, and improved complaint management system for payments. A financial literacy component will be built into the new payment model to ensure that beneficiaries have adequate knowledge and information to access services and are able to lodge complaints and grievances.

65. **Greater voice and agency.** The Program will support the development of an institutional strategy and associated Standard Operating Procedures for social mobilization of BISP beneficiaries as the basis of engagement, trust building, and information sharing. The Program also supports the strengthening of BBCs to enhance communications between BISP and its beneficiaries.

66. **The Program M&E framework includes gender-specific indicators<sup>28</sup>.** These will measure progress on financial inclusion of beneficiaries (number of beneficiaries trained on the financial literacy module); and the creation of platforms to facilitate greater voice and agency (number of Union Councils in the WeT district that have at least one BBC formed and respective mother leader trained on core WeT functions). The Program Action Plan will also be used to monitor the provision of adequate staff to ensure incorporation of social concerns in all operational and M&E processes.

### C. Fiduciary

67. **The Fiduciary System Assessment (FSA) of the Program concluded that, subject to the implementation of the Program Action Plan to mitigate the identified risks, the overall fiduciary framework is adequate to support Program implementation and to achieve the desired results.** The FSA comprised an assessment of the fiduciary risks relating to: (a) procurement, (b) Financial Management (FM), and (c) governance (including fraud and corruption risks) relevant to the Program.

68. **The assessment identified moderate risks associated with planning and budgeting.** BISP has a dedicated and adequately staffed Finance and Accounts (F&A) unit. Upon communication of a one-line budget from the MoF, BISP prepares a detailed budget, which is approved by the Board and communicated to executing units toward the end of the first quarter. The FSA recommended that the process be designed so that the Board approves the budget during the first month of the fiscal year. It also recommended that budget analysis reports are prepared on at least a quarterly basis, that procurement plans be prepared annually to guide the preparation of budget estimates, and that BISP moves toward multi-year output based budgets to align with the Federal Government.

69. **Other risks areas identified by the FSA relate to BISP procurement and internal control functions.** The assessment identified that detection risks will continue to be substantial. The mitigation measures include: (a) frequent capacity building activities to support better procurement performance and experienced and qualified procurement staff; (b) update of the Procurement Manual and adherence to its requirements so as to limit delayed payments and ensure timely delivery; (c) improved oversight of procurement functions by top management and internal audit to detect or prevent major deviations; and (d) strengthened complaint management. The assessment recommended annual independent fiduciary performance reviews to ensure the required level of capacity and performance is maintained.

70. **Internal control systems are fairly reliable.** An Internal Audit Unit submits reports to the Board. However, the Internal Audit Committee does not meet regularly to review audit reports leading to weak implementation of recommendations. Regular meetings of the committee are recommended. Internal audit reports should be regularly taken up during Board meetings and audit recommendations followed up. In

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<sup>28</sup> See Annex 3, Table 3.4 for a list of indicators that will be monitored by BISP during the Program lifetime

addition, there should be a time limit on payment authorization functions and institutional roles and responsibilities should be clearly adhered to avoid payment delays. Finally, the assessment recommended that the Internal Audit Department regularly verify BISP beneficiary data.

#### **D. Environmental and Social**

71. **An ESSA was conducted on the social aspects of the Program.** The assessment concluded that the Program poses no environmental risks and that it will lead to positive social benefits for poor households, especially women. Benefits include, but are not limited to, greater coverage of the poor through the potential inclusion of new poor households in the NSER, not covered in the previous survey, greater proximity of the poor to the Program through improved service delivery systems, and better payment accessibility through a new payment model.

72. **Going forward, BISP must define eligibility criteria for marginalized, vulnerable people and indigenous populations (IPs).** While the PMT is the most relevant targeting tool for the country, it cannot adequately capture the above population groups. The IP community, for example, have a peculiar and distinct poverty that does not coincide with mainstream definitions that emphasize assets ownership as a source of income. Their assets have a transient quality, and are neither permanent nor a source of regular income. Further, their definition of households is also transient.

73. **BISP must emphasize social mobilization as an overarching strategy for its core and complementary programs.** Social mobilization increases local ownership, enables greater information sharing and transparency, and should be the basis of beneficiary engagement and trust building. However, social mobilization needs to be supported by institutional capacity and a vision. BISP needs dedicated staff to oversee the social mobilization process and incorporate social concerns in all operational and M&E processes. In the context of Program interventions, the assessment recommended training and capacity building of BISP staff, beneficiaries, and other stakeholders for improved grass roots level communication and community engagement; improved case management through demand-side (understanding beneficiary constraints to access) and supply-side (strengthened information systems) interventions; and promotion of mutually accountable partnerships with new PSPs.

74. **Communities and individuals who believe that they are adversely affected as a result of a World Bank-supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the World Bank's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel, which determines whether any harm occurred, or could occur, as a result of non-compliance with the World Bank's policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and the World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)

#### **E. Risk Assessment**

75. **The overall risk rating for the Program is Moderate.** BISP is a well-established program that has been growing in strength and outreach since its inception. It now faces a number of modifications in its core functions and associated operational mechanisms that will strengthen its ability to serve as a federal SSN platform. The mitigation measures include continued focus on technical soundness and due diligence on systems such as the updated NSER and payments, quality of implementation in key programs such as

basic cash transfers and WeT, maintenance of rigorous M&E through independent firms, and communication of results to the stakeholders as well as the general public.

**Table 3. Systematic Operations Risk Rating (SORT)**

<b>Systematic Operations Risk-Rating Tool (SORT)</b>	
<i>Risk Category</i>	<i>Rating (H, S, M, L)</i>
Political and Governance	S
Macroeconomic	S
Sector Strategies and Policies	L
Technical Design of Project or Program	M
Institutional Capacity for Implementation and Sustainability	M
Fiduciary	M
Environment and Social	M
Stakeholders	M
Other: DLI risks	M
<b>OVERALL</b>	<b>M</b>

76. **Political risks to the Program are Substantial.** Politics in Pakistan is subject to potential sudden changes that may distract policy makers, risking shifts in priorities. With elections scheduled in 2018, there is a need to make substantial progress on or complete tasks that require political will. Political branding of BISP poses a risk by distorting its image. Results from a recent political economy analysis, however, point toward broad ownership of the Program across political actors and civil society. Political risks will be mitigated through a consultative process with stakeholders to garner widespread ownership on reforms, and consistent sharing of program results to maintain and improve BISP’s credibility. BISP has demonstrated commitment to disseminate program results from various evaluations to the public and has actively communicated with policy makers, parliamentarians, and provinces.

77. **Macroeconomic risks are Substantial.** The fiscal deficit is large, particularly in light of expansionary spending linked to security and natural disasters and slow progress on revenue mobilization, power reforms, and state-owned enterprise restructuring. While government efforts through the IMF program have improved indicators, macroeconomic institutions remain vulnerable to external shocks. Risk management will entail contribution to high-level dialogue on macro, tax collection, and subsidy reforms under a coordinated response with the IMF and other development partners. The World Bank team will continue analytical work to support the preservation of the Government’s pro-poor expenditures

78. **The climate and disaster risks screening shows that climate and geophysical hazards will not pose any risks to the Program outcomes.** The Program will not finance any physical infrastructure. Data collection for the NSER update, delivery systems strengthening and capacity building, and support to further development of the national safety net systems will mitigate the risks, if any, besides enhancing the government’s capacity for timely response to the post disaster cash transfer needs of the poor and vulnerable. The task team will continue monitoring the level of risks during Program implementation.

### Annex 1: Results Framework Matrix

<b>PDO: To strengthen the national social safety net systems for the poor to enhance their human capital and access to complementary services</b>									
<b>PDO Indicators</b>		<b>Core</b>	<b>DLI</b>	<b>Unit of Measure</b>	<b>Baseline</b>	<b>Target Values</b>			
						<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4/End Target</b>
1	Percentage of BISP beneficiary households from the bottom two expenditure quintiles			%	75.00	n.a.	n.a.	80.00	80.00
2	Number of WeT districts with tehsil offices using integrated MIS to handle case management of basic income support and WeT programs			Number	0.00	0.00	32.00	40.00	50.00
3	Number of children of WeT beneficiary families paid for at least two consecutive quarters based on compliance with attendance co-responsibilities		5	Million	0.50	0.75	1.00	1.25	1.50
4	Number of BISP beneficiary households with at least one member enrolled in at least one complementary service		8	Number	34,736	40,000	100,000	200,000	400,000
<b>Results Area 1: Institutional and Systems Development</b>									
5	Percentage of BISP beneficiary households from Phase 2 (national rollout) districts with updated Poverty Score Card information in the NSER		1	%	0.00	20.00	50.00	80.00	80.00
6	Percentage of BISP beneficiary households recertified in accordance with the new eligibility cutoff score			%	0.00	0.00	0.00	25.00	50.00
7	Percentage of tehsil offices with adequate skills and performing redefined responsibilities in accordance with Operational Guidelines		2	Yes/No (For the DLI it is measured in percentage)	Training needs assessed	Training curriculum developed	Roll out of training started	Staff in 20% tehsil offices are trained and performing redefined responsibilities	Staff in 40% tehsil offices are trained and performing redefined responsibilities
8	MIS enhancement action plan implemented		3	Yes/No	No	MIS audit completed	Action plan developed	Action plan implemented	Action plan implemented

Results Area 2: Income Support for Human Development and Access to Complementary Services									
9	Number of beneficiary families enrolled in WeT program	X		Hundred Thousand	5.30	6.00	8.00	9.00	11.00
10	Number of WeT districts where WeT-related functions are carried out by provincial and tehsil offices in accordance with revised Operational Guidelines		4	Number	0.00	0.00	32.00	40.00	50.00
11	Number of Union Councils in WeT districts that have at least one BISP Beneficiary Committee formed and respective mother leader trained on core WeT functions		6	Number	1,600	1,600	2,000	2,250	2,500
12	Percentage of Union Councils with information on aggregated characteristics of BISP beneficiaries available at all administrative levels for provision of complementary services		7	%	0.00	20.00	30.00	60.00	60.00

Indicator Description					
Indicator Name		Description	Frequency	Data Source/ Methodology	Responsibility for Data Collection
1	Percentage of BISP beneficiary households from the bottom two expenditure quintiles	This indicator refers to maintaining and improving the targeting effectiveness of BISP. It will measure the proportion of BISP beneficiary households (including the newly enrolled) who belong to the bottom 40 percent of the population.	Annual	Household Integrated Economic Survey.	Pakistan Bureau of Statistics; and BISP
2	Number of WeT districts with tehsil offices using integrated MIS to handle case management of basic income support and WeT programs	Tehsil offices with access to the BISP MIS single interface for case management of beneficiaries of the basic income support and WeT programs.	Annual	BISP progress report on MIS enhancement action plan. Operations review report.	BISP; Operations Review Firm.

3	Number of children of WeT beneficiary families paid for at least two consecutive quarters based on compliance with attendance co-responsibilities	Number of BISP beneficiary children who have enrolled in the WeT program, and the respective BISP beneficiaries have been paid for two consecutive quarters against fulfillment of their attendance co-responsibility. BISP's MIS compliance monitoring data is used to generate payment lists against which the PSPs release funds to respective beneficiaries. Families are considered paid for each of the two consecutive quarters when money is transferred by the PSP to beneficiary accounts.	Quarterly	BISP MIS report. PSP payment record. Operations review report.	BISP; Operations Review Firm
4	Number of BISP beneficiary households with at least one member enrolled in at least one complementary service	This indicator measures progress in systematically facilitating access of BISP beneficiary households (including their members) with complementary social and productive services for which monitoring mechanisms are in place in accordance with complementary services operational guidelines. Beneficiary households are those where at least one member is receiving basic income support at the time of enrollment into complementary service. BISP will develop a database of complementary service providers and enrollment numbers with the MoUs to monitor uptake of services by BISP beneficiaries.	Biannual	BISP Complementary services database.	BISP
5	Percentage of BISP beneficiary households from Phase 2 (national rollout) districts with updated Poverty Score Card information in the NSER	<p>The nationwide update of the NSER aims to include all households in Pakistan interested to provide information. In accordance with the operational guidelines of the NSER update, information on household welfare gathered through the PSC Survey will be entered into the NSER database. All surveyed households will receive new PMT scores.</p> <p>The update of welfare information of current BISP beneficiary households in the NSER can be robustly measured using the unique national ID for the recipients of benefit transfers (a prerequisite to access BISP benefits). This indicator will measure the update of PSC information of the target percentage of BISP beneficiary households (current beneficiaries FY2016/2017 Q2*) from NSER update Phase 2 districts. Phase 2 districts include all districts of Pakistan except the first 16 districts included in Phase 1 of the NSER update.</p>	Annual	BISP MIS targeting module. BISP beneficiary database.	BISP

6	Percentage of BISP beneficiary households recertified in accordance with the new eligibility cutoff score	This indicator measures BISP's progress in successfully reassessing the eligibility of existing BISP beneficiary households based on new eligibility criteria (updated PSC information and new PMT cutoff score)	Annual	BISP MIS targeting module. BISP beneficiary database.	BISP
7	Percentage of tehsil offices with adequate skills and performing re-defined responsibilities in accordance with Operational Guidelines	This indicator refers to adequate capacity in tehsil offices for improved services to beneficiaries. This will be based on the field office capacity assessment; operational guidelines duly approved by the Secretary BISP; a training module for new responsibilities; a training plan and refresher training plan; and trainings imparted to 40% tehsil offices with fair distribution across provinces and regions.  Redefined responsibilities will include, but will not be limited to integrated case management—as defined in the operational guidelines.	Annual	Field office capacity assessment; operational guidelines; tehsil office staff training plan; training delivery and evaluation report; operations review report	BISP, Operations Review firm
8	MIS enhancement action plan implemented	The objective of this indicator is to enhance the data integrity, security, and operational soundness of the BISP MIS including NSER. The indicator will measure the completion of a complete audit of the overall BISP information systems including their modules by an independent audit firm, with established expertise; and the development and satisfactory implementation of a time-bound action plan for enhancement.	Annual	System Audit; Action Plan; BISP Progress Report on Action Plan.	BISP, Audit Firm
9	Number of beneficiary families enrolled in WeT program	Number of BISP beneficiary families who have at least one child enrolled in the WeT program and have been paid in accordance with their admission co-responsibility. BISP defines the 'family' in relation to an ever-married woman over the age of 18. Families are considered paid when money is transferred by the PSPs to beneficiary accounts. Core sector indicator.	Quarterly	BISP MIS report. PSP payment record. Operations review report.	BISP, PSP, Operations Review Firm
10	Number of WeT districts where WeT-related functions are carried out by provincial and tehsil offices in accordance with revised Operational Guidelines	The objective of this indicator is to ensure continuity of key WeT functions through their internalization within the responsibilities of designated BISP staff. This will be elaborated in the revised WeT operational guidelines to be approved by the Secretary BISP. This indicator will be met when the below outlined functions are included in tehsil and provincial office key performance indicators (KPIs); and offices are accordingly carrying out these	Quarterly	Revised WeT operational guidelines. WeT related KPIs for provincial and tehsil office. Operational review reports.	BISP, Operations Review Firm

		responsibilities as measured through annual performance measurement arrangements.		Sample of performance measurement reports	
11	Number of Union Councils in WeT district that have at least one BISP Beneficiary Committee formed and respective mother leader trained on core WeT functions	Number of Union Councils where at least one BBC has been formed and trained. This indicator will consider Union Councils where there are at least 10 WeT beneficiary families. A BBC is considered formed when at least one meeting of the BBC has been held. BBC mother leaders will be trained on the following core functions: the BBC role as an outreach mechanism, motivating WeT compliance and providing feedback to BISP and its implementing partners.	Biannual	BISP MIS data. Report on BBC formation. Operations review report.	BISP, Operations Review Firm
12	Percentage of Union Councils with information on aggregated characteristics of BISP beneficiaries available at all levels for provision of complementary services	BISP will develop a beneficiary characteristics information template based on the updated PSC information. The characteristics will be defined by the complementary services operations manual. Data will be entered on this template using NSER data aggregated at the Union Council level and digitized onto a database.	Annual	Database of complete beneficiary profiles per Union Council containing information sourced from NSER	BISP

*Note:*

\* The number of current beneficiary households will be determined by number of households paid quarterly installment as of December 31, 2016 (FY2016/2017 Q2)

## Annex 2: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

	Total Financing Allocated to DLI (US\$ mln.)	As % of Total Financing Amount	DLI Baseline	Unit of Measurement	Indicative Timeline for DLI/DLR Achievement				Scalability of Disbursements (Yes/No)	Type of DLI (Process, Output, Intermediate Outcome, Outcome)
					Year 1	Year 2	Year 3	Year 4		
<b>DLI 1.</b> Percentage of BISP beneficiary households from Phase 2 (national rollout) districts with updated Poverty Score Card (PSC) information in the NSER			0	%	At least 10% of BISP beneficiary households from Phase 2 districts have updated PSC information in the NSER	Up to 50% of BISP beneficiary households from Phase 2 districts have updated PSC information in the NSER	Up to 80% of BISP beneficiary households from Phase 2 districts have updated PSC information in the NSER	(No DLR in this period)	Yes	Intermediate Outcome
Allocated amount	35	38.89			15	10	10	—		
Definition / Description of Achievement	<p>This DLI measures the update of welfare information of current BISP beneficiary households in the NSER. The nationwide update of the NSER aims to include all households in Pakistan interested to provide information. In accordance with the operational guidelines of the NSER update, information on household welfare gathered through the PSC Survey will be entered into the NSER database. All surveyed households will receive new PMT scores.</p> <p>The update of welfare information of current BISP beneficiary households in the NSER can be robustly measured based on the unique national ID of the recipients of benefit transfers (a prerequisite to access BISP benefits). This DLI will be met when PSC information of the target percentage of BISP beneficiary households (current beneficiaries FY2016/2017 Q2*) from the NSER update Phase 2 have been updated. Phase 2 districts include all districts of Pakistan except the first 16 districts included in Phase 1 of the NSER update.</p>									
Formula					US\$15 million to be disbursed on achievement of 10% DLR	Scalable after the DLR for Yr. 1 has been met. Subsequently \$2,500,000 will be disbursed for every 10 percentage points increase in the DLR, up to the DLR for this Yr. 2	Scalable after the DLR for Yr. 2 has been met. Subsequently \$5,000,000 will be disbursed for every 15 percentage points increase in the DLR, up to the DLR for this Yr. 3	—		

<b>DLI 2.</b> Percentage of tehsil offices with adequate skills and performing redefined responsibilities in accordance with Operational Guidelines			Currently, BISP has not redefined staff responsibilities to align with new tehsil office functions, therefore, no staff have been trained accordingly.	%	(No DLR in this period)	(No DLR in this period)	At least 20% of tehsil offices trained and performing redefined responsibilities	Up to 40% of tehsil offices trained and performing redefined responsibilities	Yes	Output/ Intermediate Outcome
Allocated amount	5	5.56			—	—	3	2		
Definition / Description of Achievement	This DLI refers to adequate capacity in tehsil offices for improved services to beneficiaries. This will be based on the field office capacity assessment; operational guidelines duly approved by the Secretary, BISP; a training module for new responsibilities; a training plan and refresher training plan; and trainings imparted to 40% tehsil offices with fair distribution across provinces and regions.  Redefined responsibilities will include, but will not be limited to integrated case management—as defined in the operational guidelines.									
Formula					—	—	US\$3 million to be disbursed on achievement of 20% DLR.	Scalable after the DLR for Yr. 3 has been met. Subsequently \$1,000,000 will be disbursed for every 10 percentage points increase in the DLR, up to the DLR for this Yr. 4		
<b>DLI 3.</b> MIS enhancement action plan implemented			No system audit has been done on the BISP MIS	Yes/No	(No DLR in this period)	(No DLR in this period)	BISP MIS audit has been completed, and accompanying MIS enhancement action plan has been implemented	(No DLR in this period)	No	Output/ Intermediate Outcome
Allocated amount	5	5.56			—	—	5	—		

Definition / Description of Achievement	This DLI aims to enhance the data integrity, security, and operational soundness of the BISP MIS including NSER. The DLI will be met when an independent audit firm, with established expertise, conducts a complete audit of the overall BISP information systems including their modules; and a time-bound action plan for enhancement is developed and satisfactorily implemented.									
<b>DLI 4.</b> Number of Waseela-e-Taleem (WeT) districts where WeT related functions are carried out by provincial and tehsil offices in accordance with revised Operational Guidelines			0	Number	(No DLR in this period)	In at least 32 WeT districts, WeT related functions are being carried out by provincial and tehsil offices in accordance with Operational Guidelines	(No DLR in this period)	In up to 50 WeT districts, WeT related functions are being carried out by provincial and tehsil offices in accordance with Operational Guidelines	Yes	Output/ Intermediate Outcome
Allocated amount	10	11.11			—	5	—	5		
Definition / Description of Achievement	<p>The objective of this DLI is to ensure continuity of key WeT functions through their internalization within the responsibilities of designated BISP staff. This will be elaborated in the revised WeT operational guidelines to be approved by the Secretary BISP. This DLI will be met when the below outlined functions are included in tehsil and provincial office KPIs; and offices are accordingly carrying out these responsibilities as measured through annual performance measurement arrangements.</p> <p>Provincial functions include micro supply capacity assessment and coordination with provincial education departments. Tehsil office responsibilities include ongoing registration of beneficiary children and data entry for compliance verification. Functions will be outlined in operational guidelines for provincial and tehsil offices.</p>									
Formula					—	US\$5 million to be disbursed on achievement of 32 districts DLR.	—	Scalable after the DLR for Yr 2 has been met. Subsequently, \$2,5000,000 will be disbursed for every 9 point increase (9 districts) in the DLR up to the DLR for this Yr 4.		

<b>DLI 5.</b> Number of children of WeT beneficiary families paid for at least two consecutive quarters based on compliance with attendance co-responsibilities			0.5 million children	Million	(No DLR in this period)	(No DLR in this period)	At least 1 million children of WeT beneficiary families are paid for at least two consecutive quarters based on compliance with attendance co-responsibilities	Up to 1.5 million children of WeT beneficiary families are paid for at least two consecutive quarters based on compliance with attendance co-responsibilities	Yes	Outcome
Allocated amount	20	22.22			—	—	10	10		
Definition / Description of Achievement	The DLI will be met when the BISP MIS confirms that the designated number of children are attending school and corresponding families have been paid for two consecutive quarters against compliance data collected and analyzed for each respective quarter. BISP's MIS compliance monitoring data is used to generate payment lists against which the PSP release funds to respective beneficiaries. Families are considered paid for each of the two consecutive quarters when money is transferred by the PSP to beneficiary accounts.									
Formula					—	—	US\$10 million to be disbursed on payment to 1 million children.	Scalable after the DLR for Yr. 3 has been met. Subsequently, \$2,000,000 million will be disbursed upon payment to every 100,000 children up to the DLR for this Yr. 4.		
<b>DLI 6.</b> Number of Union Councils in WeT districts that have at least one BISP Beneficiary Committee (BBC) formed and respective mother leader trained on core WeT functions			1,600 Union Councils	Number	(No DLR in this period)	In a minimum of 2,000 Union Councils in WeT districts, at least one BISP Beneficiary Committee has been formed and respective mother leader trained on core WeT functions	(No DLR in this period)	In a minimum of 2,500 Union Councils in WeT districts, at least one BISP Beneficiary Committee has been formed and respective mother leader trained on core WeT functions	No	Output/ Intermediate Outcome
Allocated amount	5	5.56			—	3	—	2		

Definition / Description of Achievement	This DLI measures progress in the formation and training of the BBCs, essential for WeT implementation. At least one BBC should be formed and trained in all Union Councils (where there at least 10 WeT beneficiary families) in each of the 50 WeT districts. The protocols for BBC formation require that at least one meeting of the BBC has been held, and BBC mother leaders receive training on core WeT functions. These include their role as an outreach mechanism, motivating WeT compliance, and providing feedback to BISP and its implementing partners.									
<b>DLI 7.</b> Percentage of Union Council with information on aggregated characteristics of BISP beneficiaries available at all administrative levels for provision of complementary services			0	%	(No DLR in this period)	(No DLR in this period)	(No DLR in this period)	For at least 60% of Union Councils, BISP has developed and made available (online or in provincial/tehsil offices), information on aggregated characteristics of BISP beneficiaries for provision of complementary services	No	Output/ Intermediate Outcome
Allocated amount	5	5.56			—	—	—	5		
Definition / Description of Achievement	This DLI measures progress in the analysis and availability of data on beneficiary characteristics for the delivery of complementary services. To facilitate access to these services, BISP will develop an online module to assess beneficiary characteristics using updated PSC information. The DLI will be met when information on beneficiary characteristics is available online for 60% of Union Councils; and available for use by provincial and tehsil levels, in accordance with the complementary services operational guidelines.									
<b>DLI 8.</b> Number of BISP beneficiary households with at least one member enrolled in at least one complementary service.			34,736	Number	(No DLR in this period)	(No DLR in this period)	(No DLR in this period)	At least 400,000 BISP beneficiary households have at least one member enrolled in at least one complementary service	No	Outcome
Allocated amount	5	5.56			—	—	—	5		
Definition / Description of Achievement	This DLI measures progress in systematically facilitating access of BISP beneficiary households (including their members) with complementary social and productive services for which monitoring mechanisms are in place in accordance with complementary services operational guidelines. Beneficiary households are those who are receiving basic income support at the time of enrollment of their members into complementary service. BISP will develop a database of complementary service providers and enrollment numbers with the MoUs to monitor uptake of services by BISP beneficiaries.									
Total Financing Allocated:	90	100								

Note: \*The number of current beneficiary households will be determined by the number of households who were paid the quarterly installment of the basic income support in December 31, 2016 (FY2016/2017 Q2)

**DLI Verification Protocol Table**

No.	DLI	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
		Data Source/Agency	Verification Entity	Procedure
1	Percentage of BISP beneficiary households from Phase 2 (national rollout) districts with updated Poverty Score Card (PSC) information in the NSER	<ul style="list-style-type: none"> <li>• BISP MIS targeting module</li> <li>• BISP beneficiary database</li> </ul>	IVA	<ul style="list-style-type: none"> <li>• BISP MIS report, signed by DG MIS or an official designated by the Secretary BISP</li> <li>• Data to be verified on a sample basis using a random sample of 10,000 beneficiary households for whom poverty score has been updated*</li> </ul>
2	Percentage of tehsil offices with adequate skills and performing redefined responsibilities in accordance with Operational Guidelines	<ul style="list-style-type: none"> <li>• Field office capacity assessment</li> <li>• Operational guideline</li> <li>• Tehsil office staff training plan</li> <li>• Training delivery and evaluation report</li> <li>• Operations review report</li> </ul>	Operational Review Firm IVA	<ul style="list-style-type: none"> <li>• Operational guidelines providing, among others, the responsibilities, competencies and training needs of tehsil office staff</li> <li>• Training plan</li> <li>• Training delivery and evaluation report including number of staff and tehsil's trained</li> <li>• Representative sample based operations review report verifying performance of re-defined responsibilities</li> </ul>
3	MIS enhancement action plan implemented	<ul style="list-style-type: none"> <li>• Audit ToRs as approved by an expert committee</li> <li>• Audit report covering approved ToRs with recommendations for enhancement</li> <li>• Time-bound action plan with resources allocated approved by Secretary, BISP</li> <li>• Implementation progress report</li> </ul>	IVA	<ul style="list-style-type: none"> <li>• Audit report providing recommendations per the minimum required protocols and standards of data integrity, security and operational soundness</li> <li>• Time-bound action plan based on audit report</li> <li>• Recommendations of audit implemented by BISP as verified by the verification entity</li> </ul>
4	Number of WeT districts where WeT related functions are carried out by provincial and tehsil offices in accordance with revised Operational Guidelines	<ul style="list-style-type: none"> <li>• WeT operational guidelines</li> <li>• WeT related KPIs of BISP tehsil and provincial offices</li> <li>• Performance measurement reports signed by respective reporting offices</li> <li>• Operations review report</li> </ul>	Operational Review Firm IVA	<ul style="list-style-type: none"> <li>• Revised WeT operational guidelines</li> <li>• WeT related KPIs for provincial and tehsil office</li> <li>• Operational review reports</li> <li>• Sample of performance measurement reports</li> </ul>
5	Number of children of WeT beneficiary families paid for at least two consecutive quarters based on	<ul style="list-style-type: none"> <li>• BISP MIS compliance data verifying the number of children enrolled and families paid against</li> </ul>	PSP. IVA	<ul style="list-style-type: none"> <li>• BISP MIS report on attendance and payments, signed by DG MIS or an official designated by the Secretary BISP, verified</li> </ul>

	compliance with attendance co-responsibilities	fulfillment of attendance co-responsibility for the two consecutive quarters <ul style="list-style-type: none"> <li>• PSP payment record for the respective two consecutive quarters</li> </ul>		against PSP payment record certifying that beneficiaries have been paid for two consecutive quarters
6	Number of Union Councils in WeT districts that have at least one BISP Beneficiary Committee formed and respective mother leader trained on core WeT functions	<ul style="list-style-type: none"> <li>• BISP MIS data and report on BBC formation</li> <li>• Operations review report</li> </ul>	Operational Review Firm IVA	<ul style="list-style-type: none"> <li>• BISP MIS report verifying numbers of BBCs formed per Union Council signed by DG MIS or an official designated by the Secretary, BISP</li> <li>• Operations Review report with evidence from randomly selected UCs across 50 districts that at least one BBC has been formed and trained</li> </ul>
7	Percentage of Union Council with information on aggregated characteristics of BISP beneficiaries available at all administrative levels for provision of complementary services	<ul style="list-style-type: none"> <li>• Online module for beneficiary characteristics</li> <li>• Functional online module available for use at provincial offices and sample of tehsil offices</li> </ul>	IVA	<ul style="list-style-type: none"> <li>• Online module for beneficiary characteristics</li> <li>• Functional online module available for use at provincial offices and sample of tehsil offices</li> </ul>
8	Number of BISP beneficiary households with at least one member enrolled in at least one complementary service	<ul style="list-style-type: none"> <li>• BISP complementary services database</li> </ul>	IVA	<ul style="list-style-type: none"> <li>• BISP complementary services database report on enrollment numbers verifying monitoring mechanism and data exchange agreements</li> </ul>

*Note:* \*The sample should include information on both old and updated scores for each beneficiary household along with the corresponding CNICs.

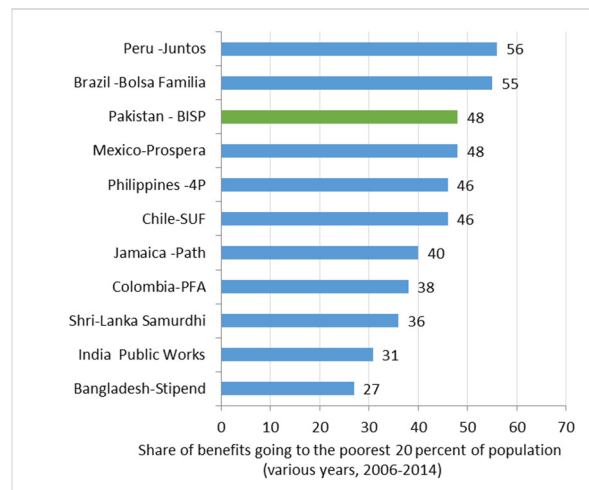
## Annex 3: Summary Technical Assessment

### A. Technical Soundness

#### *NSER Update*

1. **In 2015, the BISP Board approved the NSER update and a VfM study to assess different registration options.** Three options are being considered: (a) the D2D approach used for the original NSER; (b) on-demand or self-registration approach (that is, desk approach) consisting of temporary registration centers; and (c) a combination of (a) and (b). According to an analysis carried out in 2015, the D2D approach would cost about US\$82 million versus US\$59 million using a combination of the D2D and desk approaches. The underlying hypothesis for the desk approach is that it can reduce the PMT inclusion errors as fewer non-poor may self-select themselves to register knowing the low probability of being selected as poor.<sup>29</sup> However, the desk approach could also be confronted with the challenge of low participation of the target group, because the poor could face constraints (for example, financial and opportunity costs and distance) in accessing the registration centers.

**Figure 3.1. Targeting Performance Comparison**



*Source:* ECASP Performance Indicators data, State of Social Safety Nets 2015, The World Bank.

*Note:*\*Where transfer amounts are not available, the indicator shows the share of beneficiaries.

2. **Phase 1 of the NSER update covering 16 districts, selected from all provinces and regions, is already under way and includes both the D2D and desk approach options.** The desk approach is being applied to four districts and started in June 2016. Each registration center is expected to operate for a minimum of 90 days. Based on field visit observations, both staff and those registering have positive perceptions of the desk approach and report that the process is fair and transparent. The D2D approach will be rolled out in 12 districts starting March 2017. Phase 1 of the NSER update is expected to be completed by June 2017. The VfM study which accompanies Phase 1 will inform the selection of options for the national rollout.

3. **To operate NSER as a Social Registry Information System aimed at improving the pro-poor orientation of social sector programs in the country, BISP needs to significantly strengthen the**

<sup>29</sup>Alatas et al., 2016, Self-Targeting: Evidence from a Field Experiment in Indonesia, *Journal of Political Economy*, 2016, vol. 124, no. 2

**capacity of the NSER Unit.** In this respect, BISP needs to prepare an Operations Manual for the Social Registry Information System to be maintained by the NSER Unit, including (a) the functions and activities to be carried out by the revamped NSER Unit (that is, registry maintenance, cross-checks and updates of information, easy-to-use data sharing procedures, and so on) and (b) the required staffing and corresponding skills/qualifications to perform the functions of dynamic update and registry maintenance.

#### *Waseela-e-Taleem*

4. **To jumpstart the rollout of WeT, in mid-2014, the DFID contracted an Implementation Partner Firm for BISP for two years.** As of June 2016, school attendance compliance data was collected for about 500,000 children and payments were processed accordingly. The impact evaluation results show an increase in enrollment rates of 10 percentage points, confirming the rationale for a federally financed nationwide CCT.

5. **BISP needs a transition period (through the first quarter of 2018) to prepare to take on a larger role in WeT management and implementation in accordance with practices in other countries implementing similar programs.** The transition strategy includes several activities. First, BISP hired an Implementation Partner Firm for 14 months, beginning in January 2017. Second, BISP will adjust and strengthen its operational structure and capacity (particularly province/region and tehsil field offices) to be able to interact more with beneficiaries and resolve issues at the local level. New positions need to be filled by appropriate staff to operate WeT. Third, BISP will strengthen its relationship with provincial and district education authorities and through them schools and teachers.

6. **Once consolidated (third quarter of 2018), the more institutionalized operating structure would be the base to expand WeT so that it moves closer to becoming a nationwide program.** The registration of children in eight new districts would begin in early 2018. By that time, arrangements for the collection of attendance compliance data would need to be determined based on discussions with education authorities. The coordination committees mentioned above would be the fora for these discussions. MoUs with provincial education departments and provincial/regional education foundations would be revised to redefine the respective roles and responsibilities. In each of the next two years (2019/2020 and 2020/2021), WeT would be rolled out to 5 additional districts, making it to 50 districts during the life of the Program.

#### *Access to Complementary Services*

7. **BISP beneficiaries already participate in other programs, however, currently most collaboration between BISP and complementary service providers is ad hoc.** Some agencies use the NSER to target interventions, although the cutoff scores for eligibility often differ from BISP. Ten agencies share beneficiary data with BISP. In a few cases, information on the location of BISP beneficiaries and the operations of providers is shared. BISP has one such MoU with an agency providing productive services, but it lacks targets and specific measures for promoting access.

8. **To overcome these challenges, the objectives for complementary services and governance arrangements need to be defined.** Second, the program needs an operational structure for promoting access to complementary services with competent staff. Third, BISP's capacity to support beneficiaries to access complementary services is limited. Options include partnering with institutions that include social mobilization in their programs and using BBCs to communicate with beneficiaries. Another possibility is to provide disaggregated data to local program managers of complementary services and agree with them on promotional activities to be handled either by the agency or by BISP. Fourth, the program needs management tools, such as an information system module for complementary services interoperable with the BISP MIS.

## *BISP Management Information System*

9. **Implementation of the Basic Income Support and WeT is supported by separate information systems, fully independent in both data storage and access.** BISP also maintains the NSER that includes households' welfare information. The NSER application shares information with other applications as needed throughout the operational cycle. Each application provides tools to BISP users to view and extract stored information. This collection of applications represents the Program Management Information System (PMIS). BISP is the proprietor of the PMIS. Applications are physically distributed in two database servers. Under an agreement, NADRA maintains one server located in its facilities, housing the NSER, UCT,<sup>30</sup> and WeT data. The obligation of NADRA, in addition to physical hosting of the server, includes processing the NSER application and update of a mirror NSER database available to BISP for processing other linked applications. BISP administers the remaining PMIS.

10. **The BISP PMIS has a good foundation- its database is scalable, equipped to provide end-to-end solutions for the complete program delivery cycle, and has business intelligence software capable for essential reporting and data analysis.** The PMIS development was gradual based on regular internal and external reviews, which provided direction to the BISP team. Under the Program, BISP will develop the NSER into a core database with a unified interface. Integration, integrity, process streamlining, and appropriate access to information are the four principles for PMIS enhancements.

## *Payments System*

11. **Almost 95 percent of payments are transferred electronically by six financial institutions, using mobiles, smart cards, and debit cards driven by branchless banking infrastructure.** In remote areas, Pakistan Post is the only viable solution for providing cash transfers through postal money orders to beneficiaries. BISP is currently moving forward toward a more beneficiary-centric model:

- Beneficiary payments will be authorised using biometric verification in collaboration with NADRA at payment points, which will be equipped with biometric enabled Point of Sale (POS) or Automatic Teller Machine (ATM). This will ensure minimum or no interference of 'middle parties'.
- The number of payment touchpoints will be expanded significantly. The new model supports competition between agents and allows beneficiaries to choose between agents to withdraw cash.
- Currently banks are responsible for payment complaints of BISP beneficiaries. So far 390,839 problems have been resolved, all of which pertained to either requests for replacement of debit cards or provision of new Personal Identification Numbers. However, the banks are not equipped to handle this segment with their regular call centres. Under the new payment model, the complaints management function will be strengthened within BISP as part of the payment system MIS to register all complaints, route them to the banks, and follow up with them.
- The new model includes a financial literacy component to ensure beneficiaries have the knowledge and information to access services and are able to lodge complaints and grievances. Technology-based payments reduce leakages and enhance efficiency, but ultra-poor BISP beneficiaries face literacy challenges unless effective communications are carried out.
- Under the current contracts with the PSPs, the service quality is not being monitored adequately. The revised payment model, approved by the BISP Board, includes performance-based contracts with a post-pay model for service charges with KPIs and penalties.

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<sup>30</sup> The term UCT (unconditional cash transfer) is used interchangeably with 'basic income support'.

## B. Budget Process and Expenditure Framework

12. **The Government’s expenditure framework for BISP envisages spending US\$5 billion over the next four years (details are provided in table 3.1).** The overall funding for the Program will be part of the federal government budget following the regular cycle and will flow through distinct line items.

**Table 3.1: BISP - Budget Estimates from FY 2015/2016 to FY 2020/2021 (US\$, millions)**

	Head of Accounts	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	Program Estimated Expenditure 2017/2018-2020/2021
		Approved Budget	Estimates based on the Medium Term Budget Framework				Linear Projection Estimates	
1	Basic income support (transfers)	901.6	1,003.5	1,078.8	1,159.7	1,252.5	1,330.8	4,821.8
2	WeT (transfers)	26.7	35.8	38.5	41.4	44.7	47.5	172.1
3	Systems and operational improvements	2.8	12.4	42.1	21.1	0.2	0.2	63.6
4	Other program related expenses	30.2	39.8	2.8	46.0	49.7	52.8	151.3
5	Administrative expenses	19.5	26.6	28.6	30.7	33.2	35.3	127.8
Total Budget		980.7	1,118.1	1,230.8	1,299.0	1,380.2	1,466.6	5,376.6

*Note:* For budget estimates till FY2018/2019 for cash transfers, see the Medium-Term Budget Estimates for Service Delivery 2016–2019, p. 117 (Government of Pakistan, Finance Division, Islamabad, 2016); Budget estimates for FY2019/2020 and FY2020/2021 are based on historical trends; System and operational improvements include the estimated cost of updating of the NSER, as well as costs related to systems for improving access to complementary services. These are added on top of the government budget estimates, as published in the Medium-Term Budget Estimates; Other program-related expenses include service charges, research and consultancy, and awareness campaign expenses; Administrative expenses include salaries, assets, and other operating expenses; Exchange rate of PKR 104 = US\$1 is used for conversion of figures.

### *Funds Flow and Disbursement Mechanisms*

13. **The BISP budgetary allocation is classified in the Federal Budget 2015–2016<sup>31</sup> as ‘Development Expenditure Outside Public Sector Development Programme’.** This category covers programs whose allocations are prioritized by the Government. Both BISP and Prime Minister’s Special Schemes are under the ‘National Income Support Programme’. The allocation for BISP stood at PKR 102 billion for FY2015/2016, by far the largest allocation for any single scheme or program. Allocations in the Public Sector Development Programme (PSDP) tend to be skewed toward donor contributions. In the case of BISP, this is the reverse, with the GoP being the major contributor. In 2014/2015, out of total expenditure of PKR 91.6 billion, the GoP provided PKR 85.5 billion or 93 percent while donor contribution was PKR 6.1 billion or 7 percent.<sup>32</sup>

14. **BISP’s budget is provided as a ‘one-line’ item.** The MoF does not make a detailed head-wise classification of expenditures. Rather funds are released, typically quarterly, by the MoF (in lump sum) leaving it to BISP to allocate and classify them. Funds are classified as development expenditure. This is the usual practice for development schemes where GoP rupee cover is booked as development expenditure

<sup>31</sup> Federal Budget Details of Demands for Grants and Appropriations 2015/16 Development Expenditure, Ministry of Finance, Government of Pakistan

<sup>32</sup> Based on expenditure data provided by F&A Wing, BISP.

along with ‘foreign aid’ disbursed by a donor.<sup>33</sup> Booking all expenditures in cash transfers as development differs from other countries where it is classified as recurrent spending.

15. **Robust allocations of funds by GoP have ensured that BISP’s initiatives have not been underfunded.** As the flagship SSN program of the Government, donor commitment has been high, with the World Bank, DFID, Asian Development Bank, and the U.S. Agency for International Development being the most important development partners. The GoP’s budgetary allocations along with donor amounts are shown in table 3.2.

**Table 3.2: Actual Expenditure BISP (PKR in millions)**

Year	2012/2013	2013/2014	2014/2015	2015/2016
GoP	40,885.926	57,281.569	85,523.333	87,610.573
Donor	9,212.107	12,333.800	6,130.813	14,388.162
Total	50,098.033	69,615.369	91,654.146	101,998.735

Source: F&A Wing, BISP.

16. **The budgetary allocations provided by the GoP have more than doubled from 2012/2013 to 2015/2016.** The number of beneficiaries has increased proportionately from approximately 1.7 million in FY2009 to 5.29 million at the end of March 2016.<sup>34</sup> The benefit level has increased from the initial PKR 1,000 per month per family to PKR 1,500 in 2014, and subsequently to PKR 1567 with effect from July 1, 2015. Table 3 below depicts BISP’s programs along with yearly expenditure. The basic income support/UCT is the biggest grant disbursed by BISP. The GoP spent PKR 83 billion, while donors contributed PKR 11 billion in FY2015/2016. This demonstrates a high level of commitment by the GoP and makes the program financially sustainable. The allocation of PKR 102 billion for FY2015/2016 was further raised to PKR 115 billion for FY2016/2017.

**Table 3.3: Program-wise Expenditure: BISP (PKR in millions)**

Head of Account	2012/2013	2013/2014	2014/2015	2015/2016 <sup>a</sup>
Basic income support – UCT	41,644.413	64,904.938	86,818.283	93,765.276
CCT WeT	12.735	83.912	450.263	2,775.000
Other initiatives (phased out)	3,174.716	1,114.349	—	294.002

Source: F&A Wing, BISP.

Note: Other initiatives include Waseela-e-Haq (micro-credits), Waseela-e-Rozgar (skills training), Waseela-e-Sehat (health insurance), and Emergency Relief Package. In 2016–2019, there is no allocated/projected budget for these programs, and they are not part of the Program.

a. Figures for FY 2015/2016 are budgeted amounts. For the other years, actual expenditure is shown.

17. **The World Bank-funded Project for Improvement of Financial Reporting and Auditing (closed December 2015) enabled online processing, retrieval, and dissemination of financial data for over 500 sites in Pakistan.** With the initiation of the chart of accounts based upon the new accounting model, expenditure can be tracked for entities that are linked with the system such as BISP. Detailed head-wise budget and expenditure data shows that the biggest initiatives, the basic income support and WeT, have an object code that can be tracked. Other expenditure similarly adheres to the standardized chart of accounts.

#### *Efficiency of Program Expenditures*

18. **The cost efficiency of the BISP cash transfers compares well with international experience.** The administrative cost of the program (which includes service charges for cash transfers, research and

<sup>33</sup> Public Sector Development Programme 2014/2015, Ministry of Planning, Development and Reform, Government of Pakistan.

<sup>34</sup> Pakistan Economic Survey 2015–2016 Chapter 15: Social Safety Nets, MoF.

consultancy, funds spent on awareness campaigns, and salaries of BISP staff) represents only 6 percent of the total program cost. The Cost-to-Transfer Ratio of 1.08 is similar to the one observed for the Mexico Oportunidades (1.06), and lower than the ones of similar programs in Ethiopia (1.25), Kenya (1.14), Ghana (2.11), and Malawi (1.65).

## C. Institutional Arrangements

### *Borrower Commitment*

19. **The Government's Vision 2025 states that BISP will be expanded in both size and scope.** Adequate financing is part of the Medium-Term Expenditure Framework. The Government's record in implementing the program is good. In recent years, actual budget expenditures have been timely and in line with commitments. Investments continue in the building blocks of a robust safety net system, including the NSER, technology based payments, GRM, and third-party monitoring. In sum, the Government has demonstrated a commitment to sustaining BISP and its financing. BISP organizes regular stakeholders' workshops (including civil society, academia, provincial governments' representatives, and so on.) to present results and discuss the way forward. The recent workshops confirmed support for Program design and implementation. Results from a recent political economy analysis carried out by the World Bank also point toward broad ownership of the Program across political actors and civil society.

### *Capacity of Implementing Agency*

20. **BISP is an autonomous authority established under an Act unanimously approved by the federal parliament in 2010 that defines its objectives and governance structure with a Chairperson along with a Board, which consists of 11 members with equal representation of public and private sectors.** The Secretary BISP, an ex officio member/secretary of the Board, is appointed by the Federal Government and is the Principal Accounting Officer, responsible for day-to-day operations.

21. **BISP's operational structure includes its Headquarters in Islamabad, 6 provincial/regional offices, 33 divisional offices, and 383 functional tehsil offices.** Overall BISP staff has adequate qualifications and experience to deliver current roles and responsibilities. However, BISP's capacity needs to be enhanced as the complexity of its mandate increases, particularly on activities related to WeT and complementary services, as well as on NSER management. The number of staff in each field office should be related to workload, geographical profile of locality, and number of beneficiaries. Coordination with local governments and provinces needs to be strengthened. The Government has proactively initiated partnerships with the provinces for delivery of WeT; these will be further strengthened throughout the life of the Program.

### *Oversight and M&E*

22. **There are several oversight mechanisms for BISP.** Foremost is the BISP Board that reviews and approves the budget and program rules and broadly monitors to ensure transparency. Field offices are supervised through physical monitoring and the review of reports, but visits need to be standardized and reporting made more complete and regular. An independent internal audit unit submits its reports to the Board. The Auditor General Pakistan (AGP) carries out an annual financial audit. Third-party reviews covering various operational aspects are carried out regularly and disseminated.

23. **The BISP M&E Wing is responsible for devising and guiding the program evaluation strategy and the implementation of related activities.** Information on program outcomes drawn from a multiyear third-party impact evaluation has been disseminated publicly. While sufficient monitoring data is produced upon request, more regular standardized reporting is needed for management and the public. BISP prepared

detailed M&E plans for the program lifetime, which will include additional indicators to be monitored with priority, as shown in table 3.4.

**Table 3.4: Monitoring Indicators**

Indicators		Unit of Measure	Baseline	Frequency	Data Source / Methodology	Responsibility for Data Collection
1	Number of households with updated/new Poverty Score Card information in NSER	Millions	0.00	Biannual	BISP NSER database	BISP
2	NSER dynamic update mechanism designed and piloted	Yes/No	No	Annual	Operational Manual and guidelines Operations review report	BISP
3	Number of female beneficiaries trained on financial literacy module	Thousands	5.00	Annual	BISP progress reports Training provider reports	BISP; training provider
4	Percentage of BISP beneficiary accounts credited within 15 days of the stipulated pay period	%	80.00	Quarterly	PSP reconciliation reports; BISP quarterly payments reports; BISP MIS reports	BISP, PSP
5	Percentage of tehsil offices staffed in accordance with redefined responsibilities	%	0.00	Annual	Tehsil office resource allocation plan	BISP
6	Percentage of WeT grievance redress claims settled within three months	%	60.00	Quarterly	BISP MIS report	BISP
7	Percentage of NSER update grievances settled within three months	%	0.00	Quarterly	BISP MIS report	BISP
8	Number of districts implementing the WeT program	Number	32.00	Quarterly	WeT budget; provincial agreements; supply capacity assessment report; expansion plan report; contractual agreements with implementing partners.	BISP

*Mechanisms to Address EFC*

24. **Safety net programs like BISP channel a large amount of public resources.** Thus, it is important to ensure that these reach the intended beneficiaries. Although there is no explicit strategy, BISP contains several features, starting from its design, which are likely to reduce the potential for error, fraud, and corruption. These mechanisms (listed in table 3.5) need to be consolidated into a strategy and some components, such as monitoring, need to be strengthened.

**Table 3.5: BISP Instruments to Reduce EFC**

Prevention	<ul style="list-style-type: none"> <li>• Program budget consistent with eligibility criteria</li> <li>• Separation of functions for eligibility determination and delivery of payments</li> <li>• Possession of Computerized National ID Card necessary for program enrollment</li> <li>• Third-party quality control by following Operational Manuals and process evaluations</li> <li>• Technology-based payments through debit cards</li> <li>• Use of MIS to support processes including checks for duplicate applications</li> <li>• Use of conditions (as WeT rolls out)</li> </ul>
Detection	<ul style="list-style-type: none"> <li>• Cross-checks with NADRA databases</li> <li>• GRM</li> </ul>
Deterrence	<ul style="list-style-type: none"> <li>• Affidavit on PSC form refers to sanctions for provision of incorrect information</li> </ul>

### *Mechanisms for Handling Complaints and Grievances*

25. **Individuals can lodge complaints through post, email, a toll-free number, or in BISP offices.** Authority to resolve complaints lies largely with BISP headquarters, but tehsil offices receive complaints, as well as inform beneficiaries to minimize resolution time and provide more personalized attention. All BISP offices are linked to an online web-based system to register and process complaints. BISP has both internal and external action committees to address complaints received against staff or contractors. On average, 98 percent of grievance claims (listed in table 3.6) are acted upon within 72 hours of reception. For WeT, a customized web-based system is available at tehsil offices. Issues to be addressed include revising procedures to incorporate divisional and provincial office oversight, integrating MIS modules, and upgrading reporting software.

**Table 3.6: Grievance Types**

<b>Reason for Appeals/Complaints</b>	<b>Number of Cases Resolved</b>
<b>Being declared ineligible:</b> Appeals by households surveyed in 2010/2011 and ineligible because poverty score is above eligibility threshold	373,766
<b>Not being surveyed:</b> Complaints by households not surveyed in 2010/2011 who seek a survey	25,288
<b>Household suspension:</b> BISP has the authority to ‘suspend’ a beneficiary household in case detailed enquiry is required if there are complaints by others that the household is not poor. During suspension no benefits are paid. Another reason for suspension is detection by BISP of individuals with identical Computerized National ID Card numbers in more than one household.	22,561
<b>Quality of service:</b> Complaints by beneficiaries on BISP staff and vendors (survey teams).	58
<b>Request for resurvey:</b> Households who wish to have a resurvey conducted because they were not satisfied either with the poverty score or how the survey was carried out.	3
<b>Total</b>	<b>424,676</b>

### *Citizen Engagement and Social Accountability*

26. **The BISP has invested resources to directly engage beneficiaries and use feedback mechanisms to strengthen program design and implementation where necessary.** Moving forward, the Program will mainstream citizen engagement using measurable tools and procedures. These consist of M&E tools and the abovementioned GRMs. The Program will continue to use spot checks and process evaluations to measure progress against critical activities. These include the NSER update, payment model revision, and WeT consolidation and expansion. Surveys, including Citizen Report Cards, will be used to solicit beneficiary feedback on the quality and satisfaction of service delivery. The Program’s M&E framework includes assessments to track beneficiaries’ participation in complementary services, and identify, among other aspects, various dimensions of beneficiary participation in these services including relevance of the service and the ease of enrollment. The Program will also strengthen existing social mobilization procedures to ensure engagement with vulnerable groups and IPs, where present, and develop mechanisms to undertake consultations with these groups. Finally, the Program will strengthen its GRMs through further mainstreaming processes at the field office level. These include procedures for divisional and provincial offices oversight of GRM tools and integration of different GRM modules at tehsil office level for a more efficient service delivery experience for beneficiaries.

## **D. Economic Justification**

### *Development Impact in Expected Benefits and Costs*

27. **The Program is expected to benefit at least 50 percent of families in the poorest quintile, who will receive cash transfers aimed at providing income support and protection from shocks, through a robust safety net system.** Additionally, the Program will promote school attendance for at least 1,000,000 additional children from BISP beneficiary families and promote linkages to complementary social and

productive services for at least 400,000 beneficiary households. Expected benefits include, but are not limited to (a) increased food consumption and improved nutrition; (b) increased primary school enrollment and attendance; (c) increased women empowerment; (d) improved financial inclusion; and (e) improved access to services that facilitate productive inclusion and increased welfare.

28. **Evaluations of the BISP basic cash transfer have shown that the program increased per adult equivalent monthly food consumption by about PKR 70 and total per adult equivalent monthly consumption by PKR 188, an 11 percent increase for BISP beneficiaries relative to the baseline (PKR 1,700).** It is expected that the Program will have a similar impact on beneficiaries' consumption over its four-year life span. In line with higher food consumption, impact evaluations also showed reduced rates of wasting among girls (ages 0–59 months), a measure of short-term malnutrition (BISP first, second, and third Impact Evaluation Reports, Oxford Policy Management).<sup>35</sup> Similar findings of impact on girls' nutrition accompanied by less or no impact on boys' nutrition have been reported elsewhere (for example, see the review of six cash transfer programs by Manley et al. 2012<sup>36</sup>). Box 1 details BISP evaluation findings.

### **Box 3.1. Key Results from BISP Impact Evaluations**

Three waves of the quantitative and qualitative evaluation of BISP from 2014, 2015, and 2016 are available, after initiation of the program in 2009.

#### *Consumption and welfare*

- Positive impact on per adult equivalent monthly consumption expenditure of PKR 188
- Increase in per adult equivalent monthly food consumption (PKR 69), driven by high quality protein which can be expected to lead to significant improvements in the quality of diet
- Decrease in the poverty rate of beneficiaries when using a Food Energy Intake poverty line
- Decrease in deprivations, particularly quality of flooring in homes and quality of cooking fuel

#### *Health and nutrition*

- Reduction in wasting among girls. No significant impact was found on wasting among boys.

#### *Women's empowerment*

- Third round of the evaluation reports a positive impact on mobility of beneficiary women, with more women being allowed to freely travel to various locales in their community alone

#### *Livelihoods.*

- Reduction in the proportion of men engaged in casual labor and an increase in the proportion of men engaged in agricultural activities or looking after livestock
- Decrease in the proportion of women engaged in unpaid family help
- Increase in the proportion of beneficiary households that own small livestock, including sheep and goat

#### *Asset retention and accumulation*

- Increase in the proportion of beneficiaries with savings driven by higher formal savings
- Positive and statistically significant impact on the share of beneficiaries who have some form of savings

#### *Education*

- The CCT has shown an increased enrollment in primary schools by 9 percent
- The BISP UCT alone was not found to have a significant impact on education enrollment

29. **The update of the NSER and PMT formula will improve targeting efficiency, increase coverage of the poor, and enhance horizontal equity.** The gains in targeting efficiency (over 5 percent of program spending) will be achieved at an estimated cost of less than 2.5 percent of program expenditures

<sup>35</sup> BISP first impact evaluation report, <http://www.bisp.gov.pk/Others/BISPFIRSTImpactEvaluationReport.pdf>

<sup>36</sup> How Effective are Cash Transfer Programmes at Improving Nutritional Status?, available at <http://www.cashlearning.org/downloads/q33-cash-transfers-2012manley-rae.pdf>

over four years. The systems improvements supported by the program will also minimize errors and fraud, reduce costs for beneficiaries, and enhance BISP impacts.

30. **The CCT scale-up is expected to raise primary school enrollment of children in beneficiary households, given impact evaluation results.** The combined UCT and WeT were estimated to increase the share of children (ages 5–12 years) enrolled by 10 percentage points. The marginal effect of WeT was estimated to be almost as large, with an increase in the enrollment rate by 9 percentage points, similar for girls and boys. Those estimates are larger than the 6 percentage points reported in a review of the impact of eight CCTs on education (Saavedra and Garcia 2012<sup>37</sup>), not surprising given lower baseline enrollment in Pakistan: 71 percent for boys and 60 percent for girls, compared to 84 percent overall in the meta-analysis.

#### *Cost-benefit Analysis and IRR of the WeT Scale-up*

31. **The cost-benefit analysis of the WeT scale-up uses the Present Discounted Value method.** The main expected benefit is an increase in school enrollment of children of ages 5–12 years in the 32 current and 18 additional districts of the scale-up, leading to higher lifetime earnings. The following assumptions and data sources were used for the analysis.

- (a) **Private per child cost of primary education:** There are two components: (i) out-of-pocket expenditure and (ii) opportunity costs. The first is estimated using HIES 2013/2014, by taking the average annual per child household expenditure on education across grade 1 to 5 among BISP eligible households, an estimated US\$25 per year per child. For opportunity costs, it is assumed that 13 percent of children ages 10–12 years in BISP eligible households would be engaged in wage labor if not enrolled in school, the current participation rates derived from the HIES, with yearly earnings of US\$270, based on HIES estimates. With these assumptions, it is estimated that total household out-of-pocket expenditure over the Program years is US\$56 million, while opportunity costs (foregone wages) is US\$51 million (in nominal terms).
- (b) **Increase in primary school enrollment:** To simulate the ex ante impact of the WeT scale up, the impact evaluation parameter of an increase in enrollment by 9 percentage points is used. The scale-up districts have not been identified but are expected to have education supply conditions comparable to current districts. Results of a sensitivity analysis under low-case (7 percentage points) and high-case scenarios (11 percentage points) are presented.
- (c) **Benefits due to increased lifetime earnings for primary attendees, conditional on being BISP eligible.** Those are estimated using HIES 2013/2014 data, based on the assumption that cash transfers improve children’s ability to complete school and earn higher wages as adults. The average annual wage differential for BISP eligible individuals who attended primary school and those who did not was estimated to be US\$300.<sup>38</sup> Lifetime earnings are calculated for five cohorts of primary completers over a period of 40 years from ages 15 to 55 years. Labor force participation is assumed to be 60 percent, the rate among BISP beneficiaries that attended primary education, estimated from the HIES 2013/2014.

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<sup>37</sup> Impacts of Conditional Cash Transfer Programs on Educational Outcomes in Developing Countries, RAND Labor and Population working paper series, available at [https://www.rand.org/content/dam/rand/pubs/working\\_papers/2012/RAND\\_WR921-1.pdf](https://www.rand.org/content/dam/rand/pubs/working_papers/2012/RAND_WR921-1.pdf)

<sup>38</sup> Returns to education were estimated using a variation of the standard Mincerian equation where the logarithm of monthly earnings is regressed on a dummy for having completed primary school, controlling for age and its quadratic term. Because earnings are only observed for a subset of the population in a non-random fashion, a two-step Heckman procedure was used to account for selection.

- (d) Compliance with the CCT attendance conditionality is assumed to be 80 percent.
- (e) The discount rate is 10 percent based on growth projections for Pakistan. Inflation is assumed to be 5 percent per year, based on International Monetary Fund (IMF) projections.

32. **Increased lifetime earnings associated with school attendance are large relative to the expected costs of the Program (US\$634 million compared to US\$219 million), mainly public investments (US\$180 million).** Scaling up WeT could yield an IRR ranging from 19 percent to 22 percent and NPV between US\$323 million and US\$507 million; these are conservative estimates because additional benefits and externalities due to the program such as improved health outcomes (reduced malnutrition) are not included.

33. **Evidence from BISP impact evaluations suggests that some families already use cash transfers to purchase productive assets.** The Program aims at facilitating access to services that would help productive and social inclusion of the poor. Complementary services could potentially include the asset transfers scheme administered by the Pakistan Poverty Alleviation Fund, the Prime Minister’s Interest Free Loan scheme and National Health Insurance, and the National Immunization Support program. Global evidence suggests that linkages to complementary services can be effective. The experience of PROSPERA in Mexico is that coordination with complementary service programs generates benefits for stakeholders.

**Table 3.7: Expected Benefits of Linkages to Complementary Productive and Social Services**

Stakeholders	Expected Benefits of the Coordination Model
BISP Program	Broadening benefits and services for target population and reinforcing cash transfer with complementary actions
State and local governments	Availability of additional tools to increase effectiveness of social spending, such as improved targeting and territorial presence
BISP beneficiaries	Facilitated access to services that can promote productive and social inclusion

34. **Facilitating access of BISP beneficiaries to complementary services is the objective, with the expectation that over time participation will contribute to improved socioeconomic welfare.** Members of 400,000 beneficiary households are expected to benefit. The soundness of the approach depends on the effectiveness of existing social and productive programs. However, these are beyond BISP’s control and the Program’s scope. Evidence on programs attempting to improve the productive and social inclusion of the poor—based on the existence of impact evaluations, similarities with BISP (target population and objectives), and relevance to Pakistan—demonstrate positive impacts. These include: gains in per capita consumption, increase in livestock revenues and increase in total asset value index (Pakistan Consultative Group to Assist the Poor experiment); increase in asset and investments, increase in business size, and increase in business income as a share of total income (microcredit schemes in Bosnia, Ethiopia, India, Morocco, Mexico and Mongolia); reduction in average out-of-pocket spending, and reduction in mortality rate from conditions responsive to services from 0.32% in eligible households to 0.90% in households just above eligibility cutoff (India Vajpayee Arogyashree scheme).

## Annex 4: Summary Fiduciary Systems Assessment

1. **The FSA concluded that, subject to implementation of the Program Action Plan to mitigate the identified risks, the overall fiduciary framework is adequate to support Program implementation and to achieve the desired results.** The FSA comprised an assessment of the fiduciary risks relating to (a) procurement, (b) FM, and (c) governance (including fraud and corruption) relevant to the Program. The objective of the FSA is to provide a reference that can be used to monitor fiduciary systems' performance during program implementation and identify actions, as needed, to enhance those systems.

### A. Legal Framework

2. **BISP, established under BISP Act 2010, is a corporate body having perpetual succession and common seal with the power to acquire and hold property.** The Secretary is the Principal Accounting Officer, is responsible for the preparation of budget estimates each year, and submits the budget for Board approval. BISP maintains accounts as prescribed by the AGP. According to the BISP Act, the internal auditor should report to the Board.

3. **Procurement is carried out at BISP using Public Procurement Rules for Government funded activities and the World Bank's Procurement Guidelines for the World Bank-funded activities.** The World Bank supported BISP to prepare a detailed Procurement Manual to streamline processes. However, there are many instances when it is not adhered to. For example, payment delays indicate that the mechanism and timelines for payments mentioned in the manual are not being fully followed. In the last six years, the average time taken for payment is 72 days, which is more than double the time stipulated in contracts (30 days).

### B. Assessment of Program Financial Management Systems

#### (i) Staffing Arrangements

4. **Financial Management:** BISP has a dedicated F&A Unit adequately staffed with qualified and experienced officials. Clear roles and responsibilities defined in job descriptions ensure segregation of duties. Employees have experience and possess enough knowledge of the World Bank disbursement methods and FM requirements.

5. **Procurement:** The Procurement Unit is headed by a Procurement Director (a Government staff posted on deputation), and supported by two Procurement Specialists (goods and works). There is no mechanism for knowledge management and training to build procurement capacity among staff and retain knowledge capital. Almost 90 percent of the tactical staff is employed on deputation basis coming from different departments/organizations and staying for a specific period. When they leave, they take with them all the expertise and knowledge gained during their time at BISP.

#### (ii) Planning and Budgeting

6. **The risk of Planning and Budgeting is assessed as Moderate, which can be reduced to Low upon implementation of recommended risk mitigation measures recommended by the FSA.** After approval by the Parliament, the MoF communicates a one-line budget to BISP in June which allows BISP to prepare a detailed budget for Board approval.

7. **Currently, budget comparison and analysis reports are not prepared by the F&A Unit for monitoring performance and analyzing utilization of funds.** It is recommended that budget comparison

and analysis reports are prepared on at least a quarterly basis to improve utilization and encourage timely corrective action where warranted.

8. **The budget process has been assessed as adequate.** Annual budgets were revised during the financial year and have included the amount that is expected to be received from the World Bank based on achieving DLIs and carrying out TA activities. It is recommended that the budget should better align to the plans of BISP through the use of an output-based budget approach as adopted by federal government in its Medium Term Output Based Budget.

9. **Procurement planning:** The Procurement Wing leads the procurement planning process in consultation with the technical wings. For all World Bank-funded procurement activities, a procurement plan is prepared annually, updated in an automated system, Caliper, and reviewed quarterly and during each mission. However, despite close monitoring, there are delays. The variance between the estimated and actual cost is also significant indicating weak market analysis while preparing estimates. Under the Program, procurement planning needs to be improved with realistic timetables, adequate market analysis, and close monitoring. There should be close oversight from BISP top management.

**(iii) Funds Flow**

10. **For the purpose of the proposed operation, the risk in funds flow is Low.** For the Program, upon achievement of the agreed set of DLIs the equivalent PKR cover of foreign funds will be deposited in the federal government account I. The reconciliations of all bank accounts are prepared on monthly basis by the finance officer, reviewed by a Financial Management Specialist and approved by DG, F&A.

**(iv) Accounting and Financial Reporting**

11. **Accounting and reporting Risks are assessed as Moderate.** BISP is using cash basis accounting to record all financial transactions. All expenditures were recorded in BISP accounts using the chart of accounts under the new accounting model and expenditures are recorded at the time of payment for goods/services. BISP is using Quick Books Pro for accounting and reporting. The books of account and the fixed assets register are up to date and reconciled. The finance staff maintains regular backups of accounting data. BISP data should be integrated with the countrywide Integrated Financial Management Information System (IFMIS).

12. **Audited financial statements of the World Bank-funded project for the year ending June 30, 2015 were received by the World Bank within the due date and were acceptable to the World Bank.** BISP is required to prepare financial statements on [International Public Sector Accounting Standards \(IPSAS\)](#) cash basis.

**(v) Internal Controls**

13. **Internal control risk is assessed as Moderate.** An Accounting and Finance manual defines the control environment of the organization. There is adequate segregation of functions between payment authorization, accounts section, procurement and administrative functions. However, despite clear job descriptions, an overlap remains between service delivery, procurement, and payment authorization functions, which in some cases delay payment. There also appears to be confusion over functions between internal audit and pre-audit undertaken by the Finance Department. As a result, despite a clear documented scope of the pre-audit, payments are subject to extended scrutiny. The success of a PforR, depends on seamless functioning of the government system. Payment authorization function is high risk, unless mitigation measures, including processing time limits and segregation of functions are implemented.

14. **The ToRs/scope of internal audit will be subject to review by the World Bank.** The results of the regular internal audits will form the basis for management action. During regular Program supervision, the World Bank will review the action taken by the management. The Board does not review internal audit reports on a regular basis. The Internal Audit Unit should provide sufficient time in the work plan for sample verification of BISP beneficiaries. The unit should also provide independent assurance on financial probity, economy, efficiency, and effectiveness of operations and expenditure.

15. **Procurement related risks are Moderate.** The Procurement Manual and the Standard Operating Procedures define tasks and timelines for each relevant officer/wing but there is no accountability in case of a delay in a task. Internal audit can play an important role to generate red flags; however, the observations of the internal audit show that they lack basic understanding of procedures and policies. Similarly, observation of the role of external auditors shows that because they are deputed for a short period they have insufficient orientation to SSN design and its implementation mechanism. They also have a very limited knowledge of different donors' procurement guidelines and this leads to fiduciary risks.

**(vi) Procurement Process**

16. **Bidding documents and Request for Proposals.** Currently BISP is using the World Bank's Request for Proposals and Bidding Documents for World Bank-funded activities. However, for the new Program, BISP needs to work on preparing their own detailed bidding documents/Request for Proposals, which will have to be reviewed and accepted by the World Bank, to ensure an efficient, economic, and transparent procurement process. On average, it takes the Procurement Wing 10 days to prepare bidding documents after receiving the ToRs/specifications of an activity.

17. **Evaluation process and award.** Procurement evaluation committees are constituted depending upon the thresholds of a procurement activity. Separate committees for both quotation and National Competitive Bidding (NCB)/International Competitive Bidding (ICB) are in place duly represented by coopted technical members. Although a detailed evaluation process is mentioned in the Procurement Manual, there are delays in finalizing procurement processes. The Secretary, BISP approves the recommendations of the Procurement Committee. However, there have been instances of delay in contract award for which no proper reasons were given. Generally, the evaluation process is completed within the proposal/bid validity period; however, there are a few instances where extensions are requested due to delays in technical evaluations.

18. **Disclosure of information:** All invitation for bids and requests for expression for procurement funded by the World Bank and the Government are published in the newspapers, United Nations Doing Business (in case of international), and the BISP website. The summary of contract awards, procurement plans, and complaint management system is also posted on its website.

19. **Complaint redressal mechanism:** BISP has created an online complaint redressal mechanism and posted it on its website. There is also a detailed section in the Procurement Manual to satisfactorily resolve complaints. According to the information shared with the World Bank, most complaints are for delayed payments, which BISP has addressed satisfactorily, except a few.

20. **Bidder participation:** Although every procurement is advertised widely, there are activities where there is a limited number of firms (three to four) in the competitive process. The reasons for low participation could be that there are only a few firms that are specialized in the area. However, BISP can do a detailed market analysis while planning the activity to improve competition.

21. **Contract management:** The Procurement Wing is responsible for the contract management process. However, the technical wings are required to accept the quality of deliverables for processing

payments. There have been serious delays in payment to firms mainly due to review and acceptance of deliverable by the technical wings. The Post Procurement Review conducted by M/s Ernst and Young, the World Bank’s consultant, also highlighted this as a serious issue, but progress is yet to be seen.

22. **Record keeping:** Records are properly maintained in files. However, security and safety needs to be improved. Currently there is no dedicated room or space for record keeping.

**(vii) External Auditing**

23. **External audit is assessed as Moderate.** The Federal Audit Office of the AGP will conduct the External Audit of the Program. Audited financial statements of the Program, according to past practice, will be submitted to the World Bank within six months of the close of the financial year. Going forward, the Departmental Accounts Committee (DAC) meetings should be held on a regular basis to avoid delays in verification of compliance of audit observations. The Program can be better served if the AGP has capacity to undertake performance audits.

**(viii) Detection Risk**

24. **Detection risk is assessed as Substantial.** For an organization the scale of BISP, detection risk will continue to be a challenge. In this regard, a number of controls are in place in BISP, including the NSER for targeting and MIS for generation of verified beneficiary payment lists and electronic cash transfers.

**C. Fiduciary Risk Assessment**

25. **The overall fiduciary risk (procurement and FM) is Moderate.**

26. **Review of overall procurement risk level.** Based on the following points the procurement risk of the overall project is rated Moderate.

- (a) Proportion of TA component subject to Procurement Guidelines in the overall Program is small
- (b) No Operations Procurement Review Committee-level large contracts have been identified until now in the Program.
- (c) Consistent implementation of risk mitigation measures proposed during life of Program.
- (d) Current capacity and structure of Procurement is expected to be in place during the Program.

27. **Overall risk at programme level is assessed as Moderate..**

**Table 4.1. Summary of Fiduciary Risks and Mitigation Measures**

<b>Risk</b>	<b>Initial FM Risk</b>	<b>Mitigation Measure</b>
<b>Country level</b>	<b>Substantial</b>	
Budgeting	Moderate	Adopt multiyear planning Align budget with procurement plans Prepare budget comparison and analysis report quarterly
Fund flow	Low	The GoP’s share of expenditure on SSN has consistently improved with regard to size of budget, as well in proportion to donor funds.
Accounting	Moderate	Adopt IPSAS cash basis Integrate with PIFRA IFMIS
Internal control	Moderate	Ensure regular meetings of Internal Audit Committee Track actions on recommendations of Internal Audit Notify time limits for payment authorization

		<p>Ensure implementation of job descriptions for procurement and payment authorization functions</p> <p>Conduct regular verification audit of beneficiary existence</p> <p>Capacity-building plan in FM and procurement should be developed during Program preparation.</p>
Procurement	Moderate	<p>Regular, experienced, and qualified procurement staff should be maintained during the life of the program.</p> <p>Capacity building plan to be developed to deliver workshops frequently to equip/update staff about new emerging trends/techniques in the field of procurement and contract management.</p> <p>Procurement Manual (covering complete cycle—planning, tendering, evaluation, award, and contract management with clear roles, responsibilities and timelines for each step or process) can be revisited for improvement. A detailed discussion with BISP management and action plan is required on how to successfully institutionalize manual before program launching.</p> <p>Stronger oversight of the procurement function needed by BISP’s top management.</p> <p>The complaint mechanism needs to be more efficient and properly disseminated.</p> <p>Annual third-party procurement performance review (20% random sample) to ensure required level of performance and compliance to manuals, policies, rules, and Statement of Procedures. ToRs will be discussed and mutually agreed by the World Bank and BISP teams.</p>
Financial reporting	Moderate	Regular training of FM staff
Audit	Moderate	The AGP carries out audit for the World Bank-funded Program. DAC meetings should be held on timely basis.
Detection Risk	Substantial	Internal Audit Unit should perform regular audit of beneficiary existence. Annual System audit of information technology resources.
<b>Overall FM Risk</b>	Moderate	

## Annex 5: Summary Environmental and Social Systems Assessment

### A. Introduction

1. **An ESSA was conducted on the social aspects of the Program.** The assessment concluded that the Program poses no environmental risks.
2. **Findings of the assessment have been used to define a specific action in the Program Action Plan, which is aimed at improving social development outcomes of the Program.** Recommendations contained in the analysis have been discussed with counterparts.
3. **The exercise mapped Program components in accordance with the Interim Guidance Note on ESSA and selected two principles for further assessment of social risk.** These included core principles related to (a) equitable access to program benefits giving special attention to rights and interests of IPs and to the needs or concerns of vulnerable groups and (b) avoiding the exacerbation of social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes. A social risk mapping was undertaken to assess the applicability of these principles.
3. **The assessment was prepared through a combination of relevant literature review, interviews with the government staff, and consultations with beneficiaries of BISP.** The ESSA undertook qualitative assessment of inclusion of marginalized groups, and IPs through purposive selection of sites in each province based on the presence of mobilized groups, marginalized groups, and IPs. Issues related to latent tension and friction were also assessed.

### B. Program Social Impacts

4. **The Program will lead to positive benefits for poor households, especially women.** Social benefits will include greater coverage of the poor (vulnerable, marginalized and so on) and greater proximity of the Program to the poor. The Program will facilitate further strengthening of the ongoing safety net programs through an updated NSER and through linking beneficiaries to complementary social and productive services. The new payment system emphasizes beneficiary-centric payments that will result in more transparency because of biometric-enabled disbursement; greater payment touch points; and facilitation of exceptional cases where biometric verification may not be possible.

### C. Key Risks

5. **Poor women beneficiaries belong to a highly marginalized and voiceless group that lacks literacy, agency, and power.** Lack of knowledge, dependence on men for financial/public matters, and lack of awareness about banking procedures and products including ATMs has often prevented women from withdrawing benefit transfers themselves. Given that the bulk of BISP payments are currently being disbursed using debit cards, requiring the beneficiaries to withdraw payments through either ATMs or from designated POS locations, it potentially allows such incidents to occur. The program evaluations<sup>39</sup> have highlighted that more than 96 percent of beneficiaries are satisfied with their payments drawn through debit cards. However, the ESSA field survey in a limited number of locations suggests that while most female beneficiaries do receive their benefits themselves, at times male intermediaries pocket all or part of the payment. Even if they are not victims of such fraud, BISP beneficiaries are often made to pay a fee to anyone who travels to places with an ATM or a POS location to withdraw payments on their behalf. Some beneficiaries have also reported lack of due attention by the partner bank's staff who either ignore them or delay the necessary support. The new payment model, approved by the BISP Board, is being rolled out in

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<sup>39</sup><http://www.bisp.gov.pk/Others/2ndImpactEvaluation.pdf>

phases. The system will enable biometric-enabled verification for withdrawal of payment and provide more payment touch points, and will be instrumental in reducing this risk. As a marginalized section, however, women might continue to incur opportunity costs and be susceptible to rent-seeking entities.

6. **The Program needs a mechanism to address marginalization of the mobile population.** Certain vulnerable groups often move from place to place for livelihood or basic survival; it is difficult to help such mobile populations because current enrollment procedures for programs do not accommodate mobile groups. BISP's objective while dealing with such populations should be to protect their rights and needs. For this, BISP must proactively engage with NADRA, the country's civil registration authority, and other agencies with direct experience of registering mobile populations. This should help in developing a mechanism that allows mobile communities and individuals to have the opportunity to be registered and verified in accordance with the eligibility criteria that conform to their needs.

7. **The country's IP community, the *Kalash*, has a peculiar and distinct cultural context and understanding of poverty, which is not easy to measure by applying standard PMT formula, which includes variables related to assets ownership.** Most of their assets are transient in nature and are neither permanent nor a source of regular/predictable income. Further, their definition of households is also transient and embedded in their attitude to the institution of marriage as defined in their culture.

8. **The assessment shows that there is no overt conflict between stakeholders. However, some friction exists in two aspects:** (a) tensions between BISP staff and beneficiaries due to institutional deficiencies and resultant disaffection and (b) interagency coordination issues leading to misunderstanding.

9. **The assessment also revealed beneficiary difficulties toward use of the GRM.** Beneficiaries visit BISP offices to report both recognizable and/or vague corruption and harassment, mostly revolving around payment issues. However, the user interface of the Payment Complaints Management System is restrictive in the sense that fraud and corruption cases cannot be entered as the same.

10. **BISP emphasizes social mobilization as an overarching strategy for its core program. This will also benefit its complementary programs.** Effective social mobilization has the potential of increasing local-level ownership of the Program, can enable greater information sharing and transparency, and should play a key role in beneficiary engagement and trust building. The Government has rolled out social mobilization in WeT program districts, serving as a vehicle for beneficiary women to develop a platform for not just accessing education for the children, but for supporting each other for improved access to BISP benefits. While this step improved school enrollment under WeT, it also demonstrates vast potential for greater communication between BISP and its beneficiaries and enables beneficiaries to voice their concerns, which remain untapped. BISP will continue to roll out the social mobilization process under the Program and the ESSA strongly endorses this step.

#### **D. Assessment of Borrower Systems**

11. **BISP's Operational Manual clearly provides disbursement of the Program's benefits to the poor by making payments to women heads of the beneficiary families.** The eligibility criteria as defined in the BISP Operational Manual provides that access to the program is nondiscriminatory and no significant aspects of the program leads to discrimination against minorities, certain women or age groups, nomads, disabled, IPs and so on. Although the nondiscriminatory nature is clear, the program does not ensure inclusivity of vulnerable groups and neither does it adopt any specific measures to reach out to the IP, a

particularly marginalized and disadvantaged group.<sup>40</sup>

12. **BISP has a Social Mobilization Manual and related guidelines and operations documents focusing on WeT that are being updated.** Field resources and financial capacity prevents its proper implementation. BISP is considering institutional capacity building by placing additional staff at the head and field offices to implement and manage the social mobilization process effectively.

13. **BISP's understanding of vulnerability and concepts on relative poverty are not properly defined.** This makes it difficult for program partners to understand BISP's priorities with regard to addressing certain sections of society. It also means that BISP relies on the GRM to resolve problems that stem from the vulnerability and lack of mobility of its beneficiaries. Further, several hard-to-reach pockets of specially marginalized people need to be included to ensure that BISP benefits reach them.

14. **Capacity strengthening is required in various operational areas at the field office level to address social conflicts.** BISP staff are inadequate in number to deal with the volume of demand. Staff also lack critical skills such as conflict and crowd management. BISP offices need to be beneficiary-friendly and safe with standardized services and conveniences for visitors.

#### **E. Recommendations and Proposed Actions**

15. **BISP must define eligibility criteria for marginalized, vulnerable people and IP.** While the assessment agreed with the use of the PMT as the most relevant targeting tool for the country, it concluded that the PMT cannot adequately capture the multidimensional vulnerabilities of the above population groups. The Program may conduct a pilot testing of the NSER update in *Kalash* valleys to minimize the problems faced by IPs during the previous survey and to ensure that the methodology adopted is culturally appropriate for IPs. Further, it must devise means to identify and stimulate highly marginalized groups to participate in the Program.

16. **BISP needs to place dedicated staff within a relevant unit with a mandate to oversee the social mobilization process and engage with vulnerable groups and IPs (where applicable) at the federal and provincial level.** Their specific mandate will be (a) to develop an institutional strategy and associated Standard Operating Procedures for social mobilization of BISP beneficiaries (of the basic income support and WeT programs); (b) to promote strategic consultation and information sharing with mobilized communities; and (c) to ensure engagement with vulnerable groups and IP (if present in that province). The assessment strongly supports the Program design that ensures that BISP undertakes social mobilization for its core program across the country, duly supported by clear institutional capacity and vision. This should be the basis of engagement, trust building, information sharing, and making processes easier for the beneficiaries.

17. **BISP needs to strengthen its policy specifically with respect to vulnerability and IPs.** BISP uses various related terms interchangeably and needs to define them within its scope of work. This will allow BISP and its partners to understand population priorities and clarify its vision and implementation strategy. BISP will benefit from a guiding document on multiple vulnerabilities and forms of relative poverty (that is, beyond absolute poverty) that are currently preventing several beneficiaries from accessing the program. This will enable BISP to understand the opportunity and social costs faced by women in accessing the program.

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<sup>40</sup> Core Principle 5 of ESSA directly relates to vulnerable groups and IP. It requires that due consideration is given to cultural appropriateness of, and equitable access to, program benefits, giving special attention to rights and interests of IPs and to the needs or concerns of vulnerable groups.

18. **Institutional strengthening of field offices.** Intradepartmental and interdepartmental communication and information sharing should be improved. Working conditions in the field should also be improved with appropriate logistics and facilities. More female staff should be recruited in BISP field offices to help women beneficiaries. BISP also needs to develop a safety and security protocol for its offices and staff and formulate a crowd/mass management manual and accordingly train the relevant staff.

19. **Improved communication.** Although the BISP Operational Manual provides framework for carrying out Public Information Campaigns, the ESSA field surveys for the assessment noted that implementation was irregular and inadequate and needs to be improved, especially for vulnerable groups and IPs. The assessment also recommends training and capacity building of BISP staff, beneficiaries, and other stakeholders with a focus on developing skills for improved grassroots-level communication and community engagement.

20. **Improved case management.** This includes a more flexible and responsive GRM to improve service delivery. BISP would benefit from an assessment of its GRM process and procedures. It can conduct a user satisfaction survey to understand issues faced by beneficiaries to use the mechanism.

21. **Providing registration and service delivery for persons with special needs.** Although the percentage of biometric verification issues may remain relatively small, it still becomes a major cause of concern when the affected individuals are truly vulnerable and dispossessed. Some disabled people and those who engage in labor that distorts biometric identification may face challenges. Technology alternatives and/or more flexible bureaucratic processes are recommended where a ‘vulnerable-first’ approach is declared and adopted.

22. **Promoting more responsible and mutually accountable partnerships.** It is recommended that in contracts the banks, the Government should build in measures for the banks to provide the expected services to beneficiaries along with remedies in the case of failure to honor contractual obligations.

## Annex 6: Program Action Plan

Action Description	Due Date	Responsible Party
<b>Technical</b>		
<p><b>BISP strengthens capacity of the NSER Unit to operate the NSER as a Social Registry Information System for social sector programs in the country.</b></p> <p>BISP will prepare an Operations Manual for the Social Registry Information System to be maintained by the NSER Unit including (a) the functions and activities to be carried out by the revamped NSER Unit (for example, registry maintenance, cross-checks and updates of information, easy to use data sharing procedures, and so on) and (b) the required staffing and corresponding skills/qualifications to perform these functions. BISP will fill all positions in the revamped NSER Unit according to the Operations Manual.</p>	March 31, 2018	BISP
<p><b>The WeT expansion plan is approved, in accordance with micro capacity assessments in the rollout districts, completed in collaboration with respective provincial governments.</b></p> <p>The action includes the following activities: (a) defining and agreeing the methodology and procedure for micro capacity assessment with provinces; (b) completing macro capacity assessment in collaboration with the respective provinces; (c) agreeing with the provinces on selection of new rollout districts informed by the findings of macro supply capacity assessment; and (d) preparation and approval of the expansion plan by the competent authority.</p>	June 30, 2018	BISP
<p><b>Recertification Strategy developed and approved by the Board.</b></p> <p>BISP will prepare a strategy for beneficiaries' recertification based on analysis of the updated NSER data. The strategy will specify the new PMT cutoff/eligibility score and the approach to be used for exiting beneficiaries who are no longer eligible to participate in the basic income support program and those who are newly eligible and should be enrolled in the program. The strategy will present the recertification implementation timelines (including the time frame within which beneficiaries will be enrolled in the program according to the new eligibility cutoff), expected caseload (including in and out beneficiaries following recertification), and associated operational and fiscal implications.</p>	March 31, 2018	BISP
<p><b>Complementary Services Operations Manual prepared and approved by the Board as a regulation, defining the governance, operations, and monitoring of beneficiaries' access to complementary services.</b></p> <p>BISP will (a) develop a criteria for selection of complementary services relevant to the welfare and self-sufficiency needs of basic income support beneficiaries and (b) prepare an Operations Manual outlining the objectives, management structure, governance, and operational arrangements for systematic linkages and partnership with selected service providers including M&amp;E protocols for tracking beneficiaries' access to these services.</p>	December 31, 2017	BISP

5	<p><b>Regular quarterly internal audits of the GRM cases pertaining to eligibility.</b></p> <p>The action includes the following activities: (a) scope for a sample-based GRM internal audit pertaining to eligibility of new appeals and pending eligibility cases approved by the Secretary, BISP; (b) qualified resources assigned to complete the audit in the stipulated time; (c) a sample of cases in accordance with audit scope picked at the end of each quarter from the appeals approved during that quarter and reviewed for EFC; (d) quarterly audit reports with proposed actions for improvements submitted to the Secretary, BISP; and (e) status report on actions taken in accordance with internal audit reports.</p>	Quarterly, from the calendar quarter starting after three months of effectiveness.	BISP
<b>Fiduciary</b>			
6	<p><b>BISP revises and adopts Procurement Manual agreed by the World Bank.</b></p> <p>BISP will make revisions based on consultations with the Bank's fiduciary team and adopt it after approval of the competent authority.</p>	Within one month of effectiveness	BISP
7	<p><b>Independent fiduciary performance reviews are conducted.</b></p> <p>These reviews will be undertaken by an independent firm, over and above the routine audits carried out by the Office of the AGP, and their scope will be defined in consultation with the World Bank's Fiduciary team.</p>	Annual	BISP
8	<p><b>An EFC framework identifying key processes is finalized and adopted.</b></p> <p>BISP will undertake an assessment of the controls for tackling EFC in its cash transfer programs (the basic income support and WeT). The purpose is to assess existing EFC controls against international best practice and to recommend ways of improving controls in BISP over time to enhance safeguards against EFC and strengthen capacity. BISP will prepare an EFC framework based on findings from that assessment, focusing on preventing, detecting, and deterring EFC in its cash transfer programs.</p>	June 30, 2018	BISP
<b>Environment and Social</b>			
9	<p><b>BISP appoints a dedicated social engagement team, comprising at least two staff, to ensure incorporation of social concerns in all operational, and M&amp;E processes.</b></p> <p>BISP appoints at least two appropriately qualified and experienced staff with the specific mandate to (a) review the design and implementation arrangements for the BISP core programs and take action to ensure they are responsive to the needs of vulnerable groups and IP; (b) design and implement citizen engagement measures to strengthen the social accountability of the Program; and (c) prepare and disseminate annual status reports on both (a) and (b).</p>	December 31, 2017	BISP

## Completion Measurement

Progress toward Program actions will be monitored during the World Bank supervision missions. Following the completion of each action, the World Bank missions will continue to monitor the enforcement and/or application of relevant actions. Actions that are recurring (annual/quarterly) will be monitored during regular supervision missions as well as through quarterly updates shared by BISP with the in-country World Bank team.

## Annex 7: Technical Assistance

1. **The TA component will be an IPF for an amount of US\$10 million.** Implementation under the TA component will be managed in accordance with OP/BP 10.00 (Investment Project Financing).

2. **The objective of the TA component is to strengthen the capacity of the implementation agency to design, deliver, and monitor and evaluate the activities needed to achieve the Program objectives.** Strategic TA will be provided to guide the achievement of DLIs and Program Actions; support capacity building of the implementing agency; and finance specialized inputs as and when needed. This will be achieved through assistance in four programmatic areas: development of a dynamic NSER model; M&E; capacity building; and strengthening of fiduciary, social, and environmental controls.

### A. Dynamic NSER

3. **TA will be leveraged to pilot and evaluate models for dynamic updates of the NSER.** This will entail finalizing the design and developing monitoring arrangements for testing options; and rollout and evaluation of options to be piloted in a selected number of districts. The objective of these pilots will be to test and evaluate the elements shown in table 9.1.

**Table 9.1. Dynamic NSER Update**

Areas of Work	Components
Design	Manuals, operational plan, and guidelines
BISP MIS	Requirements, architecture, and modules
Tools	Data collection instruments
Tehsil offices	Contingent short-term staffing, equipment, and utilities requirements
Communication	Public information campaign, internal communication, and social mobilization

4. **The Program implementing agency, BISP, will also be assisted in the analysis of updated NSER data with the objective of developing and finalizing a recertification strategy.** This includes an analysis of modalities to manage the potential exit of beneficiaries who no longer meet the eligibility criteria of the basic income support program, and the entry of new families who meet the eligibility criteria alongside an analysis of the fiscal implications of new entries and exits.

### B. Monitoring and Evaluation

5. **TA will be mobilized to reinforce the M&E capacity of BISP.** With the rapid expansion of the basic income support and the WeT program, BISP's M&E systems have to be strengthened to keep pace with and be responsive to program growth. Accordingly, TA will be used for the development of field office performance measurement arrangements to support streamlined internalization of revised roles and responsibilities across all field offices. With strategic outsourcing of program functions, BISP will also be provided support to select the right tools to monitor activities of all implementing partners and stakeholders. These include process evaluations and spot checks to track program implementation and make relevant information publicly available for increased accountability and transparency.

6. **BISP's M&E systems will have to adapt to monitor beneficiary uptake of complementary social and productive services.** This will entail the development of an information module for complementary services to host key monitoring metrics. Tracer studies will be used to track beneficiary participation in complementary services. The studies will be based on a representative sample of

complementary services to ensure that all services can be assessed in relation to the enrollment and participation of beneficiaries. BISP will need to identify a firm or institution with strong experience on social protection issues to provide adequate oversight using the tools above.

7. **One or more IVAs will also be contracted by BISP for the external verification of evidence for DLIs.** DLI verification protocols (full details in annex 2) will draw from a range of sources including BISP MIS reports, relevant operational manuals, and training curricula.

### C. Capacity Building

8. **TA will be leveraged to support capacity building in some of the following critical areas:**

- (a) **Financial inclusion:** As the Government transitions beneficiaries to a new payment model, financial literacy training will be imperative to ensure beneficiaries understand their rights and procedures in relation to accessing payments. Under a previous World Bank-funded TA, BISP developed a financial literacy training module which was used to train 5,000 beneficiaries. Through the TA component, the Government will be supported to make changes to the module, as needed, and to deliver training on the new biometric-verification-based payment model.
- (b) **BISP MIS audit:** TA will be used to hire a relevant firm, with established expertise, to conduct a complete audit of BISP information systems and their modules. Capacity building will be necessary to develop a comprehensive ToR to guide the firm in undertaking the audit and developing an action plan suited to the Government's functional needs and requirements.
- (c) **Provincial and tehsil office training curricula:** TA will be used for the development of training material for provincial and tehsil office staff in accordance with their redefined functions as they relate to the WeT program and integrated case management. In addition, TA will be used to tailor curricula for relevant education and local government officials on their roles in the WeT program cycle, with a particular emphasis on compliance monitoring functions. Finally, TA will be used to help develop performance management arrangements for provincial and tehsil offices.
- (d) **Beneficiary-centric communication:** The program primarily communicates through the platforms of the BBCs to institutionalize participatory mechanisms for enhanced transparency and accountability. As part of the consolidation and expansion of the WeT program, BISP will procure the services of an implementing partner firm to carry out social mobilization functions. However, program staff will perform a critical supervision role to ensure BBC sustainability and manage the creation and dissemination of relevant communication material. TA will be provided to strengthen Program functions including awareness and capacity building of the BBCs on some of the following thematic areas: WeT co-responsibilities and importance of education, rights of beneficiaries, redress mechanisms, and access to complementary services. These will be delivered through targeted communication material and training manuals for BBC mother leaders. TA will also be used to develop and fine-tune communication tools, such as street theatres, to generate greater beneficiary awareness and capacity building.

### D. Strengthening Fiduciary and Environment and Social Controls

9. **TA will be used to strengthen key Program functions as outlined in the PforR assessments.** The component will support an updated EFC review with a focus on GRMs. In addition, TA will support

annual fiduciary performance reviews to validate whether the program is following the relevant operational manuals, policies, and Standard Operating Procedures, check if fiduciary systems are functional, and propose mitigation measures to address gaps, if needed. This will include a first-year baseline review followed by annual reviews to ensure continued World Bank's support.

#### *Institutional and Implementation Arrangements*

10. **The institutional and implementation arrangements for the TA component will be the same as for the PforR.** The World Bank's assessment is that the implementing agency, BISP, has adequate capacity to fulfil its procurement and FM responsibilities as defined under OP/BP 10.00 and that the proposed arrangements (that is, flow of funds, budgeting and accounting, internal controls, and so on), as detailed below, are adequate.

#### **E. Financial Management**

11. **The TA will be managed and implemented by BISP, which is a statutory body with an independent Management Board.** BISP has independent FM arrangements but is subject to government budgetary system controls and external audit oversight by the AGP. BISP has been implementing the existing World Bank financed SSN project and its FM performance, including submission of financial reports and audit reports, has been Moderately Satisfactory.

12. **An assessment of BISP's FM arrangements, funds flow, and disbursement arrangements has been completed for the Program.** BISP is adequately staffed and has well-documented institutional arrangements and operational procedures. The proposed budgeting, funds flow, accounting, internal control, and financial reporting systems and audit arrangements, together with strengthening measures, are considered adequate for the Program and accompanying TA. BISP must retain qualified FM staff including a dedicated FM specialist. Measures to enhance and strengthen the MIS, key internal payment controls and systems, and internal audit scope have been discussed and agreed with BISP.

13. **BISP will need to open a Designated Account (DA)** to be maintained in accordance with the Office Memorandum, dated August 2, 2013, issued by Finance Division (Budget Wing), GoP, Islamabad.

14. **BISP's annual financial statements will be audited by the Auditor General's Office and the audit report will be submitted to the World Bank.** The annual audit will make use of internal and performance audit reports to enhance the coverage and quality of the external audit.

15. **Retroactive financing will be permitted for TA component expenditures under the following conditions:** (a) the activities financed are included in the project description; (b) the payments are for items procured in accordance with applicable World Bank procurement procedures; (c) such payments do not exceed 20 percent of the credit amount for the TA component; and (d) the payments were made by the recipient not more than 12 months before the expected date of signing of the Financing Agreement.

#### **F. Procurement**

16. **Procurement under the TA component will be carried out by BISP.** The World Bank's past experience with procurement under the SSN TA stresses the need to further strengthen BISP's procurement system to ensure it is robust and transparent. There is also a need to standardize BISP internal operating procedures and to ensure effective contract and complaint management. The Procurement Manual needs to be revisited and institutionalized for improving the procurement performance of the Program and the TA component. The establishment of a Procurement Unit is very instrumental; however, the function needs to

be in place in true spirit. There is also a need to maintain the capacity of the unit with well-experienced procurement staff to ensure that BISP develops an effective procurement system.

**17. To strengthen the institution's procurement capacity and improve overall procurement management, the following measures will be taken for implementation of the TA component:**

- (a) **Online Complaint Management Database.** BISP has developed this system, but it is sometimes unavailable. BISP needs to ensure the proper functioning and availability of this system.
- (b) **Procurement Manual.** BISP has to revise the Procurement Manual with clear roles and responsibilities of all technical and procurement staff. There is also a need to add a specific section for defining the oversight mechanism and periodic progress reporting to the top management.
- (c) **Independent third-party fiduciary review.** Annual third-party review will be conducted for assessing the procurement performance for activities conducted by BISP.
- (d) **Procurement capacity.** BISP needs to maintain adequate procurement capacity during the life of the Program. The capacity will be reviewed by the World Bank team during Implementation Support Missions and third-party fiduciary performance review.
- (e) **A procurement plan is prepared by BISP.** To ensure adequate timelines and packaging, a thorough market analysis is needed. ICBs shall be processed if the local markets are found deficient/limited for certain specialized areas of expertise. Packaging shall be done in a cost-effective manner optimizing economies of scale. No procurements shall be processed unless included in the procurement plan and approved by the World Bank. Procurement plans approved by the World Bank should be posted on the BISP website (without estimated cost).

**18. With these above arrangements, procurement under the TA component will be effective and transparent.** The above actions will result in smooth implementation of the component and lead to achievement of the Program Development Objectives. At this stage procurement risk rating of the project is kept 'Moderate.'

**19. Procurement under the TA component will be carried out in accordance with the World Bank's Guidelines** including 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants', January 2011 revised July 2014 and 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by the World Bank Borrowers', January 2011 revised July 2014. The Procurement Methods will be defined in the Procurement Plan as per the applicable thresholds.

**20. The World Bank's standard bidding documents for procurement under ICB, and sample bidding documents for procurement under NCB which are already being used on other World Bank-financed projects in Pakistan, will be used for procurement of goods under the TA component.** The World Bank's Standard Request for Proposal document will be used in the selection of consulting firms. The BISP shall ensure that the TA component is carried out in accordance with the provisions of the Anticorruption Guidelines. All expected procurement of goods and consultants' services under ICB will be listed in the component's General Procurement Notice. Specific Procurement Notice shall be published for all ICBs for goods and consultancy assignments estimated to cost more than US\$300,000.

**21. Procurement plan:** The BISP has developed a procurement plan for implementation which provides the basis for the procurement methods. The procurement plan will be updated in agreement with the project team annually or as required to reflect the actual program implementation needs and improvements in institutional capacity.

22. **Review of procurement by the World Bank:** Thresholds for prior review of contracts under eligible expenditures are given below. These thresholds will be reviewed in 18 months and adjustments upwards or downwards will be made in the procurement plan based on implementation experience.

- (a) All goods above US\$2.0 million
- (b) All single source selections or direct contracts
- (c) All consulting firms' activities above US\$1.0 million
- (d) All individual consultants above US\$0.3 million

23. **All other contracts will be subject to post review by the World Bank.** The implementing agency will send to the World Bank a list of all contracts for post review on a quarterly basis. Post reviews as well as the implementation reviews will be conducted every six months. Such review of contracts below threshold will constitute a sample of about 20 percent of the contracts.

24. **Procurement information and documentation - filing and database:** Procurement information will be recorded and reported as follows:

- (a) Complete procurement documentation for each contract, including bidding documents, advertisements, bids received, bid evaluations, letters of acceptance, contract agreements, securities, related correspondence and so on, will be maintained by the implementing agencies in order, readily available for audit.
- (b) Contract award information will be promptly recorded and contract rosters as agreed will be maintained by each implementing agency.

25. **Frequency of procurement supervision:** The World Bank review missions will be carried out every six months, with the participation of the Procurement Specialist. However, the review missions will be more frequently in the early stages of the project. In addition to the prior review, the World Bank supervision missions will be carried out for post review of procurement actions. The World Bank's Procurement Specialist based in the country office in Pakistan will be available to discuss procurement issues with the implementing agencies and also provide training as and when needed.